Annual Report on Community Services Board Contracts for Private Inpatient Psychiatric Treatment Services
July 1, 2005 - June 30, 2006

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

Presented By
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Executive Summary

The General Assembly included language in item 311 K of the 2006 Appropriation Act to require the Department to submit a report annually to the Chairmen of the House Appropriations and Senate Finance Committees 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 $117,612 to eight private providers for 434 bed days of inpatient psychiatric treatment for 103 individuals in FY 2006. 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 2006, CSBs paid $11,637,032 of LIPOS funds to 32 private providers for 19,244 bed days of inpatient psychiatric treatment for 3,538 consumers. Thus, in FY 2006, CSBs reported that they paid a total of $11,754,644 to 32 private providers for 19,678 bed days of inpatient psychiatric treatment for 3,641 individuals.

The purchase of these services by CSBs and the diversion of consumers receiving those services from admission to state hospitals 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 3,641 consumers served in FY 2006 through these contracts, only 102 consumers, or 2.8 percent of the total number, 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, 3,539 consumers were diverted from possible admission to state hospitals. In FY 2006, 3,119 individuals were served in state hospital admission units. If all 3,539 diverted consumers had been admitted, this would have increased the number of individuals admitted to state hospitals by 113 percent in FY 2006.

In conclusion, CSB contracts for local private inpatient psychiatric treatment services served more individuals than state hospital admission units in FY 2006, 3,641 versus 3,119 consumers. Those contracts obtained services for these individuals at far less cost than they could have been served in state hospitals, $11,754,644 in the community versus up to as much as $93,086,317 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 General Assembly included language in item 311 K of the 2006 Appropriation Act to require the Department to submit a report annually to the Chairmen of the House Appropriations and Senate Finance Committees 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 2 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) 2006 reports to the Department on October 2, 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 2006, even if the payment was for services provided in FY 2005, since some bills for FY 2005 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 2006 but not paid for in FY 2006 due to services being billed after the end of FY 2006. Finally, the survey instructed CSBs to include all bed days, even bed days provided in FY 2006 that were not paid for in FY 2006, due to services being billed or paid after the end of FY 2006. This tends to balance out FY 2006 payments for FY 2005 services with services but no payments in FY 2006. 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 311 K for this report.

The Department distributed the survey on September 6, so that CSBs could submit it with their FY 2006 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 2006 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 $117,612 to eight private providers for 434 bed days of inpatient psychiatric treatment for 103 individuals in FY 2006. The average cost per bed day, total funds paid divided by the bed days purchased, was $642. 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 of $40 per day. The average length of stay per consumer, bed days purchased divided by consumers served, was 4.2 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 $394 to $720; these costs often will vary slightly from the actual negotiated contract costs per bed day. Calculated average length of stay per consumer varied from 2.3 to 13.2 days per bed. Information about amounts CSBs paid to individual providers and the numbers of consumers they served and bed days they provided is shown below in Table 1.

Table 1: FY 2006 Individual CSB Payments to Private Providers

Name of Private Provider	Funds Paid	Consumers Served	Bed Days Purchased
Centra Health/Virginia Baptist Hospital (Lynchburg)	$4,694	1	10
Chippenham Hospital (Tuckers Pavilion) (Richmond)	$2,759	3	7
Dominion Hospital (Falls Church)	$69,507	8	106
John Randolph Hospital (Hopewell)	$2,296	1	4
Poplar Springs Hospital (Petersburg)	$ 3,654	1	6
Prince William Hospital (Manassas)	$9,360	1	13
Richmond Community Hospital	$14,222	2	20
Snowdon at Fredericksburg	$11,120	86	268
Totals: 8 Private Providers	$117,612	103	434

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 and the state hospital in a region. 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 8 CSBs	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 5 CSBs	Alexandria CSB, Arlington CSB, Fairfax-Falls Church CSB, Loudoun County CSB, Prince William County CSB	Northern VA MH Institute
Catawba 2 CSBs	Alleghany Highlands Community Services Blue Ridge Behavioral Healthcare	Catawba Hospital
Southwestern 6 CSBs	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 3 CSBs	Danville-Pittsylvania Community Services, Piedmont Community Services, Southside CSB	Southern VA MH Institute
Central 7 CSBs	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 9 CSBs	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

For FY 2006, the General Assembly appropriated $5.4 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 2006, CSBs paid $11,637,032 of LIPOS funds to 32 private providers for 19,244 bed days of inpatient psychiatric treatment for 3,538 consumers. The average cost per bed day was $616.24. Bed days and payments for INOVA - Fairfax and Memorial Hospital of Martinsville were excluded from this calculation because the average cost per bed day was unusually low ($234 and $371 per bed day respectively) due to the amount of services provided during FY 2006 that was not billed to the CSB or partial coverage of the hospital's expenses by insurance payments, respectively. The average length of stay per consumer was 5.4 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 $501 to $768; these costs often will vary slightly from the actual negotiated contract costs per bed day. Calculated average length of stay per consumer varied from 3.5 to 15.0 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: FY 2006 Regional CSB LIPOS Payments to Private Providers			
Name of Private Provider	**Funds Paid**	**Consumers Served**	**Bed Days Purchased**
Arlington Virginia Hospital Center	$293,441	74	489
Augusta Medical Center (Augusta County)	$37,200	18	71
Carilion New River Medical Center (St. Albans - Radford)	$139,191	50	224
Carilion Roanoke Memorial Hospital	$287,874	84	375
Centra Health/Virginia Baptist Hospital (Lynchburg)	$101,167	33	158
Chippenham Hospital (Tucker Pavilion - Richmond)	$424,742	75	612
Community Memorial Hospital Pavilion (South Hill)	$272,720	81	544
Danville Regional Medical Center	$130,380	66	241
Dominion Hospital (Falls Church)	$341,553	77	521
INOVA - Fairfax [1]	$78,750	59	337
INOVA - Mt. Vernon	$729,810	223	1,173
John Randolph Hospital (Hopewell)	$174,533	42	271
Lewis-Gale Hospital (Roanoke)	$35,998	10	52
Maryview Behavioral Healthcare Center (Portsmouth)	$1,816,788	573	2,606
Memorial Hospital of Martinsville [2]	$134,218	91	362
Northern Virginia Community Hospital (Arlington) [3]	$3,425	0	0
Poplar Springs Hospital (Petersburg)	$575,943	122	943
Prince William Hospital (Manassas)	$513,790	167	856
Rappahannock General Hospital	$9,000	1	15
Richmond Community Hospital	$590,311	132	969
Riverside Behavioral Health Care Center (Newport News)	$1,607,508	562	2,883
Rockingham Memorial Hospital (Harrisonburg)	$29,100	14	49
Russell County Medical Center: Clearview	$82,410	21	110
Snowdon at Fredericksburg	$452,920	110	627
Southside Regional Medical Center (Petersburg)	$152,537	40	269
St. Mary's Hospital (Richmond)	$405,806	90	745
Twin Counties Regional Hospital (Galax)	$66,276	26	122
University of Virginia Hospital (Charlottesville)	$50,680	19	94
VCU Medical College of Virginia Hospitals (Richmond)	$ 93,903	27	169
Virginia Beach Psychiatric Hospital	$1,777,684	564	2,987
Wellmont Bristol Regional Medical Center: Ridgeview	$149,341	58	218
Winchester Medical Center	$78,033	29	152
Totals: 32 Private Providers	$11,637,032	3,538	19,244

[1] Some services were provided but the hospital had not billed for them at the time the survey was submitted.

[2] Services paid only partially with LIPOS funds. The remainder of the hospital's expenses was covered by insurance payments. This resulted in a lower than expected LIPOS expense.

[3] This represents a payment for services provided in FY 2005.

Thus, in FY 2006, CSBs reported that they paid through individual CSB contracts and regional LIPOS contracts a total of $11,754,644 to 32 private providers for 19,678 bed days of inpatient psychiatric treatment for 3,641 individuals. The purchase of these services by CSBs and the diversion of consumers receiving these services from admission to state hospitals 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 3,641 consumers served in FY 2006 through these contracts, only 102 consumers, or 2.8 percent of the total number, 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.

The 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 and experience unplanned increases in utilization, sometimes exceeding a utilization rate of 100 percent, which could jeopardize the quality of care in that state hospital.

While it would be logical to assume that all 3,641 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 102 consumers were admitted and 3,539 consumers were not admitted. In FY 2006, 3,119 individuals were served in state hospital admissions units at Catawba Hospital, Eastern State Hospital, Northern Virginia Mental Health Institute, Southern Virginia Mental Health Institute, Southwestern Virginia Mental Health Institute, and Western State Hospital. If all 3,539 diverted consumers had been admitted, this would have increased the number of individuals admitted to state hospitals by 113 percent for FY 2006. An increase of this magnitude 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 5.4 days in FY 2006. The average cost per bed day for those beds was $616.24. Consequently, the average cost per consumer for local inpatient psychiatric treatment was $3,328. The average length of stay per consumer for all state hospital acute inpatient admission beds was 47.2 days. The average cost per day for those beds was $557.26. Therefore, the average cost per consumer in state hospital acute admissions beds was $26,303. The projected total cost if all 3,539 consumers who were diverted from state hospital admission had been admitted would have been $93,086,317. Yet, the total cost of all state hospital admission beds in FY 2006 was only $81,965,596.

In FY 2006 two state hospitals had average lengths of stay (ALOS) per consumer that were significantly longer, 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 37.7 days per consumer. Using this lower ALOS figure would reduce the average cost per consumer in state hospital admission units to $20,192. This change would decrease the overall total projected fiscal impact on state hospitals to $71,459,488, if local inpatient psychiatric treatment services purchased from private providers were not available and all 3,539 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 2006 3,641 versus 3,119 individuals. Those contracts obtained services for these individuals at far less cost than they could have been served in state hospitals, $11,754,644 in the community versus up to as much as $93,086,317 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 Crisis Intervention and Stabilization 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.