

Department of Planning and Budget 2023 Fiscal Impact Statement

1. **Bill Number:** HB2192

House of Origin ☐ Introduced ☐ Substitute ☒ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Rasoul

3. **Committee:** Finance and Appropriations

4. **Title:** Catawba Hospital; substance abuse treatment and recovery services.

5. **Summary:** Directs the Department of Behavioral Health and Developmental Services to transform Catawba Hospital into a state-of-the-art facility at which a continuum of substance abuse treatment and recovery services is provided in addition to the array of behavioral health and other services currently provided to geriatric individuals in need of mental health care. The substitute inserts a clause stating that the transformation of the facility shall be undertaken as funding is provided.

6. **Budget Amendment Necessary:** Yes. New Capital Item.

7. **Fiscal Impact Estimates:** See Item 8 Below.

8. **Fiscal Implications:** This legislation directs the Department of Behavioral Health and Developmental Services (DBHDS) to undergo the transformation of Catawba Hospital “in accordance with the analysis conducted by the Secretary of Health and Human Resources”.

That analysis was provided for in the 2022 Appropriation Act Item 283 F.2., with \$750,000 dedicated to conducting a feasibility analysis and workgroup on the proposed transformation of Catawba hospital, to include substance use disorder services “in addition to the array of behavioral health services currently provided to individuals in need of behavioral health care services”. However, this legislation states that substance abuse services are to be provided “in addition to the array of behavioral health and other services currently provided to geriatric individuals in need of mental health care”. Given this discrepancy, it is unclear whether the intent of this legislation is to eliminate non-geriatric behavioral health care services at Catawba.

This fiscal impact statement will summarize the three main areas of impact:

1. Capital
2. Operational costs of inpatient substance use disorder (SUD) and detox beds
3. Outpatient services costs

Capital

The capital costs assumed in this fiscal impact statement were provided by the consultant, JLL, and assume the continued operation of all current behavioral health beds. This fiscal impact statement will summarize those costs, but further details of the estimated capital costs can be found in the report submitted to the Governor and the chairs of the Senate Finance and Appropriations Committee and the House Appropriations Committee by the Secretary of Health and Human Resources on January 13, 2023.

The consultant provided three scenarios with different cost estimates, however this fiscal impact statement assumes “Option A” will be chosen. All options include the renovation of building 15 and 17 at the current facility, construction of a new building for behavioral health beds, and the construction of a separate building for outpatient services. As noted in the feasibility analysis, Options B and C would require significant upgrades to the water and wastewater treatment systems and would result in higher capital and operational costs that require further analysis.

| | | |
|---------------------------------------|-----------|--------------------|
| New Building for Outpatient Services | \$ | 43,644,387 |
| Renovate Building 17 | \$ | 14,842,275 |
| New 64 bed Behavioral Health Building | \$ | 29,053,661 |
| Renovate Building 15 | \$ | 29,053,661 |
| Soft Cost Allowance | \$ | 29,372,766 |
| Total | \$ | 145,966,750 |

According to the analysis provided, under Option A, “the existing building 15 would have one and a half floors dedicated to residential treatment of SUD patients – providing 48 beds. One-half of a floor would become the detox unit for the facility which would provide 16 beds. The result would be to provide 64 beds dedicated to SUD patients.

Sixty-four behavioral health patient beds would be provided in a new state-of-the-art building that will meet best practices. The existing treatment mall would be renovated and updated to current treatment standards. Forty-six beds of acute behavioral health care would remain in building 15.

A new 52,000 square foot three-story outpatient facility would be built adjacent to building 15 to provide outpatient services, additional administrative, clinical, educational and research space unique to SUD treatment.” Building 17 would be renovated and continue as treatment space.

Operational Costs

The feasibility analysis did not include an analysis of the staffing and operational costs needed to provide the specified behavioral health and substance use disorder services. For the purposes of this fiscal impact statement, it is assumed that Catawba continues to staff 110 behavioral health beds, including non-geriatric beds, as included in the feasibility study. If

the intent is to close the existing non-geriatric beds, operational costs would be reduced by approximately \$12.4 million, but there would be additional indeterminate costs to serving individuals in the community, private hospitals, or other state facilities, who would otherwise be treated at Catawba. It is also assumed that the current operational budget of Catawba Hospital would be sufficient to cover the cost of splitting the behavioral health beds between building 15 and the new, 64-bed behavioral health building.

| Bed Type | Bed Count | Personnel | Non-Personnel | Total |
|-------------------------------|------------------|---------------------|----------------------|---------------------|
| Detox and SUD – New Costs | 64 | \$8,776,032 | \$1,769,246 | \$10,545,278 |
| BH/Geriatric – Current Budget | 110 | \$28,920,081 | \$4,511,184 | \$33,431,265 |
| Total | 174 | \$37,696,113 | \$6,280,430 | \$43,976,543 |

The table below outlines the projected personnel costs for the operation of the new detox and SUD beds. Direct care staff include employees who work directly with patients such as nurses, counselors, direct service associates, therapists, and medical clerks. Non-direct care staff refers to employees who support overall facility operations such as IT professionals, food service employees, human resources, facility security, and maintenance staff. Note that these figures are based on FY 2023 salaries and will likely need to be adjusted for compensation changes.

| | Bed Count | Direct Care Staff | Non-Direct Care Staff | Total |
|--------------|------------------|--------------------------|------------------------------|--------------------|
| Detox Beds | 16 | \$3,551,097 | \$609,631 | \$4,160,728 |
| SUD Beds | 48 | \$2,786,410 | \$1,828,894 | \$4,615,304 |
| Total | 64 | \$6,337,507 | \$2,438,525 | \$8,776,032 |

In addition to the operational cost of staffing, the addition of 64 SUD beds will increase non-personnel costs associated with the Catawba campus. The following table compares Catawba's current non-personnel costs with the estimated non-personnel costs associated with the 16 detox beds and 48 SUD beds. The estimated figures were based on the current non-personnel costs for the operation of 110 behavioral health and geriatric beds at Catawba, therefore, actual costs may vary due to differences in the population served by each bed type, savings or costs arising from new capital projects, and possible savings associated with an overall larger population served at the Catawba campus.

| Catawba Non-Personnel | | |
|------------------------------|--------------------------------------|------------------------|
| | Current 110 BH/Geriatric Beds | 64 New SUD Beds |
| Special Hospitalization | \$175,500 | \$50,000 |
| Pharmacy | \$511,000 | \$297,309 |
| Utilities | \$690,000 | \$401,455 |
| Food | \$738,400 | \$429,615 |
| Information Technology | \$316,275 | \$100,000 |

| | | |
|----------------------------|--------------------|--------------------|
| Facility Maintenance | \$565,642 | \$329,101 |
| Workers Comp | \$490,202 | \$161,767 |
| Major Contracts | \$348,500 | N/A |
| Other Adjustments | \$675,665 | N/A |
| Non-Personnel Total | \$4,511,184 | \$1,769,246 |

These figures reflect an assumption of proportionately lower cost of services associated with a lower acuity population. These assumptions do not include possible revenue offsets, as the amount of revenue to be generated is unknown and it is unclear what type of certification will be available or required for a SUD facility located inside of an acute care behavioral health facility. However, according to data provided by the Department of Medical Assistance Services, SUD residential services (over 16 beds) were reimbursed anywhere from \$367 per patient day to \$1054 per patient day.

Outpatient Services

This fiscal impact analysis does not include estimates for the cost of outpatient services. The cost of services will be dependent on the array of services, cost of staffing, utilization, etc. There is not sufficient information available to determine what those costs will be at this time.

The team that conducted the feasibility analysis indicated that the most effective means of providing outpatient services would be through a partnership with a private provider. Under this scenario, a partnered company could be responsible for managing the day-to-day operations of the outpatient facility. Additional research to identify potential partners and develop a framework for a partnership including additional projected costs and revenue is needed to fully capture the economic impact of this plan.

It should be noted that outpatient services costs would not be realized until the new building is completed, which will not be until June 2027, according to the study.

Summary of Estimated Costs

Because of the number of unknowns, it is not possible to give a definitive fiscal impact on this legislation with the available information. However, what is known is that in order to pursue this option, capital funding would be needed to begin implementation of the campus transformation. This fiscal impact statement assumes that full funding for the capital project would be provided in FY 2024, with operational costs not being realized until the project is completed. The study assumes the renovation portion of the project will be completed in April 2028, with the new construction completed in June 2027.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Behavioral Health and Developmental Services.

10. Technical Amendment Necessary: If the intent is to continue to provide services to all individuals currently served by the facility, language should be amended to remove the term “geriatric”.

11. Other Comments: The current lack of reliable transportation in the region surrounding Catawba hospital was noted as a significant concern in the report on the feasibility study. Access to reliable and adequate transportation is critical in ensuring adequate staffing of the facility, as well as ensuring that individuals in need of care can access services provided at the facility.

As part of the feasibility effort, a team met with the operations leadership team at Valley Metro, the local public transportation provider in the area. Valley metro does not provide service to Catawba hospital, however an existing route between Roanoke and Blacksburg (the Smart Way Bus Route) could be modified to add a stop for Catawba Hospital. The feasibility analysis found that a study would need to be completed by a transportation engineering firm to fully scope out the specifics. However, cost metrics provided by Valley Metro indicate that this solution could be implemented with a yearly operating budget of under \$500,000 (approximately \$52/hour to add a stop to an existing route).