



## Legislative Fiscal Bureau

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May 16, 2017

Joint Committee on Finance

Paper #357

### **Nonfood Supplies and Services and Food at DHS Institutions (Health Services -- Care and Treatment Services)**

[LFB 2017-19 Budget Summary: Page 233, #5 and Page 234, #6]

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#### **CURRENT LAW**

The Department's Division of Care and Treatment Services operates seven residential institutions, including three intermediate care facilities for individuals with intellectual disabilities (Central, Northern, and Southern, hereafter "state centers"), the state's two mental health institutes (Mendota and Winnebago), the Wisconsin Resource Center (WRC), and the Sand Ridge Secure Treatment Center (SRSTC). Funding to support the cost of nonfood supplies and services (medical care, drugs, clothing, and other supplies) and for food at these institutions are typically budgeted using projections of the average daily population and recent cost trends. The funding source for these costs is assigned to GPR and PR appropriations, depending upon the mix of residents. The cost of services for forensic patients and the mental health institutes and for residents at the WRC and SRSTC is funded with GPR, while services for residents at the state centers and for civilly-committed patients at the mental health institutes is funded with PR, using revenue collected from Medicaid and charges levied on counties.

#### **GOVERNOR**

Provide \$1,615,200 (\$508,400 GPR and \$1,106,800 PR) in 2017-18 and \$5,193,900 (\$3,229,700 GPR and \$1,964,200 PR) in 2018-19 to fund projected increases in nonfood supplies and services costs at the Department's residential care and treatment facilities.

Provide \$488,600 (\$297,100 GPR and \$191,500 PR) in 2017-18 and \$574,600 (\$344,400 GPR and \$230,200 PR) in 2018-19 to fund projected increases in the cost of food for residents at the Department's residential care and treatment facilities.

## DISCUSSION POINTS

1. The administration's estimates for nonfood and food costs are based on population projections for each of the institutions, as well as assumed growth in average per-resident costs. This paper presents a reestimate of nonfood and food costs at DHS institutions based on an analysis of both of these components.

2. The following table summarizes the funding for food and nonfood supplies and services under the bill, compared to the base budget for these items.

	<u>Base Funding</u>	<u>2017-18</u>		<u>2018-19</u>	
		<u>Amount</u>	<u>Change to Base</u>	<u>Amount</u>	<u>Change to Base</u>
<b>Food</b>					
GPR	\$2,458,100	\$2,755,200	\$297,100	\$2,802,500	\$344,400
PR	<u>1,280,800</u>	<u>1,472,300</u>	<u>191,500</u>	<u>1,511,000</u>	<u>230,200</u>
Total	\$3,738,900	\$4,227,500	\$488,600	\$4,313,500	\$574,600
<b>Nonfood</b>					
GPR	\$21,036,200	\$21,544,600	\$508,400	\$24,265,900	\$3,229,700
PR	<u>8,086,300</u>	<u>9,193,100</u>	<u>1,106,800</u>	<u>10,050,500</u>	<u>1,964,200</u>
Total	\$29,122,500	\$30,737,700	\$1,615,200	\$34,316,400	\$5,193,900

3. The following table shows the administration's estimates of the average daily population at each of the facilities, compared with the 2015-16 average daily population (ADP), and the ADP 2016-17 through February. Funding estimates for nonfood and food are allocated between GPR and PR sources according to estimates of the GPR-funded and PR-funded populations. For the purpose of the table, however, the total populations are shown without the fund source breakdown.

<u>Facility</u>	<u>Average 2015-16</u>	<u>Average 2016-17*</u>	<u>2017-18</u>	<u>2018-19</u>
Mendota MHI	300	310	317	317
Winnebago MHI	192	188	204	210
Central Wisconsin Center	221	216	225	225
Northern Wisconsin Center	12	12	13	13
Southern Wisconsin Center	138	135	141	141
Sand Ridge Secure Treatment Center	362	354	369	372
Wisconsin Resource Center	<u>380</u>	<u>376</u>	<u>385</u>	<u>385</u>
Total	1,605	1,591	1,654	1,663

\*Average daily population through February, 2017.

4. The administration's population projections generally show slight increases from current levels at most of the Department's care and treatment institutions. In particular, DHS anticipates growth in the average daily population of civil patients at Winnebago and at Sand Ridge. The population at each of the state centers would approximate the average daily population in 2015-

16. The number of residents at Mendota and the Wisconsin Resource Center would generally equal the number of staffed beds at these facilities, reflecting an assumption that they will operate at or near full capacity.

5. The 2017-19 population projections for Mendota (as well as the ADP shown for 2016-17 in the table above), include patients in a 14-bed forensic unit opened in August, 2016. Although the Department opened this unit using base resources on a contingent basis, the bill includes a separate item that would provide ongoing positions and funding to keep the unit operating on a permanent basis. [For a discussion of this issue, see LFB Paper #356.] Since the separate forensic unit decision item includes funding for nonfood and food costs for that unit, the inclusion of the patients associated with that unit in the base food and nonfood estimate has the effect of double-counting nonfood and food costs. Consequently, an adjustment of the Mendota population should be made to remove the 14 patients residing in the new unit (from 317 annually to 303), for the purpose of calculating the base nonfood and food costs. If the Committee decides to approve funding for the new unit, the nonfood and food costs associated with the unit would be provided in that decision item.

6. The bill's funding estimates for Winnebago are based on the assumption that the facility would have an average daily forensic population of 80 in both years, up slightly from 78.5 in 2015-16. However, the forensic population at Winnebago has declined in recent months, falling below 70 in each of the past nine months. Consequently, a downward adjustment to this estimate may be warranted. The reestimate in this paper assumes a forensic population of approximately 72 in 2017-18 and 76 in 2018-19, lowering the total average daily population estimate at Winnebago to 195 in 2017-18 and 210 in 2018-19.

7. The other population projections in the administration's estimates are somewhat higher than they have been thus far in 2016-17. However, since these populations can increase or decrease from year-to-year, the estimates are generally consistent with a cautious budgeting approach, allowing for a marginal increase in the event of increasing populations or increasing costs. No other adjustments to these population projections are made for the purpose of the reestimates in this paper.

8. The administration's food estimates are based on a calculation of the per-meal cost in 2015-16, inflated to generate a per-meal cost estimate for the two years of the 2017-19 biennium. To generate a final estimate, the projected average per-meal cost for each year is first multiplied by the number of meals served to residents, using the 2017-19 population projections. Then, an additional margin is added to reflect meals served to nonresidents in the course of facility business. The 2015-16 average per-meal cost for each facility is based on the total cost for food in 2015-16 (including meals served to both residents and to nonresidents), divided by the number of meals served to residents. However, this estimate improperly excludes meals served to nonresidents from the divisor, resulting in a per-meal average calculation that slightly overstates the actual average per-meal cost in 2015-16. The estimate in this paper makes an adjustment to the calculation to account for meals served to nonresidents in deriving a per-meal average.

9. The administration's estimate for the average nonmedical supplies and services, which include items such as clothing, kitchen supplies, laundry, cleaning supplies, assumes a 2.3% annual inflationary growth rate. The growth in the average cost of prescription drugs and purchased

medical services are estimated using recent cost trends. In general, these costs have risen at a rate well above general inflation in recent years. The total amount spent for drugs and medical services at all seven facilities in 2015-16 exceeded the amount budgeted for these items by \$1.9 million. Furthermore, these costs are somewhat unpredictable since a small number of high-cost patients can have a large impact on total costs. Reflecting rising costs and uncertainty, the administration estimates that these costs will increase at rates ranging from 5% to 30% annually, depending upon the facility. No adjustment is made to the average nonfood supplies and services cost for the purpose of the reestimates in this paper.

10. The following table summarizes the reestimated funding for food and nonfood supplies and services and the funding resulting from incorporating the adjustments described in this paper.

	2017-18		2018-19	
	<u>Funding</u>	<u>Change to Bill</u>	<u>Funding</u>	<u>Change to Bill</u>
<b>Food</b>				
GPR	\$2,565,900	-\$189,300	\$2,619,500	-\$183,000
PR	<u>1,356,500</u>	<u>-115,800</u>	<u>1,393,400</u>	<u>-117,600</u>
Total	\$3,922,400	-\$305,100	\$4,012,900	-\$300,600
<b>Nonfood</b>				
GPR	\$21,073,600	-\$471,000	\$23,817,800	-\$448,100
PR	<u>9,139,100</u>	<u>-54,000</u>	<u>10,002,600</u>	<u>-47,900</u>
Total	\$30,212,700	-\$525,000	\$33,820,400	-\$496,000

## MODIFICATION

Adjust funding for food and nonfood supplies and services as shown in the table under Point #10 above to reflect reestimates facility population and average cost for certain items.

	Change to	
	Base	Bill
GPR	\$3,088,200	-\$1,291,400
PR	<u>3,157,400</u>	<u>- 335,300</u>
Total	\$6,245,600	-\$1,626,700

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