Kansas Department of

Social and Rehabilitation Services

Gary Daniels, Secretary

House Social Services Budget Committee
February 1, 2006

SRS State Hospitals

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Chairman Landwehr and members of the Committee, I am Ron Denney, Deputy Secretary of Social and Rehabilitation Services for the Division of Health Care Policy. Thank you for the opportunity to appear before you today to present the agency overview of the state hospitals. Before I begin, I would like to introduce the superintendents of the state developmental disability hospitals: Dr. Jerry Rea, from the Parsons State Hospital and Training Center, Ray Dalton from the Kansas Neurological Institute. The superintendents from the MH state hospitals are Dr. Mark Schutter from the Larned State Hospital, and Greg Valentine from the Osawatomie State Hospital and the Rainbow Mental Health Facility.

SRS' five state hospitals provide critical services to Kansans with severe mental illnesses or developmental disabilities as part of the social services safety net which includes a wide range of community and in-patient services. Changes in the budget of one part of these service systems affects other parts. Therefore, as I review the state hospitals with you today, I would ask that you remain mindful of the general budgets of the community mental health, substance abuse, and developmental disabilities systems as you develop appropriation recommendations for the state hospitals.

Today I will first provide a brief overview of each hospital. I will then review key program and budget issues with which the hospitals are dealing. Then, should you have additional questions, the superintendents and I will be happy to answer them.

State Developmental Disability Hospitals

I will start with the state developmental disability hospitals – Parsons State Hospital and Training Center (PSH&TC) and Kansas Neurological Institute (KNI). These facilities serve people with severe, life-long disabilities that had their onset during the persons' developmental years, most frequently at or before birth. One of the more frequently occurring developmental disabilities (DD) is mental retardation. Persons with DD generally require life long services and supports.

Both facilities are surveyed at least annually by the Kansas Department on Aging and are licensed and certified to participate in federal Medicaid funding as intermediate care facilities for persons with mental retardation and other related conditions.

SUMMARY OF STATE DEVELOPMENTAL DISABILITY HOSPITAL CENSUS

Facility	Budgeted Beds	Average Census
PSH&TC	188	200
KNI	168	166
Total	356	366

Parsons State Hospital and Training Center

Parsons State Hospital and Training Center (PSH&TC) is budgeted to serve 188 persons in ten (10) residential units. Most residential units house approximately 21 persons, except for the dual diagnosis unit which has an average census of ten (10). The average age range of residents is 35 - 40 years. Just over half of the residents are categorized in the severe to profound range of mental retardation. In addition to their mental retardation, 93 percent of PSH&TC residents present significant behavioral challenges or symptoms of emotional disturbance. Thus far in FY 2006, ten persons have been placed from PSH&TC to community service settings and 11 persons have been admitted.

PSH&TC seeks to enhance the quality of its residents' lives by utilizing personal preference in all aspects of life to guide all services. PSH&TC also continues to pioneer efforts in using the person-centered approach in a large residential facility. PSH&TC also seeks full inclusion of its residents through participating in community activities.

PSH&TC continues its research-based treatment program for persons with DD who have a history of sexual offenses. Currently, PSH&TC works with 37 persons and seven outpatients in assessment and treatment programs designed to reduce the probability of new offenses.

PSH&TC's Dual Diagnosis Treatment and Training Services (DDT&TS) provides treatment and consultation for persons with DD and severe mental illness. The DDT&TS has an active caseload of 120 in the community in addition to housing 12 residents at PSH&TC. The DDT&TS provides on-site delivery of psychological services, as well as direct training to parents and staff of community service providers. DDT&TS served 71 new people last year.

The Parsons Research Center and the Kansas University Center on Developmental Disabilities (KUCDD) are also located on the PSH&TC campus. These programs have a 40-year history at PSH&TC employing 47 faculty and staff with $15.4 million in contracts and grant awards.

Kansas Neurological Institute

Kansas Neurological Institute (KNI) serves 168 persons, 98 percent of whom are categorized in the severe to profound range of mental retardation. Most KNI residents are unable to walk, or speak, and have seizure disorders.

KNI seeks to support each person living at KNI to have a meaningful life through:

- Ensuring well-being;
- Providing opportunities for choice;
- Encouraging community participation;
- Promoting personal relationships; and
- Recognizing individuality.

Individuals at KNI live in 24 homes in five residential lodges. KNI utilizes a person-centered planning process to develop the individuals' supports and services. Support staff assist individuals in learning and performing routine life activities. KNI also promotes individuals' participation in community life.

In addition to providing needed services to the residents, some of the KNI professional staff provide support to persons with a DD living in the community. For example, KNI has one of three seating clinics in Kansas providing individually designed seating for persons using wheelchairs. The seating clinic served 96 individuals from the community last year and expects to serve 106 individuals this year.

KNI also provides dental services to persons with DD living in the community who are unable to access needed care. KNI staff have unique skills and experience that can be used to assist with developing new community-based dental services that will be available should the legislature fund the Governor's budget recommendation in the SRS budget to provide adult dental services through the home and community based services waivers.

During the past year, KNI continued to encourage parents to visit community-based services, but these visits continue to have little impact in interesting parents and guardians to place their individual in community-based services. One reason frequently given for parents not choosing to place their children into a community-based setting is the lack of funding for needed dental care. I ask for your support for this important new initiative to improve the health of persons with disabilities living in the community.

State Mental Health Hospitals

The state mental health hospitals – Osawatomie State Hospital (OSH), Rainbow Mental Health Facility (RMHF) and Larned State Hospital (LSH) – serve persons experiencing serious symptoms of severe mental illness. Only persons who have been determined to be a danger to themselves or others are referred to state mental health hospitals. These people generally exhibit symptoms that community providers cannot treat safely

and effectively. Once severe symptoms are stabilized, they can successfully return home with supports provided by their community mental health centers (CMHCs).

The state mental health hospitals also serve prisoners needing inpatient mental health treatment and persons committed as violent sexual predators. In addition, hospitals complete mental health evaluations on persons referred by the courts. Finally, both LSH and OSH provide social detoxification services.

The state mental health hospitals are accredited by the Joint Commission on Accreditation of Healthcare Organization (JCAHO) and are certified to participate in federal Medicaid and Medicare funding.

Osawatomie State Hospital and Rainbow Mental Health Facility

SUMMARY OF OSAWATOMIE AND RAINBOW CENSUS

Facility and Population	Budgeted Beds	Average Census YTD
Osawatomie State Hospital - Adults	160	173
Rainbow Mental Health Center		
Adults	25	26
Adolescents	10	10
Children	5	6
TOTAL	200	215

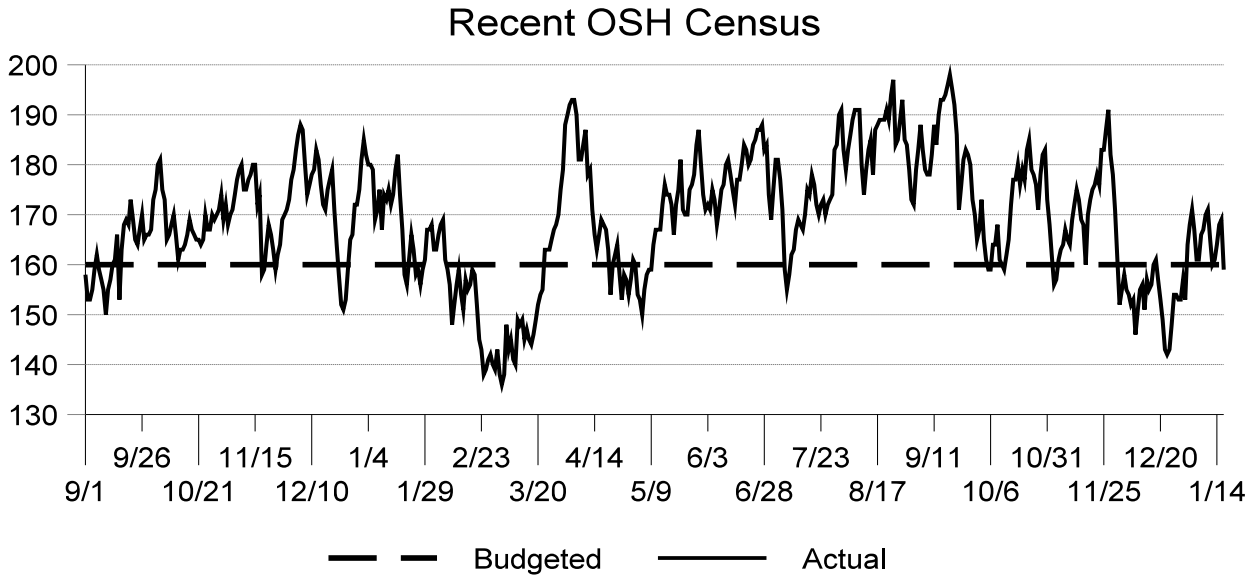
Osawatomie State Hospital
OSH serves adults from 46 eastern Kansas counties, including Sedgwick, Shawnee, Wyandotte, and Johnson Counties. OSH shares its catchment area with Rainbow Mental Health Facility. About 50 to 70 percent of the people served by OSH also need substance abuse treatment.

In late FY 2002 and early FY 2003, OSH's actual census was exceeding its budgeted census. So in late FY 2003, OSH took the following actions:

- Created a crisis stabilization unit for individuals who respond to more intensive, shorter treatment.
- Instituted a cognitive based program directed toward individuals who are criminally committed for treatment and who often have both mental illness and anti-social behaviors.
- Reorganized four units to serve individuals with significant barriers to a prompt return to the community such as: a resistence to anti-psychotic medications, homelessness, or a lack of supports in the community.

- Moved individuals whose service needs could be met in a less intensive environment to either community settings or nursing facilities.

These changes met with success, reducing OSH's average daily census (ADC) to 152 in FY 2003. However, since that time admissions have risen increasing the ADC. For the first six months of FY 2006, OSH's ADC was 173. The number of admissions continue to remain high placing a serious strain on OSH's resources, and some days the ADC rises to unsustainable levels, as the following chart demonstrate.



I will discuss the census issues at state mental health hospitals more fully in a moment.

Rainbow Mental Health Facility
Rainbow provides inpatient psychiatric care to adults and youth. The catchment area for adult services includes 10 northeast Kansas counties. The catchment area for youth services covers 46 counties in the eastern half of Kansas, serving approximately 75 percent of the state's population.

Rainbow is working toward implementing a recovery model and serves as a training site for the Consumers As Providers Program through the University of Kansas. Consumers from CMHCs' supported employment programs may work at the facility, and others from consumer run organizations meet with patients assisting in their recovery.

Larned State Hospital

SUMMARY OF LARNED CENSUS

Population/Program	Budgeted Beds	Average Census YTD
Adult Psychiatric	79	74
Adolescent Psychiatric	12	6
Children Psychiatric	8	4
State Security Program	110	103
Total Average Daily Census	209	187
	Budget Capacity	Current Census
Sexual Predator Treatment Program	160	138

Larned State Hospital (LSH) operates three distinctly different treatment programs. LSH's psychiatric program serves persons from 59 western Kansas counties. The State Security Program and Sexual Predator Treatment Program serve the entire state. Additionally, Larned provides support services to other state agencies located on the Larned campus.

Psychiatric Services Program (PSP)
The PSP provides acute psychiatric inpatient services for adults, adolescents, and children. The program serves the same function as OSH and Rainbow for their respective catchment areas. Treatment quality and effectiveness continues to increase through enhanced provision of services for trauma survivors and persons with substance abuse problems. Though admissions continue to remain high, LSH has achieved shorter lengths of stay and has kept its ADC manageable. LSH has also established a crisis stabilization model for adults whose symptoms can be effectively treated quickly and successfully returned to the community.

State Security Program
The State Security Program (SSP) serves the statewide needs of the Department of Corrections (DoC) and the Unified Judicial System for forensic evaluation and inpatient psychiatric care. This 110 bed program includes: a forensic evaluation unit, two psychiatric treatment units, a psychiatric unit for females, and a security behavior unit. The security behavior unit serves patients from all the state hospitals whose behaviors are extremely dangerous requiring the highest level of security.

The new SSP facility, the Isaac Ray Building, opened in July 2005. It currently houses the SSP and 2 1/3 units of the SPTP. The SPTP will move out of Isaac Ray to the Dillon Building once remodeling there has been completed at the end of March 2006.

Beginning April 2006, using funds appropriated by the 2005 legislature, the SSP will expand to serve an additional 90 DoC inmates in need of inpatient psychiatric treatment. LSH and DoC are working closely together to develop a plan to meet the needs of these persons and to move them into the program this Spring.

Sexual Predator Treatment Program (SPTP)
The SPTP serves persons with a civil commitment through the Kansas sexual predator treatment laws for indefinite treatment. The program currently serves 138 patients.

Other State Agencies on the Larned Campus
LSH shares the campus with the Larned Juvenile Correctional Facility (LJCF) and the Larned Correctional Mental Health Facility (LCMHF). LSH provides the LJCF, the LCMHF, and the Ft. Dodge Soldiers Home with support services that include dietary, maintenance, laundry, and water. Sharing LSH resources with DoC and JJA increases efficiencies of those agencies, but increases LSH's support costs above those of other state hospitals.

Sexual Predator Treatment Program (SPTP) Transitional Release Program
The SPTP Transitional Release Program is located on the grounds of OSH. The transitional release program provides intensive community based services for persons deemed eligible for transition from the LSH inpatient SPTP. The program provides individuals with daily living skills necessary to return to the community and to assure that the treatment goals achieved at LSH will continue so risk of re-offending is minimal. The Transitional Release Program currently serves five persons with a maximum capacity of seven.

Key State Hospital Issues

Direct Care Staff Salary Increase and Professional Staffing
We would like to thank the legislature for supporting last year's Governor's budget recommendations to raise the pay grades of the state hospital direct care staff. This tangible support for those who do some of the most difficult work to support and treat Kansas' most disabled citizens is greatly appreciated. SRS asks that the legislature support this year's GBR contained in the SRS budget to raise reimbursement rates for the home and community-based services waiver for persons with developmental disabilities. Increasing this reimbursement rate will allow our community providers to raise the pay rates for their staff who do similar work.

We also want to thank the legislature for supporting the HealthyKIDS pilot project that supplements the premiums of lower paid state employees for health insurance for their children. This puts state employees on a par with other lower paid Kansans who have access to the State's Children's Health Insurance Program (S-CHIP). Many of the direct care staff at the state hospitals are benefitting from this program.

Human Resources Consolidation on Larned Campus

The Governor has directed state agencies to collaborate to achieve increased efficiencies while maintaining effective service delivery. The Larned campus provides an ideal example for such efforts among LSH, LJCF, and the LCMHF. The first of these efforts involved combining the human resources functions of these facilities into one Human Resources (HR) Center. The combined HR Center reduces FTEs and associated salaries from 11 to nine, a 20 percent savings. The HR Center also will meet additional demands for HR connected with the various facility expansions which may occur with SPTP and SSP. The HR Service Center became operational April 1, 2005. The facilities' business managers continue to explore additional opportunities to collaborate and make resources go farther such as combining vehicle management and sharing other equipment.

Consolidation of OSH & RMHF Administration

Over the years OSH and RMHF have streamlined the administration of the two facilities. Additional efforts recently have allowed OSH in particular to focus more resources on direct services where the need is greatest, especially during times of high census. In an effort to focus limited resources on patient care, both hospitals have eliminated a number of administrative positions. This requires critical administrative supports to be managed with enhanced efficiency, without loss of effectiveness. To best meet the needs of patients at both hospitals, the Superintendent for both has created an organizational structure that emphasizes simplicity, ease of navigation and creates an executive team which manages both hospitals using the same resources, policies, practices and treatment philosophy. All direct clinical services at both hospitals are being managed under one Clinical Program Director who directly supervises the Directors of Nursing, Social Work, and Wellness and Recovery, who all provide their content leadership at both hospitals.

Medicaid Title XIX Funds in the State Hospitals

As you will recall from discussions during the past two years, the Federal Center for Medicare and Medicaid Services (CMS) has disallowed a state mental health hospital Medicaid claim for $11.1 million. The claim was based on unreimbursed education costs discovered from an SRS review of past years' cost reports for the state mental health hospitals. On March 1, 2004, SRS appealed this decision. The appeal was completed by both parties last Spring, but we have not yet heard a ruling from the Departmental Appeals Board (DAB). Our attorney reports that the DAB is short staffed and will likely not rule on the appeal for at least another nine months.

Increased State Mental Health Hospital Admissions

The state mental health hospitals are experiencing higher admissions than in past years. The following chart shows the number of psychiatric admissions to state mental health hospitals in recent years, excluding the State Security Program, Social Detox, and SPTP.

PSYCHIATRIC ADMISSIONS

Hospital	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Larned	684	663	738	846	990
Osawatomie	886	1,023	1,189	1,404	1,767
Rainbow	435	513	588	715	671
Total	**2,005**	**2,199**	**2,515**	**2,965**	**3,428**

These increased admissions caused SRS to examine what might be done to ensure the ADC at the hospitals remained below critical levels. The hospitals have addressed growing admissions by increasing the intensity and effectiveness of hospital treatment, thereby reducing lengths of stay and stabilizing their census. The Hospitals have changed their service delivery to include crisis stabilization services for those who would benefit from a short-term, intensive hospital stay.

Increased admissions have caused the Hospitals' census to rise to critical levels several times in the last year. The increase in state mental health hospital admissions, and the increased census that results, pose a serious challenge to the mental health service system. In response, SRS, in cooperation with mental health system stakeholders, developed an agreed *Protocol for Managing SMHH Census Increases.* Key elements of the protocol are:

- Regular communication with community partners to quickly assist with upward fluctuations;
- Extraordinary mutual planning and discharge effort when census crises loom;
- Hospitals working together to use admission diversion and transfer options;
- Seeking other treatment resources for people with intense or unique service needs; and
- Exploring and building alternative service options other than state psychiatric hospitals.

Ongoing study from the census management work group and other initiatives from state hospital leadership and staff have explored other options to manage high census including:

- Transitional housing or "step down" services on state hospital grounds;
- Exploring public/private partnerships for alternative service delivery;
- Improving communication between hospital and community staff;
- Treatment program enhancements that ensure patients receive the most effective and efficient treatment that is consumer focused, supportive of community care, and contributes to durable recovery;
- Prompt identification of a planned discharge date to provide a reasonable target for patients, family, hospital staff, and community service providers;

- Increased focus on sound discharge planning, especially for patients who had been at the hospital for longer than one year;
- Vigorous triage assessments on admission, with the shortest effective treatment track assigned to each patient; and
- Assessing the feasibility of providing outpatient observation treatment with a psychiatric hospital especially for patients with a combination of non-Severe Mental Illness; historical success in community functioning; intoxication; or presence of a "social" rather than purely psychiatric crisis.

Care must be taken to ensure that approved resources are sufficient to meet the existing census levels at state hospitals, and are in reality sufficient to meet the needs of each patient admitted. SRS will continue to monitor care of patients, capacity of facilities and budget and make adjustments in partnership with stakeholders to address this continuing concern.

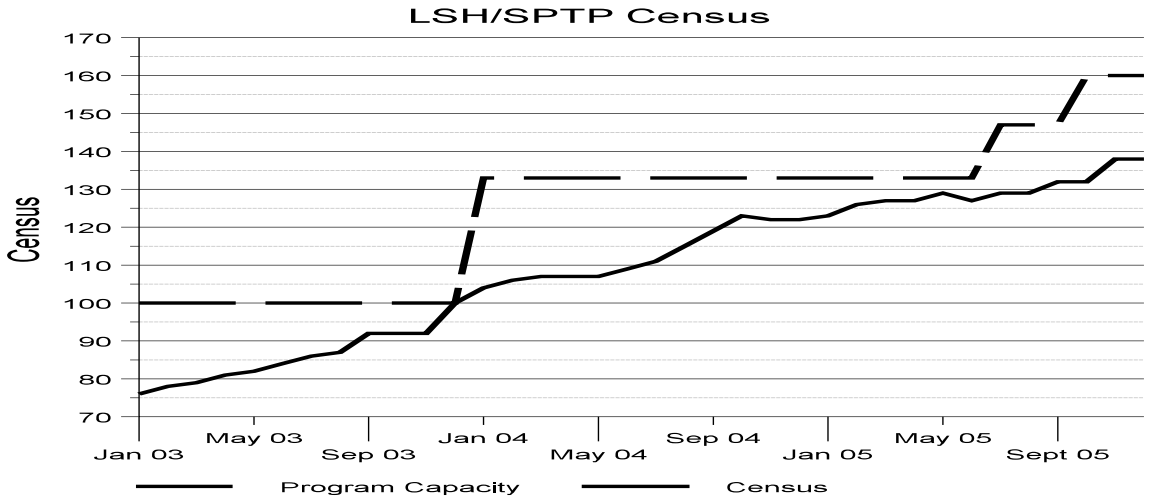
Other Operating Expenditures (OOE)

All state hospitals continue to struggle with operating costs rising far faster than inflation. The main cost drivers are pharmaceuticals and utility costs. The FY 2006 Governor's Budget Recommendation (GBR) addresses these additional costs by recommending $500,000 additional funding for OSH for drugs and shifting about $1.48 million in unplanned salary and wage savings at other hospitals to OOE. The GBR includes some additional increases to OOE in FY 2007. Savings in salary and wages has occurred because the SPTP census is not growing as fast as budgeted and other hospitals currently have higher than budgeted staff vacancies. Continuing to operate state hospitals at their current staffing levels, however, will have a serious affect on the quality and quantity of services patients and residents receive.

In spite of these additions to OOE, the hospitals may still have shortfalls in FY 2006. The extent of such shortfalls will be better known in a few months at which time a Governor's Budget Amendment may be necessary.

Sexual Predator Treatment Program (SPTP) Growth

The GBR contains base level funding for the SPTP and funds the addition of $390,145 and14 FTE needed to provide support services as the program moves back to the remodeled Dillon building. However, SPTP census continues to rise and program expansion will, at some point, be inevitable. However, the census growth remains somewhat erratic and uncertain as seen by the following chart:



So, consistent with past practice, SRS is making minimal, “just in time” requests for additional SPTP program expansions. These are likely to be reflected in next year’s budget request.

The SPTP census has grown by only 15 residents in the last year. If that pace continues, the SPTP will exceed current residential and treatment space by July, 2010. At this point there is no expectation the pace of census growth will change and no plans exist for expanding service capacity at LSH or elsewhere.

SRS will explore other approaches to serving and treating persons committed to the SPTP. SRS convened a Task Force to examine census trends and potential program changes to moderate the growth of the program and/or reduce the amount of state funds needed.

Recently, a court determined one of the SPTP residents was ready to move to the Transitional Program. This person, who is elderly and has health and medical problems, would be very difficult and expensive to serve at the OSH Transitional Program. So SRS developed services that could be delivered in a small, isolated setting where the person would receive services and supervision 24 hours a day 7 days a week. However, local government officials took exception with locating the program in their community and obtained a restraining order for the establishment of the program. In the meantime, the person resides on the grounds of OSH. SRS has appealed the restraining order to the Supreme Court and expects to hear a ruling on this appeal by the Summer or Fall of 2006. This ruling is important as we consider potential alternatives.

State Security Program Expansion

The GBR contains funding in FY 2007 to operate the 90 bed expansion of the SSP at a lower level than originally identified. As a new expansion project, we will be monitoring closely the initiation of that program, which will occur on a phased in basis during the last quarter of FY 2006. As with any new program, adjustments may need to be made to ensure the quality of care for the patients being treated.

Medicare Part D

Medicare Part D will pay for prescription drugs for low-income seniors and persons with disabilities who are eligible for both Medicare and Medicaid. This group is referred to as dual eligibles. Part D's impact on state hospitals varies depending on the type of hospital. The two Developmental Disability (DD) hospitals are affected the most. About 68 percent of the persons residing at the state DD hospitals are dual eligibles. Currently, both DD hospitals contract for pharmaceutical services with long-term care pharmacies. These pharmacies will need to contract with the various prescription drug plans for direct payment of drugs for dual eligibles. The direct impact to the state mental health hospitals, if any, has yet to be fully determined. However, it has been determined that any potential savings that might be experienced in the state hospitals is not subject to Part D's "clawback" provisions which requires states to share their related savings with the federal government.

I would be happy to answer any questions from the Committee.