

Proposed law would have applied to any contract entered into by the Dept. of Health and Hospitals (DHH) which meets the following criteria:

- (1) Is entered into beginning any time after April 15, 2010.
- (2) Is for the purpose of privatizing any portion of the activities which were performed by DHH during FY 2009-2010, including but not limited to the following institutions:
 - (a) Eastern La. Mental Health System, Jackson Campus.
 - (b) Eastern La. Mental Health System, Greenwell Springs Campus.
 - (c) Southeast La. Hospital.
 - (d) Central La. State Hospital.
 - (e) Red River Treatment Center.

Proposed law would have required that the method of source selection for such contracts be the request for proposal (RFP) process provided in present law (R.S. 39:1503).

Proposed law would have prohibited DHH from issuing an RFP prior to securing approval of the House and Senate health and welfare committees.

Proposed law would have required that RFPs contain the following abilities of prospective contractors as proposal evaluation factors:

- (1) Ability to consider former employees of the institution for employment.
- (2) Ability to employ former employees of the institution with 15 years or more experience in the state civil service.
- (3) Ability to provide comparable or improved services for comparable or lesser cost than a state-administered institution.
- (4) Ability to provide a level of services and overall patient capacity which is no less than the level of services and patient capacity provided during FY 2009-2010 by the respective state institution.
- (5) Ability to continue any psychiatric, medical doctor, nurse, pharmacist, or other health care personnel training activities to meet current and future needs of the state.

Proposed law would have required approval of proposed contracts by the House and Senate committees on health and welfare, meeting jointly; and, if approved by the joint health and welfare committees, review and approval by the Joint Legislative Committee on the Budget.

Proposed law would have required the DHH secretary to submit a written report to the House and Senate committees on health and welfare detailing the results and costs associated with the contracted services subsequent to the privatization of the institutions. Provided that such report shall be furnished annually within 60 days of the close of the fiscal year. Required that such report include:

- (1) An evaluation of actual patient outcomes for each service provided by a contractor which was formerly provided by an institution.
- (2) An evaluation of employment information for each institution, including the number of employees terminated, the number subsequently re-hired, the average compensation (wages, benefits, and retirement contributions) of employees prior to and subsequent to privatization, a comparison of average compensation of employees terminated and subsequently rehired prior to and subsequent to the privatization, and

a comparison of the number of credentialed professionals by category including psychiatrists, psychologists, registered nurses, and licensed practical nurses.

- (3) A comparison of costs to the state to deliver the mental health services via the privatization contract with the costs had the institution delivered the same mental health services, including but not limited to per diem costs per inpatient and outpatient. Such costs shall include capital costs whether or not such costs are reflected in the privatization contract or elsewhere in the state budget.

Proposed law would have provided that if DHH does not privatize services at the Red River Treatment Center, then the department shall operate that facility during Fiscal Year 2011-2012 at only the amount appropriated for the operation of the facility in that Fiscal Year in the Act which originated as House Bill No. 1 of the 2010 Regular Session.

VETO MESSAGE: "House Bill 1443 by Representative Edwards establishes new procurement process requirements related to the privatization of certain mental health and addictive disorder facilities and programs. More specifically, the bill adds additional steps to the Department of Health and Hospitals' contracting process, which prolongs the process and the Department's ability to implement best practices for those with mental health needs as well as adding costs to the state.

National best practices indicate persons with mental health needs should receive care in the least restrictive environment while still meeting their health care needs. Most mental health services delivered by the Department today are provided through private contracts, and this has enabled the state to provide more services to more people at lower cost. The Department utilizes patient by patient assessments as to needs, involves families and the care team, and seeks to provide the service in the setting best for the individual. It has been demonstrated that institutional services in certain instances can be operated more efficiently utilizing best practices within the private sector, and it is incumbent upon us to take advantage of those opportunities to save taxpayer dollars wherever we can, with the ultimate goal being to deliver high quality services cost effectively.

The state is facing a budget crisis that has not been matched in over 25 years. This is due to multiple factors, such as the federal government's decreased contribution to the state Medicaid program resulting in a \$339 million loss, and the federal DSH audit rule, which will decrease available DSH by \$200 million. The DSH audit rule itself is leading to a \$43 million reduction in funding for Louisiana's mental health institutions. The proposed executive budget filled this \$43 million federal hole with \$36 million in state general funds, but we must explore more cost effective measures. Our budget invests in expanded community-based services, and protects the institutions from what would have been devastating reductions.

The reality is that we cannot keep doing what we have always done and ignore the major reductions in funding by the federal government. And we must at the same time improve services. There are sufficient protections in law to ensure the request for proposal process has oversight. Adding additional steps to the procurement process outside of those protections will hinder the state's ability to deal with the challenges we face, will discourage potential partners from participating, may create legal impediments to implementation, and could result in increased expenditures.

For these reasons, I have vetoed House Bill No. 1443 and hereby return it to the House of Representatives."