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Joint Committee on Finance

Paper #355

Mental Health Institutes Funding Split and Standard Budget Adjustments (Health Services -- Care and Treatment Services and Departmentwide)

[LFB 2017-19 Budget Summary: Page 230, #2 and Page 245, #1]

CURRENT LAW

The Department of Health Services (DHS) operates the state's two mental health hospitals, the Mendota Mental Health Institute in Madison and the Winnebago Mental Health Institute in Oshkosh. If a person is found to be a danger to himself or herself or to others as a result of a mental illness or drug dependency, he or she can be committed to the care of the county under a civil process and admitted to one of the mental health institutes (MHIs). If a person who has been charged with a crime, but has been found not competent to stand trial or is adjudicated not guilty as a result of mental disease, he or she is committed to the care of the state, and may be admitted to one of the MHIs as a forensic patient.

Generally, the cost of civil patients is supported by a PR appropriation, funded with payments from counties (made on behalf of their residents who have been civilly committed) or other insurance payments, while the cost of forensic patients is paid with a GPR appropriation. Because each MHI has some civil and some forensic patients, the budget for each institute is split between these two sources based roughly on the proportion of each type of patient. Typically, the biennial budget makes adjustments to the funding sources to reflect reestimates of the anticipated composition of the patient population. For instance, the budget might increase GPR funding and positions and make corresponding decreases in PR funding and positions if it is projected that forensic patients will increase as a share of the total number of patients.

The biennial budget typically includes "standard budget adjustments" to modify the base budget to reflect the anticipated ongoing cost of maintaining existing position salary and fringe benefits. These adjustments may be positive or negative, depending upon various factors. The costs that agencies incurred for overtime and night/weekend pay differential are, in effect,

removed from a program's budget as part of the full funding of salary and fringe benefit costs decision item, and then an amount is added back for these costs through overtime and night/weekend pay differential decision items. Prior to the 2013-15 biennium, the overtime and night/weekend differential adjustments were generally based on actual costs that agencies incurred for these purposes. Since that time, however, agencies have received overtime and night/weekend pay differential adjustments based on the amount that they received in the prior year (with minor adjustments to reflect current fringe benefit rates). Since this policy has been ongoing since that time, agencies now generally receive overtime and night/weekend pay differential adjustments based on the costs that they incurred in 2009-10.

GOVERNOR

MHI Funding Split. Provide \$2,918,400 GPR in 2017-18 and \$2,694,100 GPR in 2018-19 and reduce PR funding by corresponding amounts to adjust funding at the Mendota and Winnebago Mental Health Institutes to reflect the administration's estimate of the percentage of patients whose care is funded with GPR and PR. Adjust the funding split for MHI positions between GPR and PR to reflect estimates of the projected population split, resulting in a reduction of GPR-funded positions of 11.88 positions in 2017-18 and 14.50 positions in 2018-19 and corresponding increases in PR-funded positions.

Overtime and Night and Weekend Pay Differentials for MHIs. Provide funding to adjust the base budget for salary and fringe benefit costs at the MHIs, as follows: (a) \$565,900 GPR and \$2,480,600 PR annually for overtime; and (b) \$925,600 GPR and \$716,400 PR annually for night and weekend pay differential.

DISCUSSION POINTS

1. Under a long-standing practice, the funding for the state's MHIs is adjusted as part of the biennial budget to reflect the composition of patient population. The purpose of this change is to adhere to the general policy of funding costs associated with forensic patients with GPR and funding costs associated with civil patients with PR. These adjustments result in no net change to the overall funding for the two institutions on an all funds basis, but do change the mix of GPR and PR funding.

2. For the 2017-19 biennium, DHS anticipates that the populations will shift slightly to PR-funded patients, relative to the base year, for both MHIs. To illustrate, Mendota's base year position authorization for general administration is composed of 94.2% GPR positions and 5.8% PR positions. The Department projects, however, that Mendota's overall patient mix in the 2017-19 biennium will be composed of 93% forensic patients (GPR-funded) and 7% civil patients (PR-funded). The funding split decision item adjusts the Mendota budget to increase PR positions and funding and to decrease the GPR positions and funding so that the funding split matches the anticipated population mix. Similar adjustments are done on a unit-by-unit basis for both mental health institutes. In total, these adjustments result in an increase of 11.88 PR positions in 2017-18 and 14.50 PR positions in 2018-19, and corresponding decreases in GPR positions.

3. The following table indicates the division of GPR- and PR-supported clients at each of the MHIs as of February, 2017.

**MHI Average Daily Populations
February, 2017**

	<u>Number of Patient Days</u>	<u>% of Patient Days</u>
Mendota Mental Health Institute		
GPR	8,038	91.8%
PR	<u>720</u>	<u>8.2</u>
Total	8,758	100.0%
 Winnebago Mental Health Institute		
GPR	1,866	36.8%
PR	<u>3,201</u>	<u>63.2</u>
Total	5,067	100.0%

4. The administration's estimates of the proportion of forensic and civil patients at each of the mental health institutes appear to be consistent with recent trends, so no change to this component of the estimate is warranted.

5. Although the position adjustments under the institute split item decrease GPR positions and increase PR positions, the funding shift is the opposite. That is, even though the bill would make salary and fringe benefit cost adjustments to match the position changes (an increase in PR funding and a decrease in GPR funding), the funding split decision item results in other changes that more than offset the salary and fringe benefit shifts, so that the net effect is an increase in GPR funding and a corresponding decrease in PR funding. There are two principal reasons for this discrepancy.

6. The first reason for the discrepancy described in the previous point relates to the impact that the bill's standard budget adjustments for overtime and night and weekend differential pay (hereafter "premium pay adjustments") has on the institutes' budgets. Since these adjustments are based on costs incurred for premium pay in 2009-10 (as explained in the "Current Law" section), the funding source for those costs reflects the particular patterns of overtime and night/weekend hours worked in that year, and also the split between forensic and civil patients that existed at that time. For both MHIs, particularly Mendota, the PR-funded cost for premium pay was significantly higher than the corresponding GPR costs. The standard budget adjustments for these costs are now disproportionately funded with PR, rather than GPR. Consequently, even though Mendota's GPR-funded patients are projected to be 93% of the total population in the 2017-19 biennium, the GPR share of the premium pay standard budget adjustments is just 12% and 60% respectively. A significant share of the PR to GPR shift incorporated into the institute funding split decision item is related to compensating for the mismatch between the funding split used for the

premium pay standard budget adjustments and the current mix of GPR- and PR-funded patients at the institutes.

7. When taken together, the two premium pay standard budget adjustments and the institute funding split result in a GPR and PR funding split that matches the anticipated population composition. However, a modification to the premium pay standard budget adjustments could be made so that they are more consistent with the current population compositions (Alternative A 2). With such a modification, GPR funding for the overtime and night/weekend pay differential adjustment would be increased by \$1,566,900 and \$172,800, respectively, and PR funding would be decreased by corresponding amounts. Incorporating these new funding adjustments into the funding split calculation would result in a reduction to the GPR funding for that decision item by \$1,738,600 in 2017-18 and \$1,717,700 in 2018-19 and corresponding increases to PR funding. [Because of a slight correction to the fringe benefit calculation in the funding split calculation, these modifications result in a net increase of \$2,300 GPR over the biennium.]

8. The second reasons for the disproportionate GPR funding shift in the funding split item is related to the treatment of a PR funding increase that was provided by Act 55, the 2015-17 biennial budget. Act 55 provided an annual increase of \$2,198,500 in the PR appropriations for the MHIs to increase the Department's expenditure authority in line with increasing revenues received for institute services. Of this amount, \$1,251,700 was provided in the budget for Mendota, and was used for general supplies and services for the facility. Because Mendota serves primarily forensic patients, the institute split decision item has the effect of converting a large share of the 2015-17 PR increase to GPR funding in the 2017-19 biennium.

9. Since the purpose of the Act 55 PR adjustment was related to the expenditure of anticipated increases in PR revenues, a case could be made that shifting a portion of that budget increase to GPR would be inconsistent with that purpose. In this case, the Act 55 PR increase for both mental health institutes could be excluded from the appropriation base used for the purpose of the funding split calculation. Making this adjustment results in a GPR funding decrease of \$1,513,900 in 2017-18 and \$1,504,100 in 2018-19 and in corresponding PR funding increases, relative to the bill (Alternative B 2).

10. Excluding the Act 55 PR increase from the institute split calculation would result in funding the costs related to forensic patients with PR on an ongoing basis, and thus would be inconsistent with the population-based funding principle underlying this decision item. That is, funds that are largely collected from counties would be used for costs that are the state's responsibility. Arguably, the decision to use of PR funding to support forensic costs in Act 55 was inconsistent with this principle, but the bill's institution split decision item would have the effect of correctly aligning populations with funding sources going forward (Alternative B 1).

11. For various reasons, the mental health institutes program revenue appropriation has accumulated a substantial unencumbered balance, estimated at \$15.0 million at the end of 2016-17. The bill includes several provisions that use program revenue balances generated at the MHIs for purposes other than the purpose for which the money was collected, including the costs associated with two new forensic patient units. Since county payments make up the largest source of the revenue, some counties may object to the use of the program revenue balance for forensic costs. For

additional discussion of the use of the MHI PR appropriation for forensic costs, see LFB Paper #356.

12. After excluding the effect that the premium pay adjustments and the Act 55 PR funding increase has on the MHI funding split calculation, there is a residual shift of base funding and positions. The remaining fiscal effect of the split calculation is a decrease of \$334,100 GPR and 11.88 GPR positions in 2017-18 and \$527,700 GPR and 14.50 positions in 2018-19, offset by corresponding increases in PR funding and positions (Alternative C 1).

ALTERNATIVES

A. Overtime and Night and Weekend Pay Differential

1. Adopt the Governor's recommendation to provide funding to adjust the base budget for salary and fringe benefit costs at the state mental health institutes, as follows: (a) \$565,900 GPR and \$2,480,600 PR annually for overtime; and (b) \$925,600 GPR and \$716,400 PR annually for night and weekend pay differential. Provide \$1,738,600 GPR in 2017-18 and \$1,717,700 GPR in 2018-19 and reduce PR funding by corresponding amounts to reflect the funding changes under the institute split decision item associated with the overtime and night and weekend differential pay adjustments.

ALT A1	Change to	
	Base	Bill
GPR	\$6,439,300	\$0
PR	<u>2,937,500</u>	<u>0</u>
Total	\$9,377,000	\$0

2. Modify the Governor's recommendation for overtime and night and weekend pay differential to match the anticipated GPR- and PR-funded population split at the mental health institutes, as follows: (a) provide increases of \$1,566,900 GPR in 2017-18 and \$1,554,000 in 2018-19 and provide corresponding PR decreases for the mental health institutes' overtime adjustment; and (b) provide increases of \$172,800 GPR in 2017-18 and \$164,900 GPR in 2018-19 and provide corresponding PR decreases for the mental health institutes' night and weekend differential pay adjustment. Decrease funding by \$1,738,600 GPR in 2017-18 and \$1,717,700 GPR in 2018-19 and provide corresponding PR funding increases to reflect changes in the institute fund split calculation resulting from the overtime and night and weekend differential pay changes under "a" and "b" above. [The net funding change under this alternative (a \$2,300 shift from PR to GPR over the biennium) results from a recalculation of premium pay fringe benefit costs.]

ALT A2	Change to	
	Base	Bill
GPR	\$6,441,600	\$2,300
PR	<u>2,935,200</u>	<u>-2,300</u>
Total	\$9,376,800	\$0

B. Act 55 Program Revenue Reestimate

1. Approve the Governor's recommendation to calculate the mental health institute funding split using a base that includes a program revenue increase of \$2,198,500 provided by 2015 Act 55. Provide \$1,513,900 GPR in 2017-18 and \$1,504,100 GPR in 2018-19 and decrease PR funding by corresponding amounts to reflect the effect of this inclusion.

ALT B1	Change to	
	Base	Bill
GPR	\$3,018,000	\$0
PR	<u>- 3,018,000</u>	<u>0</u>
Total	\$0	\$0

2. Decrease funding by \$1,513,900 GPR in 2017-18 and \$1,504,100 GPR in 2018-19 and provide corresponding PR increases to reflect the impact of excluding a PR funding increase provided by Act 55 from the mental health institute funding split calculation.

ALT B2	Change to	
	Base	Bill
GPR	\$0	- \$3,018,000
PR	<u>0</u>	<u>3,018,000</u>
Total	\$0	\$0

C. Residual Institute Funding Split

1. Decrease funding and positions by \$334,100 GPR and 11.88 GPR positions in 2017-18 and by \$527,700 GPR and 14.50 positions in 2018-19 and increase PR funding and positions by corresponding amounts to reflect the mental health institute funding and position split calculation excluding the effect of the premium pay adjustments and the Act 55 PR funding increase.

ALT C1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	- \$861,800	- 14.50	\$0	0.00
PR	<u>861,800</u>	<u>14.50</u>	<u>0</u>	<u>0.00</u>
Total	\$0	0.00	\$0	0.00

2. Increase funding and positions by \$334,100 GPR and 11.88 GPR positions in 2017-18 and by \$527,700 GPR and 14.50 positions in 2018-19 and decrease PR funding and positions by corresponding amounts to delete the residual institute fund split adjustment.

ALT C2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$0	0.00	\$861,800	14.50
PR	<u>0</u>	<u>0.00</u>	<u>- 861,800</u>	<u>- 14.50</u>
Total	\$0	0.00	\$0	0.00

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