Multiple Agency Fiscal Note Summary

Bill Number: 6656 S SB	**Title:** State hospital practices

Estimated Cash Receipts

Agency Name	2015-17		2017-19		2019-21	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Social and Health Services	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Total $	0	0	0	0	0	0

Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total	0.0	$0	$0	0.0	$0	$0	0.0	$0	$0

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

Prepared by: Devon Nichols, OFM	**Phone:** (360) 902-0582	**Date Published:** Final 3/22/2016

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 44601

Individual State Agency Fiscal Note

Bill Number: 6656 S SB	Title: State hospital practices	Agency: 107-Wash State Health Care Authority

Part I: Estimates

[X] **No Fiscal Impact**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[ ] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

[ ] Capital budget impact, complete Part IV.

[ ] Requires new rule making, complete Part V.

Legislative Contact:	Travis Sugarman	Phone: 786-7446	Date: 03/05/2016
Agency Preparation:	Kate LaBelle	Phone: 360-725-1846	Date: 03/10/2016
Agency Approval:	Carl Yanagida	Phone: 360-725-1033	Date: 03/10/2016
OFM Review:	Robyn Williams	Phone: (360) 902-0575	Date: 03/10/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached narrative

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached narrative

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached narrative

Part III: Expenditure Detail

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached narrative

Bill Number: 6656 SSB HCA Request #: 16-84

Part II: Narrative Explanation

II. A - Brief Description of What the Measure Does That Has Fiscal Impact

This bill amends RCWs 71.24.016, and 71.24.045 to study and prepare for the reform of the financing of the Western and Eastern State Hospital (ESH). The bill also creates new sections in 71.24 to direct the expanded use of psychiatric advanced registered nurse professionals (ARNPs), to reduce the patient level at Western State Hospital (WSH) by 30, and to direct the study of staffing patterns and ESH and WSH.

Section 1 - A new section is created in Chapter 71.24, directing the Department of Social and Health Services (DSHS) to develop a transition plan describing the “Requirements necessary” to eliminate the allocation/penalty system at the State Hospital and instead move the hospital to a private enterprise system in which Behavioral Health Organizations (BHOs) and Managed Care Organizations (MCOs) purchase beds directly.

Section 2 - Amends 71.54.016 to require the BHO or MCO/BH-ASO to appeal to the DSHS Secretary when an agreement cannot be reached between the BHO/MCO/BH-ASO on a discharge plan with 14 days of someone being identified as ready to discharge.

Section 3 – Section 3 requires the BHO to develop a discharge plan with 14 days of an individual at WSH/ESH being determined ready for discharge, instead of 21 days as was the prior law in 71.05.365.

Section 4 – Creates a new section that directs the State Hospital to expand the use of psych ARNPs for vacant positions, as long as the position or work does not exceed their scope of practice.

Section 5 – Creates a new section that directs DSHS to identify and discharge at least 30 patients from WSH by January 1, 2017. Also requires DSHS to provide a preliminary report to the governor in August 2017 and describing the outcomes of these 30 patients.

Section 6 – Section 7 directs DSHS to conduct a study to “examine staffing patterns, best practices and discrepancies in business practices in other hospitals and adjust staffing practices if appropriate” at ESH and WSH. DSHS must report its progress by December 1, 2016.

Section 7 – Requires DSHS to develop a transition plan with actuaries that will establish a methodology for dividing the state hospital beds between the BHOS/MCOs and develop rates for the State hospital bed. Also requires the legislature to convene a workgroup of agencies, BHOS, MCOs and consumers to review the transition plan. Transition plan first draft is due in September 2016, final draft in December, 2016.

Section 8 – Request the State Hospital to discharge patients to the regional support area of origin, where they were located when they entered the State hospital, unless there are extenuating family, financial, or health care reasons to discharge them to another region.

II. B - Cash Receipts Impact

None

II. C - Expenditures

No fiscal impact.

The Health Care Authority assumes this bill will impact DSHS.

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None

Individual State Agency Fiscal Note

Bill Number: 6656 S SB	Title: State hospital practices	Agency: 300-Dept of Social and Health Services

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Travis Sugarman	Phone: 786-7446	Date: 03/05/2016
Agency Preparation:	Sara Corbin	Phone: 360-902-8194	Date: 03/14/2016
Agency Approval:	Kelci Karl-Robinson	Phone: 360-902-8174	Date: 03/14/2016
OFM Review:	Devon Nichols	Phone: (360) 902-0582	Date: 03/22/2016

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The bill attempts to reform practices at the state mental health hospitals via the following methods:

New Sec. 1 (2)(a) - The Legislature specifically intends to explore the option of changing the payment system for state hospitals by providing behavioral health organizations (BHO) and other entities with the state funds necessary to purchase a number of days of care at a state hospital.

New Sec. 2 (10) - If a BHO or equivalent full integration region entity and the state hospital medical director are unable to reach a mutually agreed upon discharge plan for a patient within 14 days of a determination by any of these entities that a patient is no longer in need of intensive inpatient care, the case must be immediately appealed to the secretary of DSHS or the secretary's designee for expeditious resolution.

New Sec. 3 - A BHO must develop an individualized discharge plan and arrange for a transition to the community within 14 instead of 21 days of the determination by the hospital superintendent that an individual no longer requires active treatment at an inpatient level of care.

New Sec. 4 - DSHS must consider the role of psychiatric advanced registered nurse practitioners in supervising or directing the work of other treatment team members when it considers lines of authority for patient care.

New Sec. 5 - Thirty geriatric and long-term care patients must be discharged from Western State Hospital by January 1, 2017. DSHS must provide a preliminary report by December 1, 2016, and a final report by August 1, 2017 that describes outcomes for these patients.

New Sec. 6 - DSHS must examine staffing patterns, best practices, and discrepancies between the state hospitals in areas such as average patients per ward, variable ward staffing based on acuity of patient needs, reduction of length of stay discrepancies, coordination of ward treatment activities, the effect of staffing practices on retention and morale, and adjust staffing practices where appropriate. DSHS must report its progress to the legislature by December 1, 2016.

New Sec. 7 - DSHS must provide a detailed transition plan for implementation of a new hospital payment system by September 30, 2016 and December 30, 2016.

New Sec. 8 - A state hospital must discharge a patient to the patient's regional support area of origin or else provide written notice and an explanation to the Law and Justice Council of the county in which the patient is expected to reside. Discharge of a patient to the patient's regional support area of origin is appropriate unless:

(1) such discharge is not appropriate considering the location of family, natural supports, or, if the patient has a history of criminal justice system involvement, victim safety concerns, court-ordered conditions, or negative influences in the community; or

(2) financial coverage for the patient's community care needs has transferred to a different behavioral health organization or full integration region under RCW 71.24.850.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 1 (2): The legislature intends to explore the option of eliminating state hospital bed allocations for civil patients and charging Behavioral Health Organizations (BHOs), Aging and Long-Term Support Administration (ALTSA), and Developmental Disabilities Administration (DDA) for each day of care provided at the state hospital, within state funds provided for this purpose.

This bill requires the development of a transition plan to implement the policy of charging BHOs or other entities for each day of care provided at the state hospitals for civil patients. The BHOs are the primary purchasers of services unless a functional needs assessment or patient history indicates the person is a patient of ALTSA or DDA, the cost of the state hospital care would be their responsibility.

ALTSA and DDA have not paid for these costs in the past and these costs are believed to be ineligible for federal match. DSHS will explore this scenario, with the help of an actuarial consultant, to ensure that any outcomes that would result in the implementation of this bill would maintain or expand existing federal funding for hospital stays. If no outcomes are identified, ALTSA, DDA, and the BHOs may require significant GF-State investment to cover these costs.

The fiscal impact to the BHOs is unknown. The actuarial consulting firm is expected to assist in calculating a competitive financing system to address this problem. Funding mix per individual client is indeterminate at this time, further analysis based on individual client eligibility, active treatment participation, and clinical diagnosis at the state hospitals would determine Medicaid and Medicare portions of a non GF-State bed rate calculation.

This bill proposes a major change in how the Behavioral Health Organizations (BHOs) and state hospitals do business today, as such this bill is indeterminate, and the transition plan in collaboration with actuarial consultants and BHOs will need to tackle several factors and many outstanding questions:

- If the state match for the Disproportionate Share Hospital (DSH) federal grant was transferred to the BHOs/ALTSA/DDA, would the state hospitals be able to claim FFP for uninsured patients based on a state match payment by the BHO/ALTSA/DDA? The department is currently consulting with Covington and Burling to obtain a legal opinion.
- Clients under 22 and over 64 are eligible for Medicaid match within an IMD facility; it is unclear how the federal dollars for those clients would work under the new financing mechanism.
- The department will need to process a state plan amendment for changes in Medicaid billings.
- The department would need to consult with an actuarial firm to work through the legal details with CMS as well as developing competitive rates to charge BHOs/ALTSA/DDA.
- The department would need to develop mechanisms and an IT solution to account for per bed cost allocations and subsequent billing systems. Further work is needed to determine the workload impact on current staff.

Section 2. Requires the department to create a dispute resolution process. Due to a possible conflict of interest, the department would contract with an independent third party to do this function. The estimated one-time cost for geriatric patients is $110.00 hourly rate *8 hours*30 disputes a month = $26,400 or $317,000 annually (GF-State) in FY17. Ongoing costs are estimated to range from a high of $110.00 hourly rate *8 hours*15 disputes a month = $13,200 or $158,000 annually (GF-State) to a low of $110.00 hourly rate *8 hours*10 disputes a month = $8,800 or $106,000 annually (GF-State). This number may fluctuate in the number hours and/or disputes in a particular month/year.

Section 3. Requires BHOs and the state hospitals to develop an individualized discharge plan for clients no longer requiring active treatment, and arrange for a transition to the community in accordance with the clients individualized discharge plan within fourteen days of the determination. To assist in client transition peer bridge staff will be utilized, and are intended to assist in hospital discharge planning activities and help promote service continuity as individuals return to their communities. The cost for two peer bridge staff per nine BHOs and one early adopter is estimated to range from a high of $1,600,000 annually ($859,000 GF-State), to a low of one peer bridge staff per BHO/Early Adopter $800,000 annually (430,000 GF-State) in FY17 and ongoing. Peer bridge staff costs are estimated at $80,000 per staff, with a funding split of 54% State, 46% Federal.

Section 4. Requires the department to explore using Psychiatric Advanced Registered Nurse Practitioners (ARNP) in place of psychiatrists as long as the activities of the ARNPs do not exceed their scope of practice. The department would need to bargain the impacts of shifting the work currently performed by psychiatrists or internists to ARNPs. The department would also need to update the medical staff by-laws. As the number of ARNPs in the regional market is not very large, the department may consider contracting with the University of Washington (UW), College of Nursing to develop a training plan to grow existing hospital staff to meet the need of using more ARNPs in place of psychiatrists. The estimated cost ranges from $250,000 to $500,000 (GF-State).

Section 5. Requires the department to identify and discharge at least thirty patients at Western State Hospital to alternative settings by January 1, 2017.

It is assumed that ALTSA would find placements for 20 clients in existing Enhanced Service Facility (ESF) beds, no new resources are needed for these beds. Additionally, it is estimated that ALTSA would find placements for 10 clients in community settings at a rate of $389 per day which will provide for more complex medical and behavioral supports. Beginning July 1, 2016, ALTSA assumes it would place one patient the first month, with full ramp-up anticipated to occur by December 2016.

The cost of these services is estimated to be $1,075,000 Total Funds ($537,000 GF-State) in FY17 and $1,424,000 Total Funds ($712,000 GF-State) in FY18 and thereafter.

Existing Enhanced Service Facility (ESF) Funding Available: ESFs are a type of community placement with behavioral and environmental interventions and high staffing ratios to serve individuals with complicated personal care and behavioral health challenges. The 2014 Legislature provided initial funding for ESFs in the 2013-15 biennial budget to support the discharge of individuals with significant behavioral issues related to mental health conditions from state hospitals; however, community provider capacity issues have delayed the availability of these services. DSHS anticipates 8 beds in Spokane and 12 beds in Vancouver being able to accept ESF placements in April 2016.

DSHS will utilize these 20 beds for the 30 clients to be discharged from WSH. Because funding is already appropriated for this purpose, there is no fiscal impact for these 20 ESF slots.

Additionally, DSHS must provide preliminary and six-month follow up reports by December 1, 2016, and August 1, 2017.

Section 6. Requires the department to examine staffing patterns, best practices and discrepancies in staffing practices between the state hospitals and adjust staffing practices where appropriate. The department must report its progress to the legislature by December 1, 2016 which includes movement towards consistent staffing levels

between the hospitals, employing variable ward staffing based on patient acuity, reducing the length of stay at WSH, effect of staffing practices on retention and morale of less senior employees, and coordination of ward treatment activities to provide a single line of authority to determine patient care. Contracting with a consultant to study staffing is estimated to range from $250,000 to $500,000 (GF-State).

Currently, the majority of the wards at WSH and ESH are 30 beds per ward. In order to bring the wards down to 27 per ward; it would take one additional ward to implement this change. The exception is that there are some wards that currently operate less than 30 due to patient safety or available space; these wards were not brought up to 27 beds. An additional civil ward is estimated to cost $5,383,000 (GF-State).

Section 7. Requires the development of a transition plan in collaboration with an actuarial consultant, behavioral health organizations, and equivalent entities in full integration regions detailing the requirements for implementation of the policy in section 1(2). The transition plan shall include but not be limited to consideration of the nine items listed in section 7.

The legislature intends to explore the option of changing the payment system for state hospitals by eliminating the state hospital bed allocations. DSHS must provide a detailed preliminary transition plan by September 30, 2016 and a final report by December 30, 2016.
DSHS would need to contract with an actuarial firm to define a rate where all of these variables (and possibly more) are taken into consideration. The cost of these services is estimated to range from $250,000 to $500,000 (GF-State).

Additionally, a high estimate of 2.0 FTE WMS2 position will be needed to coordinate information, attend meetings, conduct research, develop and submit reports to the legislature. The FTE cost is estimated to be $284,000 Total Funds ($170,000 GF-State). And a low estimate of 1.0 FTE WMS2 position will be needed to coordinate information, attend meetings, conduct research, develop and submit reports to the legislature. The FTE cost is estimated to be $142,000 Total Funds ($85,000 GF-State). (60% State, 40% Federal.)

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 6656 S SB	**Title:** State hospital practices

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [ ] Cities:
- [X] Counties: Indeterminate impacts to counties that staff behavioral health organizations (BHO)
- [ ] Special Districts:
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [X] Key variables cannot be estimated with certainty at this time: Cost to develop and implement a plan to transition civil patients from state hospitals to BHO provider treatment facilities

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Amber Siefer	Phone: 360-725-2733	Date: 03/11/2016
Leg. Committee Contact: Travis Sugarman	Phone: 786-7446	Date: 03/05/2016
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/11/2016
OFM Review: David Dula	Phone: (360) 902-7437	Date: 03/11/2016

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

CHANGES FROM PREVIOUS BILL VERSION:
This substitute bill includes new provisions for full integration regions and removes the requirement that the Department of Social and Health Services (DSHS) charge behavioral health organizations' (BHOs) for each day of care provided at state hospitals.

Section 3 amends RCW 71.05.365 shortens the time a behavioral health organization (BHO) has to work with a hospital to develop individualized discharge plans for involuntarily committed persons from 21 to 14 days when a determination is made that a person no longer requires active psychiatric treatment at an inpatient level of care.

Section 4 requires state hospitals to consider the role of psychiatric advanced registered nurse practitioners in supervising or directing the work of other treatment team members.

New Section 5 increases the time for DSHS to identify and discharge patients from western state hospital from October 1, 2016, to January 1, 2017.

New Section 7 requires DSHS to develop a transition plan in collaboration with its actuarial consultant, behavioral health organizations, and equivalent entities in full integration regions.

New Section 8 requires that patients released from state hospitals be discharged to the patient's regional support area of origin under certain circumstances.

New Section 9 Section 3 of this act takes effect July 1, 2018.

CURRENT SUMMARY OF BILL:
Section 2 amends RCW 71.24.045. The BHO shall manage the utilization of long-term civil commitment beds purchased at a state hospital or other facility by patients who receive civil commitments and ensure that these patients efficiently transition into the community and upon determination by the medical director of the state psychiatric hospital that they no longer need intensive inpatient care. If the BHO and the state psychiatric hospital medical director are unable to reach a mutually agreed upon discharge plan within 14 days, the case must be immediately appealed to the DSHS secretary for expeditious resolution.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

The cost impacts to counties from transitioning civil patients from state hospitals to BHOs is indeterminate. However, counties that provide staffing for behavioral health organizations (BHOs) could incur additional staffing costs to consult with DSHS to develop and implement a transition plan. The scope of this transition plan is unknown so it is not possible to provide an estimate of related costs, such as transportation of patients.

The Local Government Fiscal Note Program (LGFN) assumes that any patients released from state hospitals as a result of transition planning would be located to alternative privately-owned treatment facilities by BHOs. Therefore, no additional costs to local law enforcement agencies are expected as a result of this bill.

BACKGROUND:
According to DSHS Division of Behavioral Health and Recovery website, there are 13 regional support networks across the state which comprise both private and non-profit service providers. The term regional support network is interchangeable for behavioral health organization. County courts hold hearings for involuntary commitment cases and utilize evaluation and treatment services (E&Ts) and beds for cases where offenders are considered to be "not fit" to stand trial, and are therefore referred for psychiatric evaluation and possibly treatment. E&T services are generally provided for a limited period of time, and then appropriate placement referrals are made. E&T beds are provided by regional support networks and may be either owned by a profit or non-profit entity.

In 2015, Pierce County held 1,645 involuntary commitment cases, an increase of 400 hearings from 2014, entirely due to new case filings from other counties. Pierce County currently contains a total of 64 E&T beds across four facilities. It is unknown precisely how many involuntary commitment cases resulted in E&T bed placements in 2015. However, of the 1,645 hearings, 313 resulted in 14-day hearings and of those, 190 resulted in 90-day hearings, for which E&T bed placements are highly likely to have occurred. Diverted patients accounted for 880 BHO provider bed days in 2015, according to the Peninsula Regional Support Network Administrator who serves

Clallam, Jefferson, and Kitsap counties.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

There are no revenue impacts to local governments as a result of this bill.

BACKGROUND:
According to the Peninsula Regional Support Network Administrator, the current funding mix for BHO providers is approximately 80 percent Medicaid and 20 percent state funding.

SOURCES:
Pierce County Superior Court
Chelan-Douglas Regional Support Network
Peninsula Regional Support Network
Department of Social and Health Services fiscal note
Frontier Behavioral Health website http://fbhwa.org/programs/inpatient-stabilization-services/evaluation-and-treatment-et-services/