



**Annual Report on Community Services Board Contracts  
for Private Inpatient Psychiatric Treatment Services  
July 1, 2008 - June 30, 2009  
(Item 315 K)**

**to the Chairmen of the House Appropriations and  
Senate Finance Committees of the General Assembly**

**December 15, 2009**



COMMONWEALTH of VIRGINIA

DEPARTMENT OF  
BEHAVIORAL HEALTH AND DEVELOPMENTAL SERVICES

Post Office Box 1797  
Richmond, Virginia 23218-1797

JAMES S. REINHARD, M.D.  
COMMISSIONER

Telephone (804) 786-3921  
Voice/TDD (804) 371-8977  
[www.dbhds.virginia.gov](http://www.dbhds.virginia.gov)

December 15, 2009

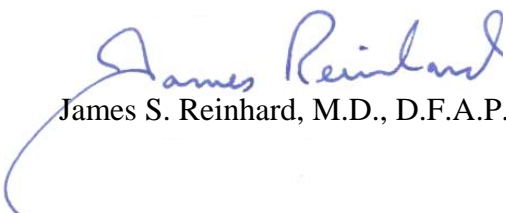
The Honorable Charles J. Colgan, Sr., Chairman  
Senate Finance Committee  
General Assembly Building, Room 626  
P.O. Box 396  
Richmond, Virginia 23218

Dear Senator Colgan:

I am pleased to forward to you the Department's Annual Report on Community Services Board Contracts for Private Inpatient Psychiatric Treatment Services. Item 315.K of the 2009 *Appropriation Act* directs me to submit a report annually to you regarding community services board (CSB) contracts with private service providers, to include contract amounts paid to each provider, number of patients served, term of inpatient treatment, any savings realized by community-based treatment, and any fiscal impact on state hospitals.

The Department developed a survey in collaboration with the Virginia Association of Community Services Boards, and CSBs submitted the information needed to produce this report with their FY 2009 end of the fiscal year reports in early October. As this report notes, local inpatient psychiatric treatment services delivered by private providers through contracts with CSBs have had a substantial impact on reducing the potential demand for state hospital services. I hope that you and your staff find the information in this report helpful. My staff and I are available at your convenience to answer any questions you may have about this report.

Sincerely,

  
James S. Reinhard, M.D., D.F.A.P.A.

JSR/prg

pc: The Honorable Marilyn B. Tavenner  
Joe Flores  
Frank L. Tetrick, III  
Paul R. Gilding  
Ruth Anne Walker



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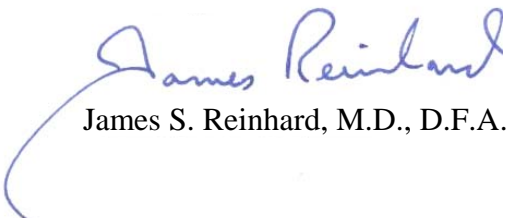
The Honorable Lacey E. Putney, Chairman  
House Appropriations Committee  
General Assembly Building, Room 947  
P.O. Box 406  
Richmond, Virginia 23218

Dear Delegate Putney:

I am pleased to forward to you the Department's Annual Report on Community Services Board Contracts for Private Inpatient Psychiatric Treatment Services. Item 315.K of the 2009 *Appropriation Act* directs me to submit a report annually to you regarding community services board (CSB) contracts with private service providers, to include contract amounts paid to each provider, number of patients served, term of inpatient treatment, any savings realized by community-based treatment, and any fiscal impact on state hospitals.

The Department developed a survey in collaboration with the Virginia Association of Community Services Boards, and CSBs submitted the information needed to produce this report with their FY 2009 end of the fiscal year reports in early October. As this report notes, local inpatient psychiatric treatment services delivered by private providers through contracts with CSBs have had a substantial impact on reducing the potential demand for state hospital services. I hope that you and your staff find the information in this report helpful. My staff and I are available at your convenience to answer any questions you may have about this report.

Sincerely,

  
James S. Reinhard, M.D., D.F.A.P.A.

JSR/prg

pc: The Honorable Marilyn B. Tavenner  
Susan E. Massart  
Frank L. Tetrick, III

Paul R. Gilding  
Ruth Anne Walker

## **Annual Report on Community Services Board Contracts for Private Inpatient Psychiatric Treatment Services: July 1, 2008 - June 30, 2009**

### **Executive Summary**

Item 315.K of the 2009 Appropriation Act requires 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 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 some private providers for local inpatient psychiatric services. Based on survey results, CSBs contracted with eight private providers and paid \$103,872 for 358 bed days of inpatient psychiatric treatment provided to 108 individuals in FY 2009. However, CSBs contract primarily with private providers of local inpatient psychiatric services on a regional basis through the Local Inpatient Purchase of Services (LIPOS) mechanism. In FY 2009, CSBs paid \$12,082,126 of LIPOS funds to 34 private providers for 17,044 bed days of inpatient psychiatric treatment provided to 3,182 individuals. Combining these two ways of contracting for local inpatient psychiatric services, CSBs reported that they paid \$12,185,998 to 34 private providers for 17,402 bed days of inpatient psychiatric treatment for 3,290 individuals in FY 2009.

The purchase of these services by CSBs and the diversion of individuals receiving those services from admission to state hospitals had a significant impact on potential 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 3,290 individuals served in FY 2009 through these contracts, only 278 individuals, or 8.4 percent of the total number, were transferred 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, 3,012 individuals were diverted from possible admission to state hospitals. In FY 2009, 2,691 individuals were served in state hospital admission units. If the 3,012 diverted individuals had been admitted, this would have increased the number of individuals admitted to state hospital admission units by 112 percent in FY 2009.

In conclusion, CSB contracts for local private inpatient psychiatric treatment services served more individuals than state hospital admission units in FY 2009, 3,290 versus 2,691 individuals. Those contracts obtained services for these individuals at far less cost than they could have been served in state hospitals, \$12,185,998 in the community versus up to as much as \$102,355,743 in state hospitals, depending on assumptions made about average lengths of stay in state hospital admission units and the proportion of those individuals 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 behavioral health and developmental services system to serve individuals with serious mental illnesses most appropriately and effectively, increasing the availability of services in the community.

## **Background**

Item 315.K of the 2009 Appropriation Act requires 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 Act requires the report to include contract amounts paid to each private psychiatric inpatient provider, the number of patients (individuals receiving services) served, the 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 the 39 community services boards and one behavioral health authority (CSBs) require them to submit reports containing financial, service, and consumer information to the Department by 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 non-automated report from CSBs. Because it would be much less disruptive for CSBs to submit the additional report with their other Fiscal Year (FY) 2009 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 2009, even if the payment was for services provided in FY 2008, since some bills for FY 2008 services would not be presented or paid until after the end of that fiscal year. The survey also instructed CSBs to include all individuals who received inpatient psychiatric treatment from these private providers, even individuals served in FY 2009 but not paid for in FY 2009 due to services being billed after the end of FY 2009. Finally, the survey instructed CSBs to include all bed days, even bed days provided in FY 2009 that were not paid for in FY 2009, due to services being billed or paid after the end of FY 2009. This tends to balance out FY 2009 payments for FY 2008 services with services but no payments in FY 2009. The survey also instructed CSBs to include payments to reserve beds, some of which might not be occupied always. Information about individuals who received services and bed days was used to address the term of inpatient treatment element in item 315.K for this report.

The Department distributed the survey on September 4, so that CSBs could submit it with their FY 2009 end of the fiscal year 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 admission unit utilization for FY 2009 also was reviewed to prepare this report.

## Contract Amounts Paid, Numbers of Individuals 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 some private providers for local inpatient psychiatric services. Based on the survey results, CSBs contracted with eight private providers and paid \$103,872 for 358 bed days of inpatient psychiatric treatment provided to 108 individuals in FY 2009. The average cost per bed day, total funds paid divided by the bed days purchased, was \$641.25, excluding the outliers identified in footnotes to the table below. The average length of stay per individual, total bed days divided by total individuals served, was 3.31 days. Calculated bed day costs and lengths of stay per individual served vary among providers, depending on several factors. These factors include the particular service needs of individuals served, 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 private providers, and whether contracts include low or no cost bed days or beds. Calculated cost per bed day ranged from \$596 to \$999. Calculated average length of stay per individual varied from 1.00 to 6.00 days. Information about individual CSB payments is shown below.

<b>Name of Private Provider</b>	<b>Funds Paid</b>	<b>Individuals Served</b>	<b>Bed Days Purchased</b>
Augusta Medical Center	\$8,000	2	10
Danville Regional Medical Center	\$54,283	19	91
INOVA Mt. Vernon <sup>1</sup>	\$12,592	0	0
Rockingham Memorial Hospital	\$8,800	3	11
Russell County Medical Center: Clearview	\$7,200	2	12
Snowdon of Fredericksburg <sup>2</sup>	\$9,200	80	230
University of Virginia Hospital	\$800	1	1
Wellmont Bristol Regional Medical Center (Ridgeview)	\$2,997	1	3
<b>Totals: Eight Private Providers</b>	<b>\$103,872</b>	<b>108</b>	<b>358</b>

<sup>1</sup> The CSB purchased 16 bed days in FY 2008, but they were not billed until this fiscal year.

<sup>2</sup> The CSB has negotiated a rate of \$40 per bed day with Snowdon of Fredericksburg.

CSBs contract with private providers of local inpatient psychiatric services primarily on a regional basis through the Local Inpatient Purchase of Services (LIPOS) mechanism. The seven planning partnership regions, shown on the next page, each include the CSBs and the state hospital that serves them in a region. Acting collaboratively through these partnerships, CSBs 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 individuals receiving these services.

<b>Planning Partnership Regions (PPRs): CSB and State Hospital Partnerships</b>		
<b>Region</b>	<b>Community Services Boards and the Richmond Behavioral Health Authority (CSBs)</b>	<b>State Hospital</b>
PPR 1 Northwestern Virginia	Central Virginia Community Services, Harrisonburg-Rockingham CSB, Northwestern Community Services, Rappahannock Area CSB, Rappahannock-Rapidan CSB, Region Ten CSB, Rockbridge Area Community Services, Valley CSB	Western State Hospital
PPR 2 Northern VA	Alexandria CSB, Arlington CSB, Fairfax-Falls Church CSB, Loudoun County CSB, Prince William County CSB	Northern VA MH Institute
PPR 3 Southwestern Virginia	Cumberland Mountain CSB, Dickenson County Behavioral Health Services, Highlands Community Services, Mount Rogers Community Services Board, New River Valley Community Services, Planning District One Mental Health and Mental Retardation Services Board	Southwestern Virginia MH Institute
PPR 4 Central Virginia	Chesterfield CSB, Crossroads CSB, District 19 CSB, Goochland-Powhatan Community Services, Hanover County CSB, Henrico Area CSB, Richmond Behavioral Health Authority	Central State Hospital
PPR 5 Eastern Virginia	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 CSB, Western Tidewater CSB	Eastern State Hospital
PPR 6 Southern VA	Danville-Pittsylvania Community Services, Piedmont Community Services, Southside CSB	Southern VA MH Institute
PPR 7 Catawba	Alleghany Highlands CSB, Blue Ridge Behavioral Healthcare	Catawba Hospital

For FY 2009, the General Assembly appropriated \$8 million of state general funds specifically to support the LIPOS acute care initiative. Some CSBs also used state reinvestment, system transformation, or ongoing mental health funds to augment the LIPOS acute care appropriation. In FY 2009, CSBs paid \$12,082,126 to 34 private providers for 17,044 bed days of inpatient psychiatric treatment provided to 3,182 individuals. The average cost per bed day was \$708.88. Calculated costs per bed day ranged from \$441 to \$1,084. The calculated average length of stay per individual receiving services was 5.36 days, and the average length of stay varied from 3.02 to 14.00 days among the 34 providers. Calculated average costs and lengths of stay varied among providers, depending on the factors noted in the paragraph preceding Table 1 on the previous page. Information derived from the survey about amounts of funds paid to individual private providers and the numbers of individuals 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 the table, even though they are not private providers in the same sense as the other providers, because they are valuable resources for the CSBs that contract with them.

<b>Table 2: FY 2009 CSB LIPOS Payments to Private Providers</b>			
<b>Name of Private Provider</b>	<b>Funds Paid</b>	<b>Individuals Served</b>	<b>Bed Days Purchased</b>
Arlington Virginia Hospital Center	\$203,714	33	188
Augusta Medical Center (Augusta County)	\$13,600	4	17
Carilion New River Valley Medical Center (Radford)	\$139,495	58	231
Carilion Roanoke Memorial Hospital	\$368,011	90	420
Centra Health/Virginia Baptist Hospital (Lynchburg)	\$14,700	1	14
Chippenham Hospital (Tuckers Pavilion - Richmond)	\$345,269	132	538
Community Memorial Hospital Pavilion (South Hill)	\$187,610	73	336
Danville Regional Medical Center	\$143,987	51	243
Dominion Hospital (Falls Church)	\$379,498	66	395
INOVA - Fairfax	\$205,335	72	309
INOVA -Loudoun	\$21,275	18	75
INOVA - Mt. Vernon	\$746,452	181	996
John Randolph Hospital (Hopewell)	\$106,672	18	108
Laurels - Cumberland Mountain	\$10,973	6	22
Lewis-Gale Hospital (Roanoke)	\$135,866	39	169
Maryview Behavioral Healthcare Center (Portsmouth)	\$1,880,600	378	2,526
Memorial Hospital of Martinsville	\$335,462	118	537
Poplar Springs Hospital (Petersburg)	\$764,596	233	1,153
Prince William Hospital (Manassas)	\$359,122	94	462
Rappahannock General Hospital	\$27,786	9	63
Richmond Community Hospital	\$733,764	197	1,094
Riverside Behavioral Health Care Center (Newport News)	\$2,180,053	511	3,258
Rockingham Memorial Hospital (Harrisonburg)	\$155,339	60	190
Russell County Medical Center: Clearview	\$5,400	2	9
Snowdon at Fredericksburg	\$177,825	42	205
Southern Virginia Regional Medical Center (Emporia)	\$300,180	72	406
Southside Regional Medical Center (Petersburg)	\$24,653	7	31
St. Mary's Hospital (Richmond)	\$265,991	71	328
Twin County Regional Hospital (Galax)	\$51,000	58	175
University of Virginia Hospital (Charlottesville)	\$93,448	39	173
VCU Medical College of Virginia Hospitals (Richmond)	\$312,742	58	396
Virginia Beach Psychiatric Center (Virginia Beach CSB)	\$292,124	59	323
Wellmont Bristol Regional Medical Center: Ridgeview	\$154,467	78	257
Winchester Medical Center	\$945,117	254	1,397
<b>Totals: 34 Private Providers</b>	<b>\$12,082,126</b>	<b>3,182</b>	<b>17,044</b>

Combining the two ways CSBs contract for local inpatient psychiatric treatment services, CSBs paid \$12,185,998 in FY 2009 to 34 private providers for 17,402 bed days of inpatient psychiatric treatment for 3,290 individuals. The average length of stay per individual was 5.29 days; the average cost per bed day was \$708.37; and the average cost per individual served was \$3,789.47.



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

The purchase of these local inpatient psychiatric services and the diversion of individuals receiving these services from admission to state hospitals had a significant impact on potential state hospital expenditures, utilization, and operations, reducing the potential demand for state hospital services substantially.

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 individuals 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 3,290 individuals served in FY 2009 through these contracts, 278 individuals, or 8.4 percent of the total number, were admitted to a state hospital upon their discharge from private providers. However, 3,012 individuals were not admitted to a state hospital. This represents a considerable diversion of individuals 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 3,290 individuals 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 in FY 2009, only 278 individuals were admitted, and 3,012 individuals were not admitted. In FY 2009, 2,691 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 3,012 diverted individuals had been admitted, this would have increased the number of individuals admitted to state hospital admission units by 112 percent in FY 2009. An increase of this magnitude would have had profound adverse effects on the operations of state hospitals and the quality of services received by individuals in them. Overcrowding in hospital wards would have been widespread, creating extreme stresses on individuals receiving services and on direct care staff. Overtime costs for additional staff time needed to maintain reasonable and therapeutic ratios of staff to individuals receiving services would have increased significantly.

Local inpatient psychiatric treatment has several advantages over treatment in a state hospital for many individuals. Individuals served in local inpatient treatment services usually retain closer connections to their home communities and support networks. The involvement of the individual's family and significant others in treatment is much easier. One of the biggest advantages is that, in most cases, individuals 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, individuals 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. In FY 2009, the average length of stay per individual for all community psychiatric inpatient beds (LIPOS and individual CSB contracts) was 5.29 days; the average cost per bed day for those beds was \$708.37; and the average cost per individual for local inpatient psychiatric treatment was \$3,789.47. In FY 2009, the average length of stay per individual for all state hospital acute inpatient admission beds was 69 days; the average cost per day for those beds was \$639.12; and the average cost per individual in state hospital acute admissions beds was \$33,949.45. The projected total cost if all 3,012 individuals who were diverted from state hospital admission had been admitted would have been an additional \$102,355,743. Yet, the total cost of the 142,944 bed days in state hospital admission units for the 2,691 unduplicated individuals served in FY 2009 was \$91,357,979.

In conclusion, CSB contracts for local private inpatient psychiatric treatment services served more individuals than state hospital admission units in FY 2009, 3,290 versus 2,691 individuals. Those contracts obtained services for these individuals at far less cost than they could have been served in state hospitals, \$12,185,998 in the community versus up to as much as \$102,355,743 in state hospitals, depending on assumptions made about average lengths of stay in state hospital admission units and the proportion of those individuals 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 behavioral health and developmental services system. These funds, combined with additional resources for other innovative services such as Programs of Assertive Community Treatment, Discharge Assistance Projects, and Ambulatory and Residential Crisis Stabilization Services, 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.