Annual Report on Community Services Board Contracts for Private Inpatient Psychiatric Treatment Services July 1, 2004 - June 30, 2005

To the Chairmen of the House Appropriations and Senate Finance Committees of the General Assembly

Presented By
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Executive Summary

The 2005 General Assembly included language in item 330 L of the 2005 Appropriation Act to require the Department to submit a report annually to the Chairmen of the House Appropriations and Senate Finance Committees, beginning on October 1, regarding community services board (CSB) contracts with private service providers for local inpatient psychiatric treatment services. CSBs contract with private providers of local inpatient psychiatric treatment services in two ways. Historically, a few CSBs have contracted individually with various private providers for local inpatient psychiatric services. Based on survey results, CSBs paid $257,787 to 12 private providers for 714 bed days of inpatient psychiatric treatment for 154 individuals in FY 2005. Now, CSBs also contract with private providers of local inpatient psychiatric services on a regional basis through the Local Inpatient Purchase of Services (LIPOS) mechanism. In FY 2005, CSBs paid $11,773,898 of LIPOS funds to 38 private providers for 20,864 bed days of inpatient psychiatric treatment for 3,389 consumers. University of Virginia Hospital and VCU Medical College of Virginia Hospitals are included, even though they are not private providers in the same sense as the others in this report, because they are valuable resources for the CSBs that contract with them. Thus, in FY 2005, CSBs reported that they paid a total of $12,031,685 to 38 private providers for 21,578 bed days of inpatient psychiatric treatment for 3,543 individuals.

The purchase of these services by CSBs and the diversion of consumers receiving those services had a significant impact on state hospital expenditures, utilization, and operations. Any savings realized by community-based inpatient psychiatric treatment services would be reflected in avoidance of increased state hospital expenditures and in decreased demand for state hospital beds. Of the 3,543 consumers served in FY 2005 through these contracts, 435 or 12.3 percent were admitted to a state hospital upon their discharge from private providers. These individuals needed longer term extended rehabilitation services offered by state hospitals. As a result of these contracts, 3,108 consumers were diverted from possible admission to state hospitals. In FY 2005, 2,658 individuals were served in state hospital admissions units, excluding geriatric beds. If all 3,108 diverted consumers had been admitted, this would have increased the number of individuals admitted to state hospitals by 117 percent in FY 2005.

In conclusion, CSB contracts for local private inpatient psychiatric treatment services served more individuals than state hospital admission units in FY 2005, 3,543 versus 2,658 consumers. Those contracts obtained services for these individuals at far less cost than they could have been served in state hospitals, $12,031,685 in the community versus up to $93,625,392 in state hospitals, depending on assumptions made about average lengths of stay in state hospital admission units and the proportion of those consumers who might have been admitted to state hospitals. Therefore, it is vitally important that funding for the purchase of local inpatient psychiatric treatment services delivered through contracts with private providers be maintained and even increased as Virginia moves to transform its public mental health, mental retardation, and substance abuse services system to serve individuals with serious mental illnesses most appropriately and effectively.

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Background

The 2005 General Assembly included language in item 330 L of the 2005 Appropriation Act to require the Department to submit a report annually to the Chairmen of the House Appropriations and Senate Finance Committees, beginning on October 1, regarding community services board contracts with private service providers. The report shall include: contract amounts paid to each private psychiatric inpatient provider, number of patients (consumers) served, term of inpatient treatment, any savings realized by community-based treatment, and any fiscal impact on state hospitals.

The performance contracts through which the Department funds community services boards and behavioral health authorities (CSBs) require them to submit reports containing financial, service, and consumer information to the Department on October 1 for the previous fiscal year. However, those reports do not contain the information about individual private providers needed for this report. Therefore, the Department collected this information through an additional report from the CSBs. Because it would be much less disruptive for CSBs to submit the additional report with their other Fiscal Year (FY) 2005 reports to the Department on October 1, the Department requested and received an extension of the due date for this report to December 1. This extension allowed Department staff to receive and analyze the information submitted by CSBs before completing this report.

Methodology

The Department developed a survey in collaboration with CSBs to gather the information needed to prepare this report. The survey instructed CSBs to include all funds paid during FY 2005, even if the payment was for services provided in FY 2004, since some bills for FY 2004 services would not be presented or paid until after the end of that fiscal year. The survey also instructed CSBs to include all consumers who received inpatient psychiatric treatment from these private providers, even consumers served in FY 2005 but not paid for in FY 2005, for example due to services being billed after the end of FY 2005. Finally, the survey instructed CSBs to include all bed days, even bed days provided in FY 2005 that were not paid for in FY 2005, for example due to services being billed or paid after the end of FY 2005. This tends to balance out FY 2005 payments for FY 2004 services with services but no payments in FY 2005. The survey also instructed CSBs to include payments to reserve beds, some of which might not be occupied always. Information about consumers and bed days was used to address the term of inpatient treatment element in item 330 L for this report.

The Department distributed the survey on September 20, so that CSBs could submit it with their FY 2005 fourth quarter reports to the Department in early October. Department staff reviewed the surveys and contacted CSBs to resolve any concerns as surveys were received. The results of the survey are reflected in this report. Department data about state hospital utilization for FY 2005 also was reviewed to prepare this report.

Contract Amounts Paid, Numbers of Consumers Served, and Bed Days Purchased

CSBs contract with private providers of local inpatient psychiatric treatment services in two ways. Historically, a few CSBs have contracted individually with various private providers for local inpatient psychiatric services. Based on survey results, CSBs paid $257,787 to 12 private providers for 714 bed days of inpatient psychiatric treatment for 154 individuals in FY 2005. The average cost per bed day, total funds paid divided by the bed days purchased, was $573. Bed days and payments for Snowdon at Fredericksburg were excluded from this calculation because the average cost per bed was based on a very low negotiated contract rate. The average length of stay per consumer, bed days purchased divided by consumers served, was 4.6 days. Calculated average costs and lengths of stay per consumer vary among providers, depending on several factors. These factors include the particular service needs of individual consumers, how closely a CSB manages the use of contracted beds, whether private providers bill for services in a timely manner, the rates negotiated in contracts with individual private providers, and whether contracts include low or no cost bed days or beds. Calculated cost per bed day ranged from $411 to $625; these costs often will vary slightly from the actual negotiated contract costs per bed day. Calculated average length of stay per consumer varied from 2.5 to 9.6 days per bed. Information about amounts paid to individual providers and the numbers of consumers they served and bed days they provided is shown below in Table 1.

Table 1: Individual CSB Payments to Private Providers

Name of Private Provider	Funds Paid	Consumers Served	Bed Days Purchased
Carilion New River Medical Center (St. Albans)	$3,000	2	5
Community Memorial Hospital Pavilion[1]	$0	1	3
Dominion Hospital	$56,513	10	96
John Randolph Hospital	$4,088	1	7
Maryview Behavioral Healthcare Center	$1,645	1	4
Poplar Springs Hospital	$2,436	1	4
Prince William Hospital	$14,385	5	23
Russell County Medical Center: Clearview	$51,600	15	86
Snowdon at Fredericksburg[2]	$11,360	71	284
St. Mary's Hospital (Richmond)	$5,100	2	12
Virginia Beach Psychiatric Hospital	$15,860	8	37
Wellmont Bristol Regional Medical Center: Ridgeview	$91,800	37	153
Totals: 12 Private Providers	$257,787	154	714

[1] Services were provided but the hospital did not bill for them in FY 2005.

[2] Cost paid is based on negotiated contract amount.

Now, CSBs also contract with private providers of local inpatient psychiatric services on a regional basis through the Local Inpatient Purchase of Services (LIPOS) mechanism. The seven regional partnerships shown on the next page include the CSBs in a region and the state hospital that serves them. Regional partnerships negotiate contracts with private providers for

local inpatient psychiatric treatment services and use regional utilization review and management mechanisms to ensure the most cost effective use of LIPOS funds and the appropriateness of purchased inpatient psychiatric treatment for individual consumers.

Regional CSB and State Hospital Partnerships		
Region	**CSBs**	**State Hospital**
Northwestern	Central Virginia Community Services, Harrisonburg-Rockingham CSB, Northwestern Community Services, Rappahannock Area CSB, Rappahannock-Rapidan CSB, Region Ten CSB, Rockbridge Area CSB, Valley CSB	Western State Hospital
Northern	Alexandria CSB, Arlington CSB, Fairfax-Falls Church CSB, Loudoun County CSB, Prince William County CSB	Northern VA MH Institute
Catawba	Alleghany Highlands Community Services Blue Ridge Behavioral Healthcare	Catawba Hospital
Southwestern	Cumberland Mountain Community Services, Dickenson County Behavioral Health Services, Highlands Community Services, Mount Rogers Community Mental Health & Mental Retardation Services Board, New River Valley Community Services, Planning District One Behavioral Health Services	Southwestern Virginia Mental Health Institute
Southern	Danville-Pittsylvania Community Services, Piedmont Community Services, Southside CSB	Southern VA MH Institute
Central	Chesterfield CSB, Crossroads Services Board, District 19 CSB, Goochland-Powhatan Community Services, Hanover County CSB, Henrico Area Mental Health & Retardation Services, Richmond Behavioral Health Authority	Central State Hospital
Eastern	Chesapeake CSB, Colonial Services Board, Eastern Shore CSB, Hampton-Newport News CSB, Middle Peninsula-Northern Neck CSB, Norfolk CSB, Portsmouth Department of Behavioral Healthcare Services, Virginia Beach Department of Human Services, Western Tidewater CSB	Eastern State Hospital

In FY 2005, the General Assembly appropriated $2.8 million of state general funds as part of the CSB funding item to support the LIPOS. In addition, CSBs used other reinvestment state funds to support the LIPOS. In FY 2005, CSBs paid $11,773,898 of LIPOS funds to 38 private providers for 20,864 bed days of inpatient psychiatric treatment for 3,389 consumers. The average cost per bed day was $565, and average length of stay per consumer was 6.2 days. Calculated average costs and lengths of stay per consumer vary among providers, depending on several factors, noted in the paragraph preceding Table 1 on the previous page. Calculated cost per bed day ranged from $426 to $700; these costs often will vary slightly from the actual negotiated contract costs per bed day. Calculated average length of stay per consumer varied from 2.5 to 12.0 days per bed. Information derived from the survey about amounts of LIPOS funds paid to individual private providers and the numbers of consumers they served and bed days they provided is contained in Table 2 on the next page. The University of Virginia Hospital and VCU Medical College of Virginia Hospitals are included in this table, even though they are not private providers in the same sense as the other providers in this report, because they are valuable resources for the CSBs that contract with them.

Table 2: Regional CSB LIPOS Payments to Private Providers			
Name of Private Provider	**Funds Paid**	**Consumers Served**	**Bed Days Purchased**
Arlington Virginia Hospital Center	$161,822	43	266
Augusta Medical Center	$15,450	9	28
Carilion New River Medical Center (St. Albans)	$55,900	25	100
Carilion Roanoke Memorial Hospital	$114,700	43	179
Centra Health/Virginia Baptist Hospital	$101,100	36	169
Chesapeake General Hospital	$1,785	1	3
Chippenham Hospital (Tucker Pavilion)	$193,816	81	441
Community Memorial Hospital Pavilion	$193,389	95	380
Danville Regional Medical Center	$77,655	50	145
Dominion Hospital	$251,009	67	538
INOVA – Alexandria	$35,200	13	72
INOVA – Fairfax[1]	$0	7	39
INOVA – Mt. Vernon	$652,628	241	1,167
John Randolph Hospital	$309,120	65	564
Lewis-Gale Hospital	$12,450	6	19
Louise Obici Hospital	$8,891	2	17
Martha Jefferson Hospital	$3,230	1	5
Mary Washington Hospital	$8,400	1	12
Maryview Behavioral Healthcare Center	$1,727,440	460	2,806
Memorial Hospital of Martinsville[2]	$5,080	12	30
Northern Virginia Community Hospital	$427,850	115	688
Poplar Springs Hospital	$730,996	125	1,217
Potomac Hospital[1]	$0	1	3
Prince William Hospital	$639,320	210	1,121
Richmond Community Hospital	$511,415	183	946
Riverside Behavioral Health Care Center	$2,083,791	524	3,788
Rockingham Memorial Hospital	$35,050	14	61
Russell County Medical Center: Clearview	$37,800	16	63
Shore Memorial Hospital	$106,392	40	186
Snowdon at Fredericksburg	$94,240	45	221
Southside Regional Medical Center	$273,304	63	504
St. Mary's Hospital (Richmond)	$304,463	125	557
Twin Counties Regional Hospital	$12,098	5	23
University of Virginia Hospital	$16,200	7	30
VCU Medical College of Virginia Hospitals	$212,197	55	341
Virginia Beach Psychiatric Hospital	$2,186,400	532	3,848
Wellmont Bristol Regional Medical Center: Ridgeview	$110,890	51	178
Winchester Medical Center	$62,427	20	109
Totals: 38 Private Providers	$11,773,898	3,389	20,864

[1] Services were provided but the hospital did not bill for them in FY 2005.

[2] Services paid only partially with LIPOS funds.

Thus, in FY 2005, CSBs reported that they paid through individual CSB contracts and regional LIPOS contracts a total of $12,031,685 to 38 private providers for 21,578 bed days of inpatient psychiatric treatment for 3,543 individuals. The purchase of these services by CSBs and the diversion of consumers receiving these services had a significant impact on state hospital expenditures, utilization, and operations, reducing the potential demand for state hospital services substantially.

Savings Realized By Community-Based Treatment and Fiscal Impact On State Hospitals

Any savings realized by community-based inpatient psychiatric treatment would be reflected in state hospital expenditures and operations. However, identifying any specific savings realized by community-based inpatient psychiatric treatment or any immediate fiscal impact of these private provider contracts on state hospitals is difficult. The survey gathered information about the numbers of consumers who received local inpatient psychiatric treatment through individual CSB or LIPOS contracts who subsequently were admitted to a state hospital after their discharge from those private providers because they needed longer term extended rehabilitation services that are not offered in local inpatient psychiatric treatment services but are provided by state hospitals. Of the 3,543 consumers served in FY 2005 through these contracts, 435 or 12.3 percent were admitted to a state hospital upon their discharge from private providers. This represents a considerable diversion of consumers from possible admission to state hospitals.

Two types of impact that could be analyzed are the decreased demand for state hospital admissions and associated bed days that occurred because of the delivery of these local inpatient psychiatric treatment services and the avoidance of projected increased costs. While state hospitals operate within relatively fixed budgets, various costs increase or decrease, depending on the demand for hospital services. For example, if admissions unexpectedly increase significantly, a state hospital may incur substantial unanticipated overtime staffing costs. The hospital could also experience unplanned increases in utilization, sometimes exceeding 100 percent, that could jeopardize the quality of care in that hospital.

While it would be logical to assume that all 3,543 consumers served by local private inpatient psychiatric treatment providers would have been admitted to a state hospital if services from these providers had not been available, only 435 consumers were admitted and 3,108 consumers were not admitted. In FY 2005, 2,658 individuals were served in state hospital admissions units, excluding geriatric beds. If all 3,108 diverted consumers had been admitted, this would have increased the number of individuals admitted to state hospitals by 117 percent for FY 2005. An increase of this magnitude in individuals admitted would have had profound adverse effects on the operations of state hospitals and the quality of services received by consumers in them. Overcrowding in hospital wards would have been widespread, creating extreme stresses on consumers and direct care staff. Overtime costs for additional staff time needed to maintain reasonable and therapeutic staff to consumer ratios would have increased significantly.

Local inpatient psychiatric treatment has several advantages over treatment in a state hospital for many consumers. Consumers served in local inpatient treatment services retain closer connections to their home communities and support networks. The involvement of the consumer's family and significant others in treatment is much easier. One of the main

advantages is that, in most cases, consumers are stabilized and returned to their home environments much more quickly than when they are admitted to state hospitals. In other words, although per day costs are often higher, consumers tend to have shorter lengths of stay in community inpatient psychiatric treatment services than they do in state hospital acute inpatient admission units, so the overall cost of an episode of care is much smaller. The average length of stay per consumer for all community psychiatric inpatient beds (LIPOS and individual CSB) was 6.1 days in FY 2005. The average cost per bed day for those beds was $557.11. Consequently, the average cost per consumer for local inpatient psychiatric treatment was $3,398. The average length of stay per consumer for all state hospital acute inpatient admission beds was 55.3 days. The average cost per day for those beds was $544.74. Therefore, the average cost per consumer in state hospital acute admissions beds was $30,124. The projected total cost if all 3,108 consumers who were diverted from state hospital admission had been admitted would have been $93,625,392. Yet, the total cost of all state hospital admission beds in FY 2005 was only $80,106,947.

In FY 2005, two state hospitals had average lengths of stay (ALOS) per consumer that were significant outliers compared to the other hospitals. However, even if those two hospitals were excluded from the calculations, the ALOS in state hospital admission units was still 40.9 days per consumer. Using this lower ALOS figure would reduce the average cost per consumer in state hospital admission units to $22,280. This change would decrease the overall total projected fiscal impact on state hospitals to $69,246,240, if local inpatient psychiatric treatment services purchased from private providers were not available and all 3,108 consumers had been admitted.

In conclusion, CSB contracts for local private inpatient psychiatric treatment services served more individuals than state hospital admission units in FY 2005, 3,543 versus 2,658 individuals. Those contracts obtained services for these individuals at far less cost than they could have been served in state hospitals, $12,031,685 in the community versus up to $93,625,392 in state hospitals, depending on assumptions made about average lengths of stay in state hospital admission units and the proportion of those consumers who might have been admitted to state hospitals.

Therefore, it is vitally important that funding for the purchase of local inpatient psychiatric treatment services delivered through contracts with private providers be maintained and even increased as Virginia strives to transform its public mental health, mental retardation, and substance abuse services system. These funds, combined with additional resources for other innovative services such as Programs of Assertive Community Treatment, Discharge Assistance Projects, and recently funded Crisis Intervention Programs, offer the best chance for Virginia to continue decreasing the size of its state hospitals while building needed community capacity to serve individuals with serious mental illnesses most appropriately and effectively. This will help Virginia to move toward achieving the vision of a consumer-driven system of services and supports that promotes self-determination, empowerment, recovery, resilience, health, and the highest possible level of consumer participation in all aspects of community life, including work, school, family, and other meaningful relationships.