

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1443** HLS 10RS 2382
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.:

Date: May 11, 2010 7:08 PM	Author: EDWARDS
Dept./Agy.: Health and Hospitals	Analyst: Charley Rome
Subject: Authorizes Contracting of Inpatient Mental Health Facilities	

CONTRACTS OR DECREASE SD EX See Note Page 1 of 1

Establishes requirements for contracts for the privatization of services currently provided by facilities operated by the Office of Mental Health

Proposed law provides that the Department of Health and Hospitals (DHH) may enter into contracts of a term of more than three years in duration with private contractors after 4/15/2010 for the privatization of inpatient mental health facilities operated by DHH. The bill requires the method of contractor selection shall be a request for proposal and specifies selection evaluation factors. The bill requires review and approval of selected contractors by the House and Senate Health and Welfare Committees and the Joint Legislative Committee on the Budget. The proposed legislation also requires DHH to provide a written report including specific evaluations of contractor performance and costs to the House and Senate Health and Welfare Committees within 60 days of the close of each State Fiscal Year beginning with Fiscal Year 2012-13. Effective upon signature of the governor or lapse of the time for gubernatorial action.

EXPENDITURES	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

State general fund and IAT/Medicaid expenditures may decrease by unknown amounts based on the proposed legislation. A 2006 feasibility study funded by Department of Health and Hospitals (DHH) and the Office of Mental Health (OMH) estimated the following savings from contracting all inpatient services at the following state mental health institutions: Southeast Louisiana State Hospital (SELH) \$4 million; Central Louisiana State Hospital (CLSH) \$2.1 million; and East Louisiana State Hospital (ELSH, now part of the East Louisiana Mental Health System) \$4 million. Most of the savings estimated by the feasibility study came from reduced staffing costs. There is no way to estimate actual savings from closing and privatizing these facilities until DHH/OMH issues and evaluates Requests for Proposals (RFPs) related to closing these facilities and privatizing these services.

The FY 2011 Executive Budget Supporting Document for DHH states that the Office of Mental Health (OMH) will issue Requests for Proposal (RFPs) to determine the feasibility of privatizing secure forensic services at Central Louisiana State Hospital (CLSH) and the East Louisiana Mental Health System (ELMHS) forensic unit in Jackson Louisiana. These secure forensic beds represent a small portion of the inpatient mental health beds operated by OMH state wide and a small portion of potential savings from privatizing all OMH mental health beds. The FY 2011 Executive Budget also includes an estimated cost of \$2,946,881 funded with SGF to fund 82 privatized secure forensic beds at the ELMHS forensic unit in Jackson Louisiana at a cost of \$98 per bed per day and an estimated cost of \$1,484,519 funded with SGF to fund 53 privatized secure beds at CLSH at a cost of \$77 per bed per day. DHH/OMH estimates a net savings of \$3.1 million per year from privatizing these secure beds at CLSH and an estimated net savings of \$3.0 million per year from privatizing these secure beds at ELMHS forensic unit. The total estimated savings of \$6.1 million will result in reductions in SGF and IAT/Medicaid expenditures, but DHH/OMH is unable to attribute these savings to their corresponding funding sources.

DHH reports they are unable to estimate the bill's fiscal impacts. The bill applies to DHH mental health contracts with terms exceeding three years beginning after 4/15/10. DHH is concerned that this date may negatively impact current contracts. DHH reports that the bill's cost comparison evaluation uses an unusual methodology in tracking patients. DHH is unclear of the meaning of the phrase describing "the achievement of each patient outcome" in evaluating the quality of patient care.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$100,000 Annual SGF Cost
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Robert E. Hosse
 LFO Staff Director