



## Legislative Fiscal Bureau

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February 10, 2016

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health Services -- Section 16.515 Program Revenue Supplement Request for Information Technology Infrastructure and Capital Projects at DHS Facilities and Treatment to Competency Services -- Agenda Item II

On January 26, 2016, the Department of Administration (DOA) submitted a request under s. 16.515 of the statutes for an increase in expenditure authority of \$200,000 PR in 2015-16 and \$15,578,300 PR in 2016-17 in the Department of Health Services appropriation for institutional operations and charges, which is the principal PR appropriation for the state's mental health institutes and state centers for people with intellectual disabilities (State Centers). The requested funding would be allocated as follows: (a) \$10,578,300 in 2016-17 for capital improvements to the information technology (IT) infrastructure at the Mendota and Winnebago state mental health institutes (MHIs) and the state's three State Centers (b) \$1,000,000 in 2016-17 to complete the renovation of two units at Mendota's Lorenz Hall (previously used for civil patients) to create two 20-bed forensic units; (c) \$1,000,000 in 2016-17 for design work in preparation of a future project that would convert additional vacant civil units in Lorenz Hall for use as forensic treatment units; (d) \$1,400,000 in 2016-17 for the installation of a communication and patient monitoring system in Mendota's Goodland Hall; (e) \$1,200,000 in 2016-17 to complete work on a construction project at Winnebago's Petersik Hall, involving the creation of a five-bed unit for female patients with complex needs; and (f) \$200,000 in 2015-16 and \$400,000 in 2016-17 for outpatient competency restoration services for persons who have been charged with a crime but are found not competent to stand trial for reasons of mental disease or defect.

Under s. 16.515 of the statutes, the Committee reviews requests under a 14-day passive review process. If a member of the Committee raises an objection to the request, the Committee must meet to approve, reject, or modify and approve the request. On February 5, 2016, the Co-Chairs notified DOA that an objection has been raised to the request.

### **BACKGROUND**

The state has two mental health hospitals, the Mendota Mental Health Institute in Madison and the Winnebago Mental Health Institute near Oshkosh. Persons are committed to one of the

mental health institutes either as the result of a criminal proceeding or a civil process. Persons who have been committed as the result of a criminal proceeding, known as forensic patients, fall in one of three categories: (a) persons found not guilty by reason of mental disease or defect; (b) persons who have been deemed not competent to stand trial for a criminal charge as the result of mental illness and for whom the court has ordered treatment to restore competency; and (c) persons who are undergoing evaluation to determine competency to stand trial. Persons are committed under a civil process have been found to be dangerous to themselves or others as a result of a mental illness. Mendota is used almost exclusively for the treatment of forensic patients, while Winnebago is used primarily for civil patients, but it is also used for female forensic patients.

Mendota has a total capacity of 259 forensic beds and 15 civil beds in a geropsychiatric unit (not including 29 beds in the Mendota Juvenile Treatment Center). Winnebago has a total staffed capacity of 184 beds, of which approximately 75 are for female forensic patients, and the remainder are used for civil patients.

Mental health institute facility and operations costs associated with forensic patients are funded primarily with a GPR appropriation, although some costs can be billed separately to Medicaid or other third-party insurance. Costs associated with civil patients are primarily the responsibility of the patient's county of residence, although, like forensic patients, some costs can be billed to third parties. Payments received from counties and other parties are deposited in a program revenue appropriation for institution costs. This PR appropriation is also used to collect payments and to fund costs associated with the State Centers. Within the appropriation, the costs and revenues associated with the operations of the MHIs are maintained separately from the costs and revenues associated with the State Centers.

The MHI appropriation had an unappropriated revenue balance of approximately \$33.2 million at the beginning of the 2015-17 biennium. This balance has accumulated as the result of two principal factors. First, civil commitments have been higher than expected, allowing Winnebago to operate at or near capacity, and resulting in the collection of higher-than anticipated revenues. Second, in 2013-14 the Department received Medicaid payments, totaling \$13.5 million, representing several prior years of cost settlement payments (difference between provisional payment and actual billed cost). The Department's request would utilize a portion of this unappropriated PR balance.

## **DESCRIPTION OF THE REQUEST**

### **Information Technology Infrastructure Improvements**

The Department is requesting \$10,578,300 PR in 2016-17 to improve IT infrastructure for capital costs related to the two MHIs and the three State Centers. These improvements must be made prior to the implementation of an electronic health records system that will replace various electronic and paper files maintained by these facilities. The 2013-15 budget provided \$1,771,000 GPR and \$1,721,900 PR in 2014-15 for the procurement and operations costs of an electronic health records system for the Department's care facilities to replace the current electronic and paper records system. During the course of preparing the procurement, the Department determined that the existing network infrastructure was not adequate to utilize an electronic health records system. Consequently, the procurement of software was delayed and the additional funding was instead

used to begin IT infrastructure work at Mendota and Central Wisconsin Center. In addition, the Department hired a consultant to conduct a comprehensive assessment of infrastructure needs at all of the Department's facilities. The requested funding would be used, in combination with base funds, to complete the projects identified by the consultant. The project includes procurement and installation of fiber optic cable, switches and routers, and wireless access points to allow Department staff to keep and share records of patients and residents at the facilities.

Because the MHI PR appropriation balance would be used as the funding source for the improvements at the State Centers, the Department would charge back the State Centers appropriation over time through the collection of Medicaid reimbursement for depreciation expenses.

### **Mendota's Lorenz Hall Facility Improvements**

In recent years, the Department has initiated space renovation and expansion projects at Mendota's Lorenz Hall to accommodate an increasing number of forensic referrals. Previously, Lorenz Hall was used for adult civil patients, but has been unused for this purpose in recent years. The 2013-15 capital budget included \$5.7 million in general fund-supported bonding to renovate two civil units in Lorenz Hall to accommodate two new forensic units, each with 20 beds. The 2013-15 biennial budget provided 73.0 GPR positions and \$12.6 million GPR over the biennium to operate these forensic units. Conversion from civil use to forensic use primarily involves security enhancements, although general facility renovations were also included. The Department indicates that the capital budget funding was insufficient to complete the renovation, largely because the necessary plumbing and electrical work was more complex than anticipated, and so is requesting \$1,000,000 PR in 2016-17 to complete the work.

The Department requested \$13.3 million in general fund-supported bonding for the 2015-17 budget to construct two additional units in Lorenz Hall to be used for forensic treatment. This request, however, was not included in the 2015-17 capital budget. Consequently, the Department is requesting \$1,000,000 PR in 2016-17 for design work on the project, in order to expedite construction in the future. The Department indicates that it would then request general fund-supported bonding in its 2017-19 capital budget request for construction of this project. In addition to converting the interior space to serve the needs of forensic patients, this project would also include perimeter security improvements for the building.

### **Mendota Security Improvements**

The Department is requesting \$1,400,000 for the purchase and installation of a communication and patient monitoring system in Mendota's Goodland Hall, for use by clinical and security staff. This work would include an upgrade to the paging system, and the replacement of amplifiers, speakers, and wiring. Goodland Hall is used primarily for higher-security forensic patients.

### **Winnebago Petersik Hall Improvements**

The 2013-15 capital budget included \$979,000 in general fund-supported bonding for the construction of a five-bed special management unit at Petersik Hall, for the treatment of aggressive

female forensic patients. However, prior to starting the project, the Department decided to build the unit with higher security than had initially been planned, necessitating an increase in funding. The Department would combine the requested \$1,200,000 with the previously-approved bond funds to complete the project. The primary change to the proposed project is the installation of bathroom and shower facilities within each secure room, to reduce the staffing requirements and potential conflicts involved with the use of a common facility.

### **Treatment to Competency Funding**

The Department is requesting \$200,000 PR in 2015-16 and \$400,000 PR in 2016-17 to supplement the Department's budget for outpatient competency restoration treatment. The Department contracts with a vendor to provide restoration to competency treatment on an outpatient basis for certain persons for whom outpatient treatment is deemed appropriate (others are admitted to one of the MHIs for treatment). The 2015-17 budget provided \$1,082,000 GPR in 2015-16 and \$1,303,900 GPR in 2016-17 for outpatient treatment. The additional requested funding would be used to supplement competency restoration services, which would be provided in the Milwaukee County jail. This initiative would be one of a series of measures that the Department is taking or considering in an effort to address a backlog of pending inpatient admissions at Mendota. By providing initial treatment in the Milwaukee County jail and other outpatient settings, the Department hopes to reduce the length of inpatient treatment needed at Mendota.

### **ANALYSIS**

The Department's request would result in the expenditure of PR revenue that is currently unappropriated. At the start of the 2015-17 biennium, the unappropriated revenue balance in the MHI appropriation was approximately \$33.2 million. Approval of the request in full would draw down the revenue balance to approximately \$17.5 million. By policy, the Department seeks to maintain a PR revenue balance equal to at least two months of operations expenditures, or \$7.2 million. Consequently, the balance remaining if the request is approved would remain above the Department's target. [On February 4, 2016, the Committee passed Assembly Bill 657, as amended, which would transfer \$2,000,000 from the unappropriated revenue balance of the institutions appropriation to the Department of Justice to support the treatment and diversion program. If this bill is enacted and the DOA request is approved, the 2016-17 ending balance would be estimated at \$15.5 million.] If the request is denied, the excess revenue would remain unspent in the institutional operations appropriation.

In some cases, the use of PR revenue could allow the Department to reduce the future use of general fund-supported bonding for the proposed projects, although not necessarily. If the Committee denies the Department's request, the full Legislature could still provide funding for the same purposes from the PR appropriation in the 2017-19 budget, which would also substitute for general fund-supported bonding. However, the decision to deny the request now would result in the delay of these projects.

The Department's request for upgrading the IT infrastructure (\$10,578,300) is based on an analysis completed by a consultant. According to the consultant, the current infrastructure in the Department's care facilities is not sufficient to meet commonly-used standards for data security and

functionality in healthcare facilities. Accordingly, the Department believes that establishing and effectively utilizing an electronic health records system will require the replacement of physical cable and wireless communication infrastructure. The Department indicates that since clinical staff provide treatment in different locations, it is important that MHI and State Centers personnel be able to access patient records via an electronic system, including using wireless devices, something that is not currently possible. Approval of the request would allow the Department to begin infrastructure upgrades during the 2015-17 biennium. Without approval, the Department would likely request the funding in the 2017-19 budget cycle for this purpose, delaying completion of the project by one to two years.

Several of the other initiatives in the Department's request are intended to address an increase in the number of forensic referrals occurring over the past several years. Because of an increase in referrals, the average number of persons on admission wait lists has increased. During the first few months of 2014, just after the time that both of the two new 20-bed forensic units were opened at Mendota, there were generally less than five persons awaiting admission at any one time. The size of the waitlist grew over the course of the following two years, so that currently there are usually over 40 persons awaiting admission to Mendota at any given time. Although the Department's goal is that the average length of time spent on a waitlist is less than 10 days, during the past few months, the average stay has been more than 30 days.

A portion of the funding requested for the Lorenz Hall improvements (\$1,000,000) would allow the Department to complete the first phase of the forensic unit renovations, but would not immediately increase capacity for forensic patients at Mendota. The other request for Lorenz Hall improvements (also \$1,000,000) would allow the Department to expedite a construction project that would eventually add an additional 40 forensic beds to the usable capacity at Mendota. If the request is approved, the Department anticipates that the design work could be started this summer, allowing construction to start in 2018, with completion in 2020. Without approval of the design funding, the Department would likely need to wait until after the passage of the 2017-19 budget to begin the design work (assuming also that funding for the project is included in the capital budget). Consequently, a decision to deny the Department's request would delay completion of the project by one to two years.

The approval of this component of the request may allow the state to use PR funds in place of general fund-supported bonding for the project. However, the completion of the second phase of the Lorenz Hall work would likely require general fund-supported bonding to complete construction in the future. The Department estimates the cost of the project, excluding the design component, at \$15.0 million. Upon completion, staffing the facility would require GPR positions and funding. By way of comparison, the 2013-15 budget provided 73.0 GPR positions and \$6.7 million in the first full year that the first two 20-bed Lorenz Hall units were in operation.

The requested funding for treatment to competency services is intended to have a more immediate impact on the admissions waitlist. The Department indicates that if treatment to competency services can be started while a person is still in a county jail, then the amount of time that he or she spends in the MHI can be reduced. Shortening the length of inpatient treatment reduces the state's costs associated with each person and allows each inpatient bed to be "turned-over" more frequently to serve more patients.

The requests for the Winnebago Petersik Hall project (\$1,200,000) and Mendota Goodland Hall communications and paging system (\$1,400,000) would, if approved, allow the Department to proceed with projects that the Department believes are necessary to improve security and reduce risk to both patients and staff. In the event that these requests are not approved, the Department may request the funding for the 2017-19 biennium. At that time, the funding could be provided from the PR appropriation or be included in the Department's request for general fund-supported bonding. A decision to deny the request would result in a delay in the completion of the projects by one to two years.

## **ALTERNATIVES**

1. Approve the request.
2. Approve the following components of the Department of Administration's request under s. 16.515 of the statutes:
  - a. \$10,578,300 PR in 2016-17 for capital improvements related to the implementation of an electronic health records system at the mental health institutes and state centers for persons with intellectual disabilities.
  - b. \$1,000,000 PR in 2016-17 to complete renovation of two units at Mendota Mental Health Institute's Lorenz Hall.
  - c. \$1,000,000 PR in 2016-17 for design work in preparation of a future project that would convert two civil units in Lorenz Hall for use as forensic treatment units.
  - d. \$1,400,000 PR in 2016-17 for the installation of a communication and patient monitoring system at Mendota Mental Health Institute's Goodland Hall.
  - e. \$1,200,000 PR in 2016-17 to complete work on a construction project at Winnebago Mental Health Institute's Petersik Hall, involving the creation of a five-bed unit for female patients with complex needs.
  - f. \$200,000 PR in 2015-16 and \$400,000 PR in 2016-17 for outpatient competency restoration services for persons who have been charged with a crime but are found not competent to stand trial.
3. Deny the request.

Prepared by: Jon Dyck