

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 97hrJC-Fi_Misc_pt67_LFB

➤ Record of Comm. Proceedings ... RCP

➤ **

Health and Family Services

Care and Treatment Facilities

(LFB Budget Summary Document: Page 289)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Wisconsin Resource Center Staffing (Paper #455)
2	Community Release Program (Paper #456)
4	Budget Reductions to Reflect CIP IA Placements Made During the 1995-97 Biennium (Paper #457)
5	Mental Health Institutes -- Revised Funding Split (Paper #458)
8	Variable Nonfood Costs (Paper #459)
14	Deficits at the State Mental Health Institutes (Paper #460)
-	Funding for Services Director at the Mendota Mental Health Institute (Paper #461)

To: Joint Committee on Finance
From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Wisconsin Resource Center Staffing (DHFS -- Care and Treatment Facilities and Corrections -- Adult Institutions)

[LFB Summary: Page 180, #8 and Page 289, #1]

CURRENT LAW

Currently, staff employed by the Wisconsin Resource Center (WRC) provide mental health services to two groups of individuals: (a) persons who have been involuntarily committed under civil law as sexually violent persons (SVPs); and (b) prison inmates who have been transferred for treatment of mental health problems from the state's correctional institutions.

At present, these mental health services are provided at two different facilities. At the current 160-bed WRC facility, 140 beds are allocated for treatment of SVPs and one 20-bed unit has been retained for treatment of prison inmates. In addition, WRC staff use several buildings at the Oshkosh Correctional Institution, which provides 140 beds for the treatment of prison inmates. The Oshkosh units are only intended to be used on a temporary basis. A new facility on the WRC grounds is currently being constructed to serve prison inmates who require mental health services.

In the previous legislative session, a total of \$18.5 million in bonding was authorized to construct a second WRC building with 300 beds to accommodate the growing population of SVPs and to maintain services for prison inmates. Construction of the new WRC facility has begun and is expected to be completed by December, 1997 or January, 1998.

Currently, the WRC is budgeted to staff a total of 300 beds (160 beds at the old WRC and 140 beds at Oshkosh). When the new WRC building is completed, the WRC will require

resources to staff 460 beds (160 beds at the old WRC and 300 beds at the new WRC), an increase of 160 beds.

GOVERNOR

Provide \$6,623,100 GPR and 173.5 GPR positions and \$170,700 PR and 9.5 PR positions in 1997-98 and \$9,564,300 GPR and 183.5 GPR positions and \$412,200 PR and 9.5 PR positions in 1998-99 to DHFS to staff the additional beds at the WRC. These additional staff would be phased in, beginning in July, 1997. As part of this item, the bill would provide: (a) \$300,200 PR in 1997-98 and \$423,600 PR in 1998-99 to support 15.0 PR positions, beginning in 1997-98, to perform support services shared by WRC and the Winnebago Mental Health Institute; (b) -\$129,900 PR in 1997-98 and -\$11,400 PR in 1998-99 and the deletion of 5.5 PR positions, beginning in 1997-98, to reflect the conversion of current PR positions to GPR; and (c) \$40,900 GPR in 1997-98 and \$48,100 GPR in 1998-99 to support 1.0 forensic specialist position, beginning in 1997-98, to prepare court ordered pre-disposition reports and to coordinate contractual and case management services for sexually violent persons who are on supervised release.

In addition, provide \$815,300 GPR in 1997-98 and \$925,500 GPR in 1998-99 with 33.0 GPR positions for the Department of Corrections to provide security at the expanded WRC facility, with the positions starting October 1, 1997.

DISCUSSION POINTS

1. Prior to 1994-95, the current 160-bed WRC facility was used exclusively to serve prison inmates. However, with the enactment of 1993 Wisconsin Act 479, which established involuntary civil commitment procedures for SVPs, the current WRC facility has been increasingly used to support services for SVPs, and has served fewer prison inmates. In order to maintain treatment services for prison inmates, the Oshkosh Correctional Institution units were established as a temporary facility until the new WRC became available.

2. The following table indicates the changes in the SVP and prison inmate populations treated by WRC staff from June 30, 1994 to the present. The table shows that the number of committed SVPs has grown at a rate of approximately 55 per year. At this rate, by the fall of 1997, the current WRC will not be able to accommodate all of the SVPs, and some SVPs may need to be housed at the new WRC. Initially, in January, 1998, the new WRC will be able to accommodate 270 prison inmates, but, if current trends continue, the capacity for prison inmates will decline at a rate of 55 persons per year to accommodate the growing population of SVPs.

Sexually Violent Person and Wisconsin Resource Center Inmate Populations

<u>Date</u>	<u>SVP Populations</u>				<u>Inmates at WRC & Oshkosh</u>			<u>Total Populations</u>
	<u>WRC</u>	<u>Mendota</u>	<u>Release</u>	<u>Total</u>	<u>WRC</u>	<u>Oshkosh</u>	<u>Total</u>	
June 30, 1994	0	0	0	0	164	0	164	164
June 30, 1995	43	14	1	58	115	0	115	173
June 30, 1996	94	16	3	114	54	20	74	187
January 1, 1997	105	20	4	129	60	89	149	278
May 1, 1997	110	24	4	138	56	109	165	303

3. In addition to the new WRC, the State Building Commission has approved planning for a secure treatment facility in the 1997-99 biennium and construction in the 1999-01 biennium of a 300-bed secured treatment facility to serve SVPs. Construction of this facility would be supported by \$30,000,000 of general fund-supported borrowing.

4. On December 8, 1995, the Wisconsin Supreme Court upheld the constitutionality of Wisconsin's SVP commitment law. However, a case is currently before the U.S. Supreme Court that challenges the State of Kansas' SVP commitment law. Because Wisconsin's SVP commitment law is similar to the Kansas law, the Supreme Court decision may affect the status of Wisconsin's law. As a result, the new SVP facility will not be enumerated under the Building Commission until the United States Supreme Court rules on the constitutionality of SVP commitment laws.

5. The level of staffing recommended by the Governor to operate the additional 160 beds that will be available by the end of 1997 appears to be in proportion to the current staffing levels at the WRC. Currently, DHFS is authorized 331.0 positions to staff 300 beds at the WRC. This represents a staff-to-resident ratio of approximately 1.10 to 1.0. If the Governor's recommendation is adopted (including 5.5 additional positions not in the bill but recommended for inclusion by DOA), the WRC would be authorized a total of 519.0 positions to staff 460 bed, which represents a staff-to-resident ratio of approximately 1.13 to 1.0. The allocation of positions between the two populations indicates that the staffing ratio would be 1.25 for the SVPs and 1.04 for the prison inmates. With regard to security staffing, the resident to security position ratio under the bill is similar to that under current operations.

6. The premise underlying the civil commitment of SVPs is that the state will provide treatment to this population. If there is insufficient staff for treatment, it may be more difficult for the state to defend its SVP commitment law against a legal challenge.

7. The construction of the new WRC is somewhat behind schedule. Initially, it was expected that construction would be completed by November, 1997. Although part of the facility may be completed by November, completion of the entire facility will not be finished until

December, 1997, or January, 1998. DHFS is currently considering two options. The first would utilize the parts of the facility that are completed by October 15 by shifting current inmates at Oshkosh to the new facility. This option would delay the completion of the facility until January, 1998, and would require searching construction workers as they enter and leave the facility.

Under the second option, no parts of the WRC facility would be used until all construction is completed. Construction could be completed sooner if the facility is not utilized before completion. Under this option, it is expected that the facility would be completed and available by December, 1997.

8. Because of the construction delays, funding in SB 77 for 1997-98 could be reduced to reflect a later start date for staff. It is expected that the costs in 1997-98 will be approximately the same for DHFS regardless of which option is pursued, since under either option:

- The new WRC would only be used for the transfer of inmates and staff from the Oshkosh units during October, November and December;

- 30 new resident care technicians (RCTs) would need to be hired in August, 1997 and an additional 30 new RCTs in September, 1997, in order to utilize the limited availability of DOC correctional training classes (in the Fall of 1997, DHFS would have available only 30 spots in the August 18 class and 30 spots in the September 29 class); and

- New prison inmates that are not being currently treated at the WRC or Oshkosh units would not be added until January 1, 1998.

The only difference in staffing costs between the two options is that the first option would require \$91,100 GPR more in 1997-98 for correctional security staff due to the needed screening of construction workers.

9. It is estimated that the 1997-99 costs for expanded WRC staffing could be reduced by \$620,400 GPR from the amount budgeted in the bill. These savings are based on the following assumptions: (a) 30 new RCTs would be hired for the August 18, 1997, DOC class for correctional training; (b) an additional 30 RCTs would be hired for the September 29, 1997, DOC class for correctional training; and (c) other new staff would be phased-in beginning on December 1, 1997, to provide a month of planning for receiving new inmates as of January 1, 1998, and later dates. DHFS plans to phase-in prison inmates at a rate of approximately 50 every two weeks, until the facility is filled. In addition, funding for DOC security staff could be reduced by \$63,000 GPR in 1997-98.

10. The construction delay will also result in lower costs for food and variable nonfood costs. In total, because of the delays in fully utilizing the facility and lower estimated inflation

for food costs, the funding included in SB 77 for food and variable nonfood costs can be reduced by \$208,700 GPR in 1997-98 and \$34,600 GPR in 1998-99.

11. In his March 11, 1997, letter to the Co-Chairs of the Committee, the Secretary of DOA requested a number of changes to the budget bill. The letter indicated that the administration intended to convert 5.5 PR-S current positions that work at both the WRC and the Winnebago Mental Health Institute to GPR funding to reflect that the positions would work exclusively at the WRC. The bill deletes 5.5 PR positions and associated funding (\$178,600 annually), but does not add the 5.5 GPR positions and the corresponding GPR funding. In addition, the budget does not include \$250,000 GPR in 1997-98 for one-time costs of equipment and other capital for the new facility. In total, DOA requested that the bill be modified to add 5.5 GPR positions annually and \$428,600 GPR in 1997-98 and \$178,600 GPR in 1998-99.

12. DHFS has also identified a number of issues relating to the types and classifications of positions included in this item. For example, DHFS staff indicate that the expansion will require 9.0 additional food service workers, rather than the 6.0 positions that would be authorized in the bill. DHFS proposes deleting 2.0 custodians in 1998-99 and 1.0 institution unit supervisor to instead support 3.0 additional food service workers. A second change requested by DHFS is to convert one inmate complaint investigator position to a client rights facilitator.

In addition, DHFS requests other position reclassifications. For example, some positions are budgeted at a lower classification in the second year than in the first year. Further, DHFS wishes to upgrade some positions to allow these positions to supervise inmates, and to budget some positions at a senior level, rather than at an entry level. Finally, the Department indicates that, due to the greater number of inmates, there will be additional costs of \$10,000 in 1997-98 and \$20,000 in 1998-99 for the Department's contract for legal services for inmates. In total, all of these changes would, in conjunction with the two changes specified above, have a net impact of increasing funding in the bill by \$39,600 GPR in 1997-98 and \$61,000 GPR in 1998-99.

13. However, the Department's concerns over position types and classifications were not conveyed in DHFS Secretary Leean's April 21 letter to the Committee in which he identified recommended changes to SB 77. Further, the total funding for these changes is not significant compared to the total staff and funding recommended by the Governor for this item. Consequently, DHFS may be able to fund these increased costs by more slowly phasing in additional positions to staff the WRC than is assumed in the Governor's budget.

ALTERNATIVES TO BILL

1. Modify the Governor's recommendations by: (a) deleting \$683,400 GPR in 1997-98 to reflect projected later starting dates for staff in 1997-98 due to construction delays; (b)

deleting \$208,700 GPR in 1997-98 and \$34,600 in GPR in 1998-99 to reflect lower projected costs of food and variable nonfood supplies; and (c) providing \$428,600 GPR in 1997-98 and \$178,600 GPR in 1998-99, to support 5.5 GPR positions, beginning in 1997-98, that were inadvertently omitted from the bill and one-time costs of equipment and capital for the new facility. *[This alternative would result in the partial opening of WRC in October, 1997 and the complete opening of WRC in January, 1998, and would provide security staffing during construction.]*

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	- \$319,500
1998-99 POSITIONS (Change to Bill)	5.50

2. Modify the Governor's recommendations by: (a) deleting \$774,500 GPR in 1997-98 to reflect the opening of WRC in December, 1997; (b) deleting \$208,700 GPR in 1997-98 and \$34,600 in GPR in 1998-99 to reflect lower projected costs of food and variable nonfood supplies; and (c) providing \$428,600 GPR in 1997-98 and \$178,600 GPR in 1998-99, to support 5.5 GPR positions, beginning in 1997-98, that were inadvertently omitted from the bill and one-time costs of equipment and capital for the new facility. *[This alternative would result in the opening of WRC in December, 1997, after construction is completed.]*

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	- \$410,600
1998-99 POSITIONS (Change to Bill)	5.50

3. In addition to Alternatives 1 or 2, provide \$39,600 GPR in 1997-98 and \$61,000 GPR in 1998-99 to incorporate a number of position changes and reclassifications requested by DHFS.

<u>Alternative 3</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	\$100,600

Prepared by: Richard Megna

MO# Alt 2

2 BURKE	<input checked="" type="radio"/>	N	A
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AYE 16 NO 0 ABS 0

To: Joint Committee on Finance
From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Community Release Programs (DHFS -- Care and Treatment Facilities)

[LFB Summary: Page 289, #2]

CURRENT LAW

Under the conditional release program, the Department of Health and Family Services (DHFS) contracts for community-based services provided to persons who have been conditionally released from the state's mental health institutes. Currently, there are 217 individuals on conditional release, of which 151 have an average monthly cost of approximately \$1,600. In 1996-97, \$2,373,000 GPR is budgeted for this program.

The supervised release program serves individuals who have been committed as sexually violent persons and who have been released by the court to community-based treatment under the supervision of DHFS. Currently, there are four individuals on supervised release with an average monthly per client cost of between \$400 and \$700. In 1996-97, \$768,000 GPR is budgeted for this program.

The conditional release program and the supervised release program are supported by the same biennial appropriation. In 1996-97, \$3,141,000 GPR is budgeted to support these programs. Since both programs are supported by the same appropriation, DHFS can fund unanticipated costs of one program from funds budgeted for the other program if there is underspending in the other program. Also, since the programs are supported by a biennial appropriation, unexpected costs in the second year of the biennium can be funded by any unexpended funds carried over from the first year of a biennium.

GOVERNOR

Provide \$1,771,900 GPR in 1997-98 and \$3,303,200 GPR in 1998-99 to reflect projected increases in the costs of the conditional release and supervised release programs in the 1997-99 biennium.

DISCUSSION POINTS

1. The funding in the budget bill is based on the assumption that the number of persons on conditional release will increase from the current level of 217 to 292 in 1997-98 and 350 in 1998-99. The number of persons on supervised release are projected to increase from the current level of 4 to 33 in 1997-98 and 53 in 1998-99.

2. More recent caseload data suggests that these projections are too high. Although the number of persons on conditional release increased from approximately 160 in early 1995 to 200 in early 1996 and 213 in September, 1996, recent data suggests that caseloads are not growing at previous rates. In April, 1997, there were 217 cases, which is similar to the number of cases in September, 1996. Also, the population from which persons on conditional release are drawn is not a growing population. As a result, one would not expect the conditional release population to continue to grow.

3. Recent data also suggests that the supervised release population has not grown as much as was projected in SB 77. In September, 1996, DHFS projected that the number of persons on supervised release would increase from four to 13 by June, 1997. However, there are still four individuals on supervised release. It is currently expected that the number of persons on supervised release will increase to seven by June, 1997. DHFS has indicated that many of the cases involving supervised release will be affected by the outcome of a case before the U.S. Supreme Court relating to the constitutionality of Kansas's law relating to the commitment of sexually violent persons. The Kansas law is similar to Wisconsin's law.

4. A second important factor is the projected monthly cost per client. The Governor's recommendation assumes that: (a) the per client monthly cost of persons on conditional release would remain the same (approximately \$1,600); and (b) the per client monthly cost of persons on supervised release would average \$2,700 a month (60% would have average costs of \$4,000 per month and the remaining 40% would have average costs of \$750 per month).

5. Although the cost of the four persons currently on supervised release is only \$400 to \$750 per month, DHFS staff expect that future cases will be more expensive, since it will be difficult to place more serious cases and DHFS will be required to place these individuals in DOC halfway houses, or possibly community-based residential facilities (CBRFs). These types of placements are projected to cost between \$3,000 and \$4,000 per month. One individual that

is about to be placed on supervised release has a planned cost of approximately \$1,670 per month.

6. The estimate that the cost of persons on supervised release will average \$2,700 per month may be high. Mentally ill individuals on conditional release have an average cost of \$1,600 per month, and former DOC inmates on parole or conditional release in DOC halfway houses have average monthly costs of \$1,700. Although the costs of supervised release will depend on the type of sexually violent persons released by the courts, and may therefore be higher in the future, the estimated cost of \$2,700 per month may represent a "worst-case" cost estimate.

7. In his April 21, 1997, letter to the Co-Chairs of the Committee, DHFS Secretary Llean requested that the funding increase for the conditional release appropriation be reduced by \$1,600,000 GPR in 1997-98 and \$1,900,000 GPR in 1998-99 from the amounts in SB 77 to reflect the Department's current estimate of the costs of this program.

8. The Department's revised estimate may still provide DHFS with more funding than is required to fund the costs of the program in the 1997-99 biennium. First, the revised estimate assumes an average cost of \$2,600 in 1997-98 and \$2,800 in 1998-99 for the supervised release program, which is much higher than the projected average monthly costs for individuals on conditional release. Second, the revised estimate retains the assumption that 20 additional persons per year will be placed on supervised release, even though the current experience does not support that conclusion.

However, because of the uncertainty of future costs of these programs, especially the supervised release program, the Committee may wish to adopt a funding level for these programs that reflects the Department's current estimates.

9. Alternatively, the Committee could reduce funding by \$2,109,500 GPR in 1997-98 and \$2,964,700 GPR in 1998-99 to reflect reestimates that are based on the following assumptions: (a) the number of persons on conditional release would increase to 236 in 1997-98 and 254 in 1998-99; (b) the number of persons on supervised release would increase from seven in 1996-97, to 22 in 1997-98 and 37 in 1998-99; and (c) the cost of persons on conditional release would increase by 3% annually; and (d) the cost of new persons on supervised release would average \$1,870 per month, which is greater than the average cost for persons on conditional release.

ALTERNATIVES TO BILL

1. Adopt the Governor's recommendation.

2. Modify the Governor's recommendation by reducing funding by \$1,600,000 GPR in 1997-98 and \$1,900,000 GPR in 1998-99 to reflect the Department's revised projections.

<u>Alternative 2</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	-\$3,500,000

3. Reduce funding in the bill by \$2,109,500 GPR in 1997-98 and \$2,964,700 GPR in 1998-99 to reflect reestimates of program costs.

<u>Alternative 3</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	-\$5,074,200

MO# Alt 3

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LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

Prepared by: Richard Megna

AYE 13 NO 3 ABS _____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

State Centers -- Budget Reductions to Reflect CIP IA Placements Made During the 1995-97 Biennium (DHFS -- Care and Treatment Facilities)

[LFB Summary: Page 290, #4]

CURRENT LAW

Funding for the state centers for the developmentally disabled ("Centers") is reduced following each placement made under the community integration program (CIP IA). The reduction is equal to \$205 per day following a placement from Central Wisconsin Center (CWC), \$199 per day following a placement from Northern Wisconsin Center (NWC) and \$149 per day following a placement from Southern Wisconsin Center (SWC). Base reductions to the Centers' budget are made as part of the biennial budget process to reflect placements made during the previous biennium.

GOVERNOR

Reduce base funding for the Centers by \$12,608,400 PR annually and delete 294.80 PR positions, beginning in 1997-98, to reflect the relocation of Center residents into community settings under CIP IA during the 1995-96 and 1996-97 fiscal years. The following annual adjustments would be made at each Center: (a) Northern Center, -\$5,602,300 PR and -125.29 PR positions; (b) Southern Center, -\$3,484,900 PR and -84.82 PR positions; and (c) Central Center, -\$3,521,200 PR and -84.69 PR positions. Reductions in funding and staff are due to the relocation of 98 residents from the Centers during 1995-96 and a projected 90 residents that will be relocated during the 1996-97 fiscal year.

DISCUSSION POINTS

1. Between July 1, 1996 and March 31, 1997, 54 individuals were relocated from the Centers under CIP IA. Based on a review of the rate at which CIP IA placements have been made over the past several months, it is estimated that a total of 72 individuals will be relocated in the 1996-97 fiscal year, which is 18 fewer placements than was assumed in the budget (90). Consequently, the amount of funding deleted from the Centers in the bill should be reduced.

2. Based on the current estimate of 72 CIP IA placements in 1996-97, the bill should be amended to increase annual funding and positions as follows: (a) \$839,100 PR and 24.10 PR positions for Central Center; (b) \$390,000 PR and 14.82 PR positions for Northern Center; and (c) \$190,100 PR and 9.26 PR positions for Southern Center. In total, the bill should be amended to provide an additional \$1,419,200 PR and 48.18 PR positions in 1997-98 and 1998-99 for the Centers. The addition of \$1,419,200 PR annually would require a corresponding increase in funding for medical assistance (MA) benefits of \$583,600 GPR and \$835,600 FED in 1997-98 and \$587,300 GPR and \$831,900 FED in 1998-99.

3. During his budget briefing and letter of April 21, 1997, to the Co-Chairs of the Joint Committee on Finance, DHFS Secretary Llean requested that SB 77 be amended to increase funding for Northern Center by \$1,598,100 PR and 61.0 PR positions annually to address deficiencies found during a March, 1997, survey of that facility.

4. On March 10, 1997, surveyors from both DHFS and the U.S. Department of Health and Human Services, Health Care Financing Administration (HCFA) found deficiencies at Northern Center in the areas of client protection, protection of client rights and the provision of active treatment services. The deficiencies were of sufficient magnitude that HCFA threatened to decertify Northern Center as an MA provider if the deficiencies were not corrected by April 14, 1997. All deficiencies must be fully corrected by June 8, 1997, or Northern Center's certification as an MA provider will be terminated.

5. The deficiencies noted by the surveyors included situations where: (a) residents were abusing themselves and other residents; (b) residents were not engaged in activities before and after meals; and (c) residents' belongings were locked-up and not readily available to them. Monitoring the activities of the residents to prevent abuse, providing more activities for residents and providing access to personal belongings are staff-intensive activities. The types of deficiencies cited by the surveyors cannot be remedied without additional staff.

6. The DHFS plan of correction was based on providing a staffing ratio that existed in units at Northern Center that were not cited for deficiencies. The requested staffing would increase the staffing ratios in units that were found deficient to the levels in units that were not found deficient.

7. Because of the need for immediate corrective action, DHFS immediately increased the number of overtime hours for current staff and sought authorization to hire 78 limited-term employe residential care technicians. A survey team revisited Northern Center during the week of April 14, and found that the majority of areas were satisfactory, although a few deficiencies still require correction. The deadline for complete approval is June 8, 1997.

8. Increasing staff by the number of positions requested by DHFS does not ensure that the facility will come into compliance with federal MA standards for these types of facilities. However, the DHFS plan of correction appears to be a reasonable approach to address the deficiencies found in the survey.

9. Since decertification would result in a loss of \$18 million in federal MA funds annually, the state does not have an option other than to increase staff at Northern Center to address the issues contained in the survey.

10. The addition of \$1,598,100 PR and 61.0 PR positions annually would require a corresponding increase in funding for medical assistance benefits of \$657,100 GPR and \$941,000 FED in 1997-98 and \$661,400 GPR and \$936,700 FED in 1998-99.

MODIFICATION TO BILL

1. Increase the Centers' budget by \$3,017,300 PR and 109.18 PR positions annually to reflect a reestimate of the number of CIP IA placements that will be made from the Centers during the 1996-97 fiscal year and to provide additional funding and staff to Northern Center to address the deficiencies found by the MA annual survey. Further, increase funding for MA benefits by \$1,240,700 GPR and \$1,776,600 FED in 1997-98 and \$1,248,700 GPR and \$1,768,600 FED in 1998-99.

<u>Modification</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	\$2,489,400	\$3,545,200	\$6,034,600	\$12,069,200
1998-99 POSITIONS (Change to Bill)	0.00	0.00	109.18	109.18

Prepared by: Richard Megna

MO# Modification

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	X	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Mental Health Institutes -- Revised Funding Split (DHFS -- Care and Treatment Facilities)

[LFB Summary: Page 290, #5]

CURRENT LAW

The two state mental health institutes (MHIs), Mendota Mental Health Institute (MMHI) and Winnebago Mental Health Institute (WMHI), are licensed and accredited hospitals that provide specialized diagnostic, evaluation and treatment services for several types of clients, ranging from emotionally disturbed children to mentally ill geriatric patients. The costs of caring for persons referred to MHIs under court orders (forensic patients) are supported by GPR. The costs of caring for other persons referred to MHIs by community mental health boards are supported by program revenues paid by counties and third-party payers based on rates established annually by DHFS.

GOVERNOR

Provide \$2,203,300 GPR in 1997-98 and \$2,492,700 GPR in 1998-99 and decrease PR funding by corresponding amounts in each year to reflect projected changes in the mix of populations at the Mental Health Institutes (MHIs) between forensic patients, whose care is supported by GPR, and other patients, whose care is supported by program revenues contributed by counties and third-party payers. In addition, convert 17.19 PR positions in 1997-98 and 27.38 PR positions in 1998-99 to GPR to reflect these population projections. The following table shows the projected population mix for both MHIs for the 1997-99 biennium.

Type of Client	Mendota						Winnebago					
	Number			Percent			Number			Percent		
	GPR	PR	Total	GPR	PR	Total	GPR	PR	Total	GPR	PR	Total
Forensic	146	8	154	54%	3%	57%	133	2	135	56%	1%	57%
Adult	0	25	25	0	9	9	1	50	51	1	21	22
Children	0	50	50	0	18	18	0	36	36	0	15	15
Mendota Juvenile												
Treatment Center	43	0	43	16	0	16	0	0	0	0	0	0
Substance Abuse	<u>0</u>	<u>14</u>	<u>14</u>	<u>0</u>	<u>6</u>	<u>6</u>						
Total Clients	189	83	272	69%	31%	100%	134	102	236	57%	43%	100%

DISCUSSION POINTS

1. Based on more recent information, populations at the Mental Health Institutes in the 1997-99 biennium are reestimated to be:

Type of Client	Mendota						Winnebago					
	Number			Percent			Number			Percent		
	GPR	PR	Total	GPR	PR	Total	GPR	PR	Total	GPR	PR	Total
Forensic	146	8	154	54%	3%	57%	133	2	135	55%	1%	56%
Adult	0	25	25	0	9	9	2	51	53	1	21	22
Children	0	50	50	0	18	18	0	40	40	0	17	17
Mendota Juvenile												
Treatment Center	43	0	43	16	0	16	0	0	0	0	0	0
Substance Abuse	<u>0</u>	<u>14</u>	<u>14</u>	<u>0</u>	<u>6</u>	<u>6</u>						
Total Clients	189	83	272	69%	31%	100%	135	107	242	56%	44%	100%

2. The difference between the population projections used in the bill and the reestimated population projection for Winnebago reflects the actual experience for Winnebago in 1995-96 and the first seven months of 1996-97. In both those periods, Winnebago's billable population was at least equal to 44% of their total population.

3. The Committee could adjust funding and position authority at each MHI in each year in order to more closely reflect current population estimates at each facility during the 1997-99 biennium.

4. Based on these reestimates, the following adjustments should be made to the base: (a) increase funding by \$2,073,400 GPR in 1997-98 and \$2,358,900 GPR in 1998-99 and provide corresponding decreases in PR funding; (b) increase GPR position authority by 15.22 positions in 1997-98 and in 1998-99 and decrease PR position authority by a corresponding number in each year.

5. This adjustment would result in the following changes to the bill: (a) decrease funding by \$129,900 GPR in 1997-98 and \$133,800 GPR in 1998-99 and provide corresponding increases in PR funding; (b) decrease GPR position authority by 1.97 positions in 1997-98 and by 12.16 positions in 1998-99 and increase PR position authority by a corresponding number in each year.

MODIFICATION TO BILL

Modify the Governor's recommendation by: (a) decreasing funding by \$129,900 GPR in 1997-98 and \$133,800 GPR in 1998-99 and providing corresponding increases in PR funding; and (b) decreasing GPR position authority by 1.97 positions in 1997-98 and by 12.16 positions in 1998-99 and increasing PR position authority by a corresponding number in each year.

<u>Modification</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	- \$263,700	\$263,700	\$0
1998-99 POSITIONS (Change to Bill)	- 12.16	12.16	0.00

Prepared by: Richard Megna

MO# Modification

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
1 JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance
From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Variable Nonfood Costs (DHFS -- Care and Treatment Facilities)

[LFB Summary: Page 292, #9]

CURRENT LAW

The Division of Care and Treatment Facilities (DCTF) operates six different institutions: (a) the three state centers for the developmentally disabled ("Centers"); (b) the two state mental health institutes (MHIs); and (c) the Wisconsin Resource Center (WRC). The Centers are supported by program revenue (PR), which is medical assistance funds transferred from the Division of Health. The WRC is funded by state general purpose revenue (GPR). The two MHIs are funded by a combination of GPR and PR.

Base funding for variable nonfood costs for residents at the Centers and the MHIs is \$8,463,500 (\$1,744,000 GPR and \$6,719,500 PR). Variable nonfood includes items such as drugs, medical supplies and services, laundry cleaning and inmate/resident earnings.

GOVERNOR

Provide \$3,100 GPR and \$431,500 PR in 1997-98 and \$159,000 GPR and \$1,026,200 PR in 1998-99 to fund anticipated increases in the cost of variable nonfood at the MHIs and the Centers.

DISCUSSION POINTS

1. Based on a reestimate of projected variable nonfood costs for the Centers in the 1997-99 biennium, the amount of funding provided in the bill for the Centers should be reduced by \$142,800 PR in 1997-98 and by \$213,900 PR in 1998-99. A reduction in the PR funding for the Centers would allow a corresponding reduction for medical assistance benefits of \$58,700 GPR and \$84,100 FED in 1997-98 and \$88,500 GPR and \$125,400 FED in 1998-99.

2. This reestimate for the variable nonfood costs: (a) deletes increases for persons that were relocated from the Centers under the community integration program in the 1995-97 biennium; and (b) reflects current population projections for the Centers in the 1997-99 biennium.

MODIFICATION TO BILL

Modify the Governor's recommendation by: (a) reducing funding for variable nonfood at the Centers by \$142,800 PR in 1997-98 and by \$213,900 PR in 1998-99; and (b) reducing medical assistance benefits funding by \$58,700 GPR and \$84,100 FED in 1997-98 and \$88,500 GPR and \$125,400 FED in 1998-99.

<u>Modification</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	- \$147,200	- \$209,500	- \$356,700	- \$713,400

Prepared by: Richard Megna

MO# Modification

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Deficits at the State Mental Health Institutes (DHFS -- Care and Treatment Facilities)

[LFB Summary: Page 296, #14]

CURRENT LAW

The two state mental health institutes (MHIs) are supported by a combination of GPR and PR funds. GPR funds are used to support the costs of care for patients committed through the criminal justice system. The costs of care for other patients, including individuals who are committed under civil proceedings and youth transferred from the juvenile correctional schools, are supported by PR derived from daily charges to the responsible parties (counties and third-party payers).

In recent years, the costs of providing care to PR-supported clients has exceeded the program revenues collected through these daily charges. Consequently, the MHIs incurred yearly losses that will result in a projected accrued unsupported cash deficit of \$10.9 million, as of June 30, 1997.

The deficit problem at the MHIs was noted in a March, 1993, financial audit prepared by the Legislative Audit Bureau (LAB). In response to the LAB findings, the Legislature, as part of the 1993-95 biennial budget act, increased medical assistance (MA) rates paid to the MHIs and directed DHFS to eliminate the deficit by July 1, 1995. The statutory date by which the deficit was to be eliminated was subsequently deferred to July 1, 1997, under provisions contained in the 1995-97 biennial budget act, and again to July 1, 1999, under provisions of 1995 Wisconsin Act 216. Until the deficit is eliminated, DHFS is required to submit quarterly reports to the Department of Administration (DOA) on implementation of a plan to eliminate the deficit.

Provisions created in the 1993-95 biennial budget act require DHFS to increase rates charged for services by at least an average of 10% annually, until receipts come into balance with disbursements. The Department increased rates by the following amounts in recent years: 10% in October, 1994, 13% in October, 1995, and 21% in October, 1996.

State law, in general, prohibits an agency from expending moneys from a program revenue appropriation that exceeds program receipts plus the value of outstanding accrued accounts receivable, inventories and work in progress.

GOVERNOR

Modify the Department's statutory responsibilities to eliminate operating deficits at the MHIs by: (a) repealing the requirement that all accumulated deficits at the state MHIs be eliminated by July 1, 1999; (b) repealing the requirement that the Department increase rates at the MHIs by at least 10% each year until the revenues of the MHIs are in balance with expenses; (c) requiring that the MHIs implement a plan that is approved by DOA that assures that projected revenues meet or exceed projected expenditures in each year, and requiring DHFS to submit quarterly reports to DOA on implementing this plan; and (d) permitting the MHIs to have an accumulated deficit up to the total value of not only accrued accounts receivable outstanding, inventories, work in process, but also the value of equipment and buildings at the MHIs.

DISCUSSION POINTS

1. DHFS began accumulating unsupported cash deficits at the MHIs in 1990-91. Table 1 provides information from financial audits prepared by the LAB on the annual losses and cumulative unsupported cash balances for state fiscal years 1990-91 through 1994-95. (The LAB has not yet completed its audits of the MHIs for 1995-96.) The annual losses shown in the table do not include depreciation expenses, which the MHIs do not attempt to recover in their rates. In 1993-94, the MHIs benefitted from a \$2 million transfer from the Centers for the Developmentally Disabled; without this transfer, the MHIs would have had a loss of approximately \$0.65 million in 1993-94, rather than a surplus of \$1.35 million, and the cumulative deficit would have been \$2.0 million greater.

TABLE 1**State Mental Health Institutes
Annual Gain/Loss Before Depreciation**

<u>Facility</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
Mendota	-\$561,928	-\$1,483,423	-\$1,910,342	\$1,014,268	-\$856,700
Winnebago	<u>-607,494</u>	<u>-1,552,742</u>	<u>-2,165,342</u>	<u>335,779</u>	<u>-579,498</u>
Total	-\$1,169,422	-\$3,036,165	-\$4,075,684	\$1,350,047	-\$1,436,068
Unsupported Cash Balance	-\$356,863	-\$1,700,000	-\$8,064,712	-\$8,075,167	-\$8,137,931

Source: Legislative Audit Bureau

2. It is estimated that in 1995-96, the MHIs incurred an annual loss of approximately \$2.1 million, but for 1996-97, the Department projects that the MHIs will have a surplus of approximately \$0.4 million. However, if there is any decline in the billable populations at the MHIs for the remainder of the year, there could be a small deficit by the end of the year.

3. The accumulated deficit is expected to decrease slightly in 1996-97 as a result of land and building sales related to the MHIs and Northern Wisconsin Center. Under provisions created in 1995 Wisconsin Act 27, agencies can use up to 50% of the net proceeds from sale of surplus property for requests approved by the Joint Committee on Finance under s. 13.10 of the statutes. At its December, 1996, and March, 1997, quarterly meetings, the Committee approved total transfers of \$435,300 for deficit reduction from the proceeds of property sales.

4. One consequence of these deficits is that the DHFS program revenue appropriation must draw on funds from the general fund to support the operating costs of the MHIs, resulting in either a lower general fund cash balance or increasing the need for the general fund to borrow funds for short-term cash management purposes. In either case, this situation results in a loss of interest earnings for the state general fund. The current projected deficit will result in lost interest earnings of approximately \$550,000 annually. Over the period 1991-92 to 1996-97, the loss in interest earnings is estimated to be \$2.1 million. Additional losses in interest earnings will continue until the deficit is eliminated.

6. A second consequence of the deficits at the MHIs is that it establishes a precedent that a state activity that is established as a program revenue operation can fund deficits in its operation from cash transfers from the general fund for an extended period of time. This creates a situation in which the state is financing current operations with borrowing, rather than current program revenues. The longer such a situation continues, the more debt will be accumulated, which will require larger increases in future revenues to retire the accumulated debt.

7. There are several reasons why DHFS has had difficulty reducing the deficit at the MHIs. First, it is difficult to reduce costs at the MHIs, since the MHIs must provide adequate services to meet federal requirements to be eligible for medicare and MA funding. In June, 1995, surveyors cited the Winnebago Mental Health Institute for staffing deficiencies. In response, the Committee, acting under its s. 13.10 authority, provided 31.0 additional positions at Winnebago, beginning August 1, 1995, to ensure that the facility would remain eligible for medicare and MA funds.

8. Second, DHFS has a limited base upon which to raise rates. There are four groups of patients at the MHIs: (a) forensic patients whose costs are supported by GPR; (b) adults between the ages of 21 and 65 who are civil commitments and supported by charges to counties; (c) adults over 65 and children who are civil commitments that are supported by MA and medicare; and (d) youths transferred from the state's juvenile correctional schools who are supported by payments from the Department of Corrections (DOC), which in turn, are supported by charges to counties. The MHIs have direct control over the rates charged for county-supported adult civil commitments, which represent only 18% of the total patients at the MHIs (approximately 95 patients).

9. In addition, the medical assistance and medicare-supported groups at the MHIs are not currently paying a rate that is sufficient to cover the costs of care for these groups. It is estimated that the difference between costs of care and reimbursement for these groups is approximately \$2.0 million. As a result, the MA- and medicare-supported groups at the MHIs create a significant and recurring shortfall for the MHIs.

10. DHFS has been pursuing changes in the medicare and MA reimbursement rates. There is a possibility that DHFS may be able to claim a higher medicare rate for services that were provided in 1994-95 and later. DHFS filed a request with the U.S. Department of Health and Human Services, Health Care Financing Administration for a higher medicare rate in December, 1995. To date, HCFA has recognized receipt of the claim and has asked for supporting documentation which is due by May, 1997. DHFS appears likely to contract with a consulting firm, Maximus, to document this claim.

If Maximus is successful in pursuing the state's claim, the state would pay Maximus 10% of the amount of the claim. Based on data for 1993, DHFS estimates that an additional \$1.4 million could be recovered from medicare. Medicare payments are 100% federally funded.

11. DHFS has also been pursuing the possibility of obtaining a higher reimbursement rate under MA. The medicare intermediary has agreed to allocate costs for MA by type of client, which is expected to result in a higher allowable MA rate. In addition, DHFS has filed the required notice to adopt a state plan amendment to adopt this higher rate, so that DHFS could implement this higher rate beginning for the last quarter of 1996-97, if DHFS files the state plan amendment by June 30, 1997.

12. Increasing MA rates paid to the MHIs would require that additional GPR funds be budgeted for MA benefits. However, MA benefits are paid on a 41% GPR/59% FED matching basis. Consequently, increasing MA payments to the MHIs would enable the state to capture additional MA federal funds to support these unreimbursed costs. There is sufficient funding in the 1996-97 MA benefits appropriation to support a rate increase for the MHIs. However, the Governor's 1997-99 budget does not include funding to increase MA rates paid to the MHIs.

13. In his letter to the Co-Chairs dated April 21, 1997, DHFS Secretary Leean requested that MA benefits funding be increased by \$848,000 GPR and \$1,214,200 FED in 1997-98 and \$879,000 GPR and \$1,245,000 FED in 1998-99 to support higher MA rates at the MHIs.

14. Although a higher MA rate for the MHIs would require increased GPR expenditures in 1997-99, the higher rate would not affect expenditures by the MHIs. The higher MA rate would only increase revenues received by the MHIs, which would serve to reduce the deficit. Budgeting additional GPR to support a higher MA rate for the MHIs would enable the state to reduce its current debt at a cost of only \$0.41 per dollar of reduced debt. Since a state MA plan amendment cannot be implemented retroactively by more than three months, federal funds would be permanently lost if a higher MA rate is not implemented by June 30, 1997.

15. The increase in revenues to the MHIs would increase GPR revenues in two ways. First, approximately \$733,200 annually of the additional MA payment of \$2.0 million would be deposited to the general fund, since it would represent reimbursement of depreciation and central administration overhead, which are 100% funded by GPR. Second, the increase in revenues to the MHIs would result in higher state cash balances which would generate additional interest earnings of \$48,400 in 1997-98 and \$149,900 in 1998-99. In total, it is estimated that increasing MA rates to the MHIs by \$2.0 million annually would increase general fund revenues by \$781,600 in 1997-98 and \$883,100 in 1998-99.

16. A second option to generate additional non-GPR revenue for the MHIs would be to assess counties for a greater share of the actual costs of providing care for youths transferred to the Mendota Juvenile Treatment Center (MJTC) from other juvenile correctional institutions (JCI). Currently, DOC pays DHFS a fixed amount of money that allows DOC to transfer up to 43 juveniles to the MJTC. DOC, in turn, charges the counties for the cost of care at the MJTC through the daily rate charged to counties for youth sent to the JCI. In the Governor's budget recommendation, the amounts that would be transferred from DOC to DHFS for these youths would be \$3,125,100 in 1997-1998 and \$3,236,200 in 1998-99. These amounts cover only the costs of staff that work in the MJTC unit that provide direct care to these youths. The amount does not include indirect costs such as food, heat, and building maintenance.

In order to support the indirect care costs for the MJTC, the budget provides an additional \$2.2 million GPR annually. This amount reflects an assumption that the MJTC youth are GPR-supported patients for purposes of determining the appropriate mix of GPR and PR support for

Mendota. Typically, in each biennial budget, the proportion of indirect costs that is funded by GPR is based on the current proportion of GPR-supported patients to total patients.

17. The GPR support of the indirect costs for the MJTC could be reduced if DOC, and in turn, counties were assessed for all or part of the indirect costs of the MJTC. Different methodologies can be used to allocate the indirect costs. The standard split calculation that has been used to allocate indirect costs between GPR and PR funding would allocate \$2.2 million of the indirect costs to the MJTC annually. However, the cost allocation methodology used to determine the allocation of indirect costs for MA reimbursement would allocate \$1,276,800 of indirect costs to the MJTC. The MA allocation would assign the following indirect costs to the MJTC: (a) night shift, \$89,100; (b) administration, \$823,700; (c) maintenance, \$67,900; (d) power plant operations, \$70,600; (e) laundry, \$8,300; (f) housekeeping, \$38,600; (g) dietary, \$110,600; (h) pharmacy, \$23,800; (i) depreciation, \$28,900; and (j) medical records, \$15,300. If \$1,276,800 is added to the MJTC charges to DOC, the daily rates under the bill for JCI's would increase by about \$3 in each year of the biennium above the increases specified in SB 77. Under SB 77, rates at the JCI's would increase from the current rate of \$133.82 to \$137.52 on July 1, 1997, to \$147.40 on January 1, 1998, and \$151.32 on January 1, 1999.

18. Youth aids are provided to counties to fund the daily charges paid by counties to DOC for youths placed at the JCI's. If youth aids are not increased, the indirect costs would be passed on to counties. If the Committee determines that it is DOC's responsibility to fund the indirect costs of juveniles at MJTC and that youth aids should be increased to reflect the higher rates, then assessing DOC, and in turn, counties, for the indirect care costs at the MJTC would not result in any net GPR savings. If youth aids are not increased, the indirect costs would be passed on to counties. In addition, assessing DOC for more of the costs of the MJTC may create a financial disincentive for DOC to utilize the MJTC and reduce the number of youths sent to the MJTC. Since the MJTC is operated as a correctional facility, Mendota could not use the MJTC for its other patients.

19. The Governor's bill would repeal the requirement that the deficit be eliminated by July 1, 1999. Since the MHIs will not be able to meet this requirement, it should be repealed. However, the Committee may wish to maintain some provisions that would require DHFS to continue to reduce the deficit, especially if the MHIs are provided additional revenues to address the problem. If a higher MA rate is provided to the MHIs, the MHIs should be able to make progress in reducing the deficit.

20. For example, the Committee could require the MHIs to reduce their accumulated deficit by at least \$500,000 per year. If the MHIs are provided a higher MA rate, the forensic patients and MA-eligible patients would have their costs fully reimbursed. Then, if the county-supported adults are charged an additional amount over their cost, a surplus would be generated. For example, if a daily rate was set at 105% of the projected actual cost, a surplus of approximately \$0.6 million annually would be generated.

21. The Governor also recommends repealing the requirement that the MHIs raise their rates by 10% each year until the deficit is eliminated. Increasing the rates charged to counties may be counterproductive if counties, in reaction to the higher rates, reduce the number of individuals placed at the MHIs. Also, this provision would require counties to pay a significant increase each year, regardless of whether actual costs of providing care increased at that rate.

22. Table 2 lists the daily rate at a number of psychiatric hospitals in the state. As Table 2 shows, the rates assessed by the MHIs are similar to rates assessed by other inpatient mental health facilities, but additional rate increases may make the MHI rates uncompetitive. However, although the MHIs raised their rates by 21% in October, 1996, the populations at the MHIs have increased slightly this year. For some patients, placement at other psychiatric hospitals in the state is not a viable alternative to placement at the state MHIs, since the state MHIs tend to receive the most difficult cases and function as the provider of last resort.

TABLE 2
Daily Rates at the State Mental Health Institutes
and Other Psychiatric Hospitals

	<u>1995 Rate</u>	<u>1996 Rate</u>	<u>Percent Change</u>
State Hospitals			
Mendota Mental Health Inst.	\$485	\$552	12.0%
Winnebago Mental Health Inst.	386	490	26.9
Non-State Hospitals			
Fond du Lac County Health Care Center - Fond du Lac	425	450	5.9
Brown County Mental Health Center - Green Bay	435	457	5.0
Rock County Psychiatric Hospital - Janesville	525	550	4.8
Waukesha County Mental Health Center - Waukesha	466	489	4.9
North Central HCF - Wausau	583	592	1.5
Milwaukee County Mental Health	509	524	3.0

23. One alternative to requiring annual rate increases of 10% is to instead require that the MHIs establish their rates at a level that is at least 5% above the projected actual cost of care until the deficit is eliminated. A 5% surcharge would generate approximately \$0.6 million in additional revenues, assuming that there are no unexpected cost increases or population declines. A 5% premium could be maintained from year to year by increasing the daily rates at the rate

of inflation for costs at the MHIs. However, the creation of a surcharge could be viewed as unfair, since counties that purchase services provided by the MHIs in the future would, in effect, be required to pay a portion of costs already incurred for other patients.

24. Currently, adult psychiatric services are bill at \$551 per day at Mendota and \$490 per day at Winnebago. The estimated actual costs are \$590 per day at Mendota and \$493 per day at Winnebago. A 5% premium over actual costs would result in rates of \$620 per day at Mendota and \$518 per day at Winnebago in 1997.

25. Under current law and the Governor's recommendation, the MHIs are required to submit quarterly reports to DOA on implementing a plan to eliminate the deficit (under current law) or to balance yearly expenditures and revenues (under the bill). Continuation of these quarterly reports would assist in monitoring the situation. In order to strengthen oversight, DHFS could be required to submit an annual report to the Joint Committee on Finance that describes DHFS efforts to reduce the accumulated deficit.

26. The Governor's final recommendation is to allow the MHIs to accumulate a deficit equal to the value of the MHI's outstanding accrued accounts receivable, inventories and the value of their equipment and buildings. This special provision has been established for Corrections Industries. The LAB's most recent audit indicated that as of June 30, 1994, the value of accounts receivable, inventories, equipment and buildings at both MHIs was \$53.8 million. Thus, this provision would permit an accumulated deficit that is almost five-times the size of the current accumulated deficit, and 175% of the total 1996-97 projected revenues for the MHIs. Interest costs on \$53.8 million would be approximately \$2.8 million annually.

27. Current law requires that the accumulated deficit be less than the value of outstanding accounts receivables and inventories. Based on the June 30, 1994, balance sheets, the total value of outstanding accounts receivables and inventories totaled \$11.8 million. If the MHIs are provided an increased MA rate, the MHIs should be able to generate a surplus, and therefore, maintain their accumulated deficit below this limit.

ALTERNATIVES TO BILL

A. Statutory Changes to Address the Deficit

1. Adopt the Governor's recommendations.
2. Modify the Governor's recommendations by selecting any or all of the following:
 - a. Require the MHIs to reduce the accumulated deficit by at least \$500,000 per year.

b. Require the MHIs to charge rates that are at least 5% above actual costs until the accumulated deficit is eliminated.

c. Require DHFS to submit an annual report to the Joint Committee on Finance by December 31 of each year that: (a) identifies the actual or estimated change in the amount of the unsupported cash deficit during the previous state fiscal year; (b) provides information on actions taken by DHFS to reduce the deficit during the previous state fiscal year; and (c) identifies what actions DHFS will take in the current fiscal year to reduce the cumulative unsupported cash deficit at the MHIs.

d. Delete the provision in the bill that would permit the MHIs to have an accumulated deficit that includes the value of equipment and buildings.

B. Increase MA Rates at the MHIs

1. Increase MA benefits funding by \$848,000 GPR and \$1,214,200 FED in 1997-98 and \$879,000 GPR and \$1,245,000 FED in 1998-99 to support MA rates at the MHIs that would be based on actual projected costs. In addition, increase estimated GPR revenues by \$781,600 in 1997-98 and \$883,100 in 1998-99.

<u>Alternative B1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
1997-99 REVENUE (Change to Bill)	\$1,664,700		\$1,664,700
1997-99 FUNDING (Change to Bill)	\$1,727,000	\$2,459,200	\$4,186,200

2. Maintain current law.

C. Support of Indirect Care Costs at MJTC

1. Provide \$1,276,800 PR in 1997-98 and 1998-99 to reflect increased funding DHFS would receive from DOC to care for juveniles placed at the MJTC to support indirect care costs. Require DOC to transfer these additional amounts to DHFS and authorize DOC to bill counties for these indirect care costs, as well as for the direct care costs. In addition, delete GPR funding for the MHIs by the same amounts to reflect that PR funding would be available to support these costs. Further, increase funding for youth aids by \$1,276,800 GPR annually to fund the increased costs counties would incur for placement of juveniles at the MJTC.

<u>Alternative C1</u>	<u>PR</u>
1997-99 FUNDING (Change to Bill)	\$2,553,600

2. Provide \$1,276,800 PR in 1997-98 and 1998-99 to reflect increased funding DHFS would receive from DOC to care for juveniles placed at the MJTC to support indirect care costs. Require DOC to transfer these additional amounts to DHFS and authorize DOC to bill counties for these indirect care costs, as well as for the direct care costs. In addition, delete GPR funding for the MHIs by the same amounts to reflect that PR funding would be available to support these costs.

<u>Alternative C2</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	-\$2,553,600	\$2,553,600	\$0

3. Maintain current law.

Prepared by: Richard Megna

MO# <u>A2, a, c, d</u>		MO# _____		MO# _____	
<u>B1</u>	<u>C3</u>				
2 BURKE	(Y) N A	BURKE	Y N A	BURKE	Y N A
DECKER	(Y) N A	DECKER	Y N A	DECKER	Y N A
GEORGE	(Y) N A	GEORGE	Y N A	GEORGE	Y N A
JAUCH	(Y) N A	JAUCH	Y N A	JAUCH	Y N A
WINEKE	(Y) N A	WINEKE	Y N A	WINEKE	Y N A
SHIBILSKI	(Y) N A	SHIBILSKI	Y N A	SHIBILSKI	Y N A
COWLES	(Y) N A	COWLES	Y N A	COWLES	Y N A
PANZER	(Y) N A	PANZER	Y N A	PANZER	Y N A
1 JENSEN	(Y) N A	JENSEN	Y N A	JENSEN	Y N A
OURADA	(Y) N A	OURADA	Y N A	OURADA	Y N A
HARSDORF	(Y) N A	HARSDORF	Y N A	HARSDORF	Y N A
ALBERS	(Y) N A	ALBERS	Y N A	ALBERS	Y N A
GARD	(Y) N A	GARD	Y N A	GARD	Y N A
KAUFERT	(Y) N A	KAUFERT	Y N A	KAUFERT	Y N A
LINTON	(Y) N A	LINTON	Y N A	LINTON	Y N A
COGGS	(Y) N A	COGGS	Y N A	COGGS	Y N A
AYE <u>16</u> NO <u>0</u> ABS <u>0</u>		AYE _____ NO _____ ABS _____		AYE _____ NO _____ ABS _____	

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Funding for Services Director at the Mendota Mental Health Institute (DHFS -- Care and Treatment Facilities)

CURRENT LAW

As a mean of reducing the accumulated deficits at the mental health institutes (MHIs), the Department of Health and Family Services (DHFS) has tried to consolidate several services at these facilities. DHFS recently eliminated the management services director at Central Wisconsin Center and has assigned the management services director at the Mendota Mental Health Institute the activities previously performed by the former position.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Since the management services director at Mendota is currently providing services to Central Center, DHFS requests that half of the Mendota position (\$37,800 in 1997-98 and \$38,500 in 1998-99) be funded from Central Wisconsin Center's budget. This would reduce costs at Mendota and, consequently, help reduce the deficit at the MHIs.
2. Funding half of the management services director's position from Central Center's budget would provide the state an opportunity to fund more of the costs of the position with

federal funds. Central Center's costs are supported by medical assistance (MA), which is supported on a 41% GPR/59% FED basis.

3. Any increase in the PR appropriation at Central Wisconsin Center would require a corresponding increase in the MA benefits appropriation. Mendota is supported by both GPR and PR funding. In order to avoid any GPR cost of transferring half of the costs of this position to Central Center, GPR funding at Mendota could be reduced by an amount equal to the GPR share of the additional MA cost.

MODIFICATION TO BILL

1. Provide \$37,800 PR in 1997-98 and \$38,500 PR in 1998-99 to Central Center to fund half of the management services direction position at the Mendota Mental Health Institute. Increase MA benefits by \$15,500 GPR and \$22,300 FED in 1997-98 and by \$15,900 GPR and \$22,600 FED in 1998-99, and reduce the budget for the Mendota Mental Health Institute by \$15,500 GPR and \$22,300 PR in 1997-98 and \$15,900 GPR and \$22,600 PR in 1998-99 in 1998-99 to fund half of the management services director from Central Center's budget.

<u>Modification</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	\$44,900	\$31,400	\$76,300

Prepared by: Richard Megna

MO# modification

2	BURKE	<input checked="" type="radio"/>	N	A
	DECKER	<input checked="" type="radio"/>	N	A
	GEORGE	<input checked="" type="radio"/>	N	A
	JAUCH	<input checked="" type="radio"/>	N	A
	WINEKE	<input checked="" type="radio"/>	N	A
	SHIBILSKI	<input checked="" type="radio"/>	N	A
	COWLES	<input checked="" type="radio"/>	N	A
	PANZER	<input checked="" type="radio"/>	N	A
1	JENSEN	<input checked="" type="radio"/>	N	A
	OURADA	<input checked="" type="radio"/>	N	A
	HARSDORF	<input checked="" type="radio"/>	N	A
	ALBERS	<input checked="" type="radio"/>	N	A
	GARD	<input checked="" type="radio"/>	N	A
	KAUFERT	<input checked="" type="radio"/>	N	A
	LINTON	<input checked="" type="radio"/>	N	A
	COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

HEALTH AND FAMILY SERVICES

Care and Treatment Facilities

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
3	Mendota Juvenile Treatment Center Funding
6	State Centers -- Community Programming
7	Electronic Medical Services Project
9	Wheelchairs
10	Outpatient Program at Winnebago Mental Health Institute
11	Prevocational programs at Mendota Mental Health Institute
12	Program of Assertive Community Treatment

LFB Summary Items for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
13	Right to Refuse Treatment
15	Access to Treatment and Health Records by Protection and Advocacy Agencies
16	Confidentiality of Victim's Mailing Address for Child Support Enforcement

1997-99 BUDGET PAPERS

Table of Contents Thru May 7, 1997

Paper

Administration -- Departmentwide

- 120 State Budget System Redesign
- 121 Contract Compliance Officer
- 122 Demographics Services
- 123 Shift of Positions Between Appropriations

Adolescent Pregnancy Prevention and Pregnancy Services Board

- 160 Adolescent Pregnancy Prevention, Pregnancy and Parenting Services

Agriculture, Trade and Consumer Protection

- 165 Agrichemical Cleanup Grants
- 166 Agrichemical Cleanup Program -- Industrial Pesticides
- 167 Minor Policy and Technical Changes -- Discontinued Pesticide Products
- 168 Agrichemical Cleanup Program Changes
- 169 Animal Waste Management Grants
- 170 Gypsy Moth Control Program Staff
- 171 Food Inspection Program
- 172 Weights and Measures Inspection Program -- Liquid Petroleum Gas
- 173 Agricultural Investment Aids -- Sustainable Agriculture Grants
- 174 County and District Fair Aids
- 175 Aids for Federal Dairy Policy Reform Activities
- 176 Program Revenue Reestimates

Arts Board

- 180 Funding Reduction

Paper #

Board of Commissioners of Public Lands

- 185 Division of Trust Lands and Investments -- Treatment of Unencumbered Year-End
Operating Balances
- 186 Division of Trust Lands and Investments -- Apportionment of Revenues from the
Sale of Sunken Logs

Board on Aging and Long-Term Care

- 190 Ombudsman and Volunteer Coordinator Positions

Circuit Courts

- 225 Circuit Court Interpreters

Commerce -- Building and Environmental Regulation

- 265 PECFA Awards
- 266 PECFA -- Expert Witness Costs
- 267 PECFA -- Home Heating Oil Award Set-Aside
- 268 PECFA -- Change in Remediation Activities
- 269 PECFA -- Interest Cost Reimbursement
- 270 PECFA -- Service Providers
- 271 PECFA -- Ineligible Costs
- 272 PECFA -- Aboveground Tank Eligibility
- 273 PECFA -- Eligibility for Non-Upgraded Tanks
- 274 PECFA -- Priority for Brownfields
- 275 Aviation Fuel Petroleum Inspection Fee Allowance

Court of Appeals

- 340 Clerk of Court Staff

District Attorneys

- 345 Sexual Predator Prosecutors
- 346 Statutory Rape Prosecutor
- 347 Special Prosecutors
- 348 Additional Prosecutors

Paper #

Elections Board

- 355 Campaign Finance Filing Fee
- 356 Funding for Data Base Software Conversion and Electronic Campaign Finance
Report Electronic Filing Enhancement

Employment Relations

- 370 Minor Policy and Technical Changes
- 371 Additional Collective Bargaining Position
- 372 Training Position Funding Conversion and Associated Expenditure Authority
- 373 Excess Division Administrator Appointment Authority

Employment Relations Commission

- 380 Base Level Position Reductions

Ethics Board

- 385 Ethics Board Funding Shift

Gaming Board

- 395 Eliminate Gaming Board
- 396 Indian Gaming Unclassified Director Position
- 397 Indian Gaming Unclassified Attorney Positions
- 398 Indian Gaming Classified and Project Positions

Governor

- 405 Minor Policy and Technical Changes -- Association Dues

Paper #

Health and Family Services -- Departmentwide and Management and Technology

- 410 Miscellaneous Adjustments -- Care and Treatment Facilities Fuel and Utility Costs
- 411 Program Revenue and Segregated Funding Reestimates
- 412 Milwaukee Child Welfare and W-2 Liaison Position
- 413 DHFS Reorganization and Program Restructuring

Health and Family Services -- Health

- 440 Women's Health Initiative -- Screening and Public Awareness
- 441 Women's Health Initiative -- Health Insurance Program for Uninsured Children
- 442 State Immunization Supplement
- 443 HIV/AIDS Insurance Program
- 444 HIV/AIDS Program Reestimate
- 445 Primary Health Care Service Grants
- 446 Women, Infants and Children Supplemental Food Program Grant Match
- 447 Abortion Publications
- 448 WisconCare

Health and Family Services -- Care and Treatment Facilities

- 455 Wisconsin Resource Center Staffing
- 456 Community Release Programs
- 457 State Centers -- Budget Reductions to Reflect CIP IA Placements Made During the 1995-97 Biennium
- 458 Mental Health Institutes -- Revised Funding Split
- 459 Variable Nonfood Costs
- 460 Deficits at the State Mental Health Institutes
- 461 Funding for Services Director at the Mendota Mental Health Institute

Historical Society

- 490 Transfers of Staff and Funding Under Standard Budget Adjustments
- 491 Northern Great Lakes Center
- 492 Unspecified Funding Reduction and Staff and Funding Reduction Program and Segregated Revenue Reestimates
- 493 Program and Segregated Revenue Reestimates
- 494 Minor Policy and Technical Changes

Paper #

Insurance

- 505 Minor Policy and Technical Changes -- Create Administrative Services Unit and Appropriation
- 506 Information Technology Initiatives -- IT Contracting Costs
- 507 Information Technology Initiatives -- Records Imaging
- 508 Increased Staffing
- 509 Increase Travel Costs Funding
- 510 Expansion of Information Technology Internship Program
- 511 Increased Funding for Actuarial Services

Judicial Commission

Lieutenant Governor

- 548 Minor Policy and Technical Changes -- Base Level Funding and Position Reductions

Lower Wisconsin State Riverway Board

Marquette Dental School

- 550 Dental Clinics Funding

Medical College of Wisconsin

- 554 Family Practice Residency Program

Minnesota-Wisconsin Boundary Area Commission

Natural Resources -- Departmentwide

- 575 Minor Policy and Technical Changes -- Agency Reorganization
- 576 Public Intervenor Support
- 577 Vehicle and Equipment Pools

Personnel Commission

Paper #

Program Supplements

- 639 CY 97 Health Insurance Premiums
- 640 Private Lease Space Supplements

Public Service Commission

- 690 Increased Public Intervenor Funding
- 691 Consumer Complaint and Inquiry System
- 692 Executive Assistants for All Public Service Commissioners
- 693 Increased Assessment of Wisconsin Railroads to Fund Railroad Crossing Safety Improvements

Revenue -- Tax Administration

- 710 County Sales Tax Administration Appropriation Lapse
- 711 Telephone Tax Administration
- 712 Wisconsin Property Assessment Manual Update
- 713 Electronic Funds Transfer
- 714 Information Technical Funding

Shared Revenue and Property Tax Relief -- Direct Aid Payments

- 740 Direct Aid Payments -- Funding Level
- 741 Minimum and Maximum Payment Provisions
- 742 Payments for Municipal Services -- Garbage and Trash Disposal and Collection
- 743 Payments for Municipal Services -- Agency Chargebacks

Shared Revenue and Property Tax Relief -- Property Tax Credits

- 745 Transfers from Property Tax Relief Fund to General Fund
- 746 Homestead Tax Credit Reestimate
- 747 Homestead Tax Credit -- Definition of Household Income

State Fair Park

State Treasurer

- 770 Unclaimed Property Program Printing and Advertising Costs
- 771 Minor Policy and Technical Changes
- 772 Staffing Modifications

Paper #

Supreme Court

- 780 Circuit Court Automation Project
- 781 Information Technology
- 782 Law Library Book Inflation
- 783 Fees for the Sale of Court Documents
- 784 Personnel Specialist
- 785 District Court Administrative Staff -- Milwaukee County

Tourism

- 800 Sponsorship of Tourism Publications
- 801 Rent Increases
- 802 Heritage Tourism Grants
- 803 Travel Information Centers -- LTE Funding
- 804 Licensing State Symbols, Surplus Property and County Associations
- 805 Milwaukee Symphony Radio Show

Wisconsin Health and Educational Facilities Authority

Wisconsin Technical College System

- 945 General Aids for Technical College Districts
- 946 Faculty Development Grants
- 947 Contracts for Youth Apprenticeship Instruction
- 948 Minor Policy and Technical Changes -- Position Authority



Legislative Fiscal Bureau

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May 13, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Budget Issue Papers

Attached are budget issue papers, prepared by this office, on the following agencies:

- Wisconsin Housing and Economic Development Authority
- Clean Water Fund
- Department of Natural Resources -- Forests and Parks

These agencies have been scheduled for executive action by the Joint Committee on Finance. The meeting will be held at 9:00 a.m. on Thursday, May 15, in 119 MLK Building, Joint Finance (back of Senate Chambers).

BL/sas
Attachments

1997-99 BUDGET PAPERS

May 15, 1997

Paper #

Wisconsin Housing and Economic Development Authority

- 940 Safe Drinking Water Loan Guarantee Program
- 941 Small Business Loan Guarantee Program

Clean Water Fund

- 230 Biennial Finance Plan
- 231 Clean Water Fund Statutory Changes
- 232 Land Recycling Loan Program
- 233 Safe Drinking Water Loan Program

Natural Resources -- Forests and Parks

- 580 Shift Stewardship Debt Service to Forestry Account
- 581 Forest Landowner Grant Program
- 582 Local Fire Department Equipment Assistance Grants
- 583 Highway Landscaping Initiative
- 584 Forest Landscape Ecology Research
- 585 Convert Pike Lake State Park to a Southern Forest Property
- 586 Campground Reservation System