

## **Department of Planning and Budget**

### **2022 Fiscal Impact Statement**

**1. Bill Number:** SB750

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Dunnavant

**3. Committee:** Education and Health

**4. Title:** Behavioral Health Hospital Authority; established.

**5. Summary:** The substitute bill requires the Secretary of Health and Human Resources to develop and implement a plan to transfer responsibility for the oversight and operation of the Commonwealth's state hospitals from the Department of Behavioral Health and Developmental Services to another governmental entity and to grant such governmental entity the authority to administer the Commonwealth's state hospitals effectively and efficiently.

**6. Budget Amendment Necessary:** Indeterminate.

**7. Fiscal Impact Estimates:** Preliminary – See Item 8

**8. Fiscal Implications:** SB750s1 requires the Secretary of Health and Human Resources to develop and implement a plan to transfer the oversight and operation of the nine behavioral health facilities to another entity. Because this legislation does not lay out any specific requirements or timelines, an accurate estimate of the impact of this legislation is not possible. However, this fiscal impact statement explores several areas of hospital operations that would need to be considered as part of such a transfer.

**Current Operations:**

The Department of Behavioral Health and Developmental Services (DBHDS) currently operates nine mental health facilities. Chapter 552, 2021 Acts of Assembly, Special Session I, provides \$389.9 million in state general fund for facility operations. Facilities also generate nongeneral fund revenue from insurance, Medicaid/Medicare, and private pay to support their operation.

Two of the behavioral health facilities that would be transferring to the new entity currently share campuses and services with two facilities that would be remaining under DBHDS purview. Central State Hospital has a shared service agreement with Hiram Davis Medical Center (HDMC) to provide food service, housekeeping, information technology, buildings and grounds, and other administrative functions. Piedmont Geriatric also has a shared services agreement with the Virginia Center for Behavioral Rehabilitation (VCBR) for HR services, psychiatry services, buildings and grounds, and other supplies shared between the

two facilities. These shared services arrangements provide efficiencies related to the sharing of similar functions on campus. If Central State Hospital (CSH) and Piedmont Geriatric Hospital (PGH) and their associated funding were moved to a new entity, it is not clear how the shared services agreements would be impacted. Some shared space (warehouse, kitchen space, etc.) would also likely be impacted.

### **Capital:**

If the behavioral health facilities were transferred to a new entity, the shared arrangements with two of the facilities mentioned above would require memorandum of agreements (MOAs) between DBHDS and the new entity to determine what land and property belong to each respective organization and if any type of fiscal or contractual relationship would need to exist between them. Arrangements would need to be made especially around physical plant operations. For example, the PGH plant provides the heat for both VCBR and PGH. Decisions would need to be made regarding the many capital projects and the associated maintenance funding that would need to be shared between these campuses.

Additionally for any current capital project related to the hospitals it is assumed that those projects and the associated funding would transfer over to the new entity. It is assumed that the entity could continue to access tax exempt Virginia Public Building Authority bond funds for capital projects. Below is a list of all of the current capital projects at DBHDS.

Facility	Project	Status
WSH	Expansion	Construction 99% complete
VCBR	Expansion	Construction - 95% complete
	HVAC Repairs	Design procurement
SWVMHI	R/R HVAC System	In design
ESH	R/R Kitchen	In design
	Renovate Building 13	A/E Procurement in process
	Access Control Improvements	In construction
	Temporary Kitchen	In construction
	R/R Roof top Units	A/E Procurement in process
CH	R/R Roof Buildings 15-16	In construction
PGH	R/R Electrical Systems	In construction
	Boiler Plant Renovations	Design
	R/R Fire Alarm System	Design
	Install Fire Pump	Construction
CSH	Replacement Facility	Design - Negotiating GMP

	Anti-ligature and smoke partition repairs, 90's buildings	Design
	Sprinkler Repairs	Construction (complete in all but HWDMC)
HWDMC	Sewer Line Repairs	Design
	Boiler installation	Design
CCCA	Access Control	
	LSC/Certification Improvements	Construction
NVMHI	Anti-ligature Improvements	Construction
	R/R Fire Alarm System	Construction
	Access Control	Design
System-Wide	Food Service Renovations	Design procurement

### **Information Technology:**

The Department of Behavioral Health and Developmental Services runs many enterprise systems for the 12 facilities that it maintains. Additionally there are several systems such as its financial management system that the Department uses for its operations at Central Office as well as the facilities. Separating out the nine behavioral health facilities would require some type of arrangement or contract between DBHDS and the new entity. Since many of the systems are enterprise-wide, the three facilities that would remain as part of DBHDS would still require these systems, so the systems could not simply be transferred over in their entirety to the entity. Additionally, the Department has many IT employees in Central Office who support applications and software that are used by all 12 facilities. These employees make up part of the cost for maintenance of these systems. These arrangements would need to be carefully negotiated between the DBHDS and the new entity.

If the new entity decided that they no longer wanted to have these systems provided by DBHDS, the entity would need to contract with new vendors to provide similar functions. Most software systems can achieve economies of scale depending on the number of users. Losing these economies may increase the overall cost to the Commonwealth. Below is a list of the major enterprise systems currently run by the Department.

CBORD
Accruent (Capital Management System)
Kronos (Timekeeping System)
Netsmart for Avatar (Billing System)
Pharmacy/Lexicomp

FMS (Financial Management System)
Everbridge ( Emergency Management Communication)
Tracers
Health Financial System Reimbursement Software
Cerner Electronic Medical Record
Zoom for HealthCare
KnowBe4
Patient Injury Reporting System (PAIRS)

### **Employees:**

There are currently 3,564 employed at the nine mental health facilities. In addition, the DBHDS Central Office has several offices that support the facilities including:

- facilities management and oversight (14 FTE)
- facility reimbursement staff (36 FTE),
- staff operating and maintaining the electronic health record (23 FTE),
- architectural and engineering (8) and
- other human resources, procurement, finance and auditing positions that are either directly or partially responsible for facilities.

The bill is silent on the movement of HDMC and VCBR, but it is assumed that those facilities and their staff would remain with DBHDS. It is anticipated that any entity would include provisions for a Chief Executive Officer (CEO), and to hire individuals to support the CEO, however it is unknown if the structure would be similar to the current administrative structure at DBHDS. It is possible that the entity could contract with DBHDS for the provision of some services, but this legislation does not require it to do so.

As the facilities are transferring from the state agency to the new entity, state personnel policy would require any positions related to the facilities to be eliminated from the state system, effectively laying off the current staff.

The entity would then have the option to rehire any affected employees that want to continue their employment with the new entity, however there is no guarantee that all current employees would be offered the same position.

### **Other possible areas of discussion:**

**Leave liability:** If the new entity did not transfer any current leave balances, the employees would be authorized to receive leave payouts as they are transitioning. The leave liability at the end of FY 2022 for all of the existing facilities was \$18,527,930.

**Statewide actions:** The entity would need to seek additional appropriations in regards to central account actions. An example would be the question as to whether the entity's

employees are considered state-supported employees as opposed to state employees for the purposes of costs such as statewide raises.

**Possible Workforce Transition Act (WTA) Costs:** Current policy states that the agency the employee is separating from needs to pay severance payments equal to 4-36 weeks. The number of weeks of severance payment depends on the number of years the employee has worked for the state. Based on recent data, 47% of employees have worked for under 5 years for the state.

Facility	0-5 yrs	5-10 yrs	10-15 yrs	15-20 yrs	20-25 yrs	25-30 yrs	30 + yrs	Total
Central State Hospital	171	41	22	25	6	3	17	285
Central State Hospital	525	105	99	85	85	41	43	783
CCU Center for Child & Adolescent	7	23	4	3	3	1	1	42
Eastern State Hospital	311	67	55	44	25	14	43	559
Valle Vista Health Institute	168	40	31	42	38	7	3	329
Flagmont Geriatric Hospital	121	32	32	24	27	13	17	256
Southern Idaho Mental Health Inst.	77	33	12	14	8	5	13	162
Southwestern Idaho Mental Health Inst.	219	106	52	44	35	10	14	479
Western State Hospital	251	130	67	37	36	13	42	592

The number of individuals who may opt to take WTA and not transfer to the new entity is unknown, but DBHDS has estimated possible WTA costs based on a range of five to 25 percent of employees opting not to transfer.

% WTA	0-5 yrs	5-10 yrs	10-15 yrs	15-20 yrs	20-25 yrs	25-30 yrs	Total
5.00%	\$1,263,531	\$598,187	\$540,767	\$748,380	\$732,594	\$342,849	\$4,226,307
10.00%	\$2,527,061	\$1,196,373	\$1,081,534	\$1,496,760	\$1,465,188	\$685,698	\$8,452,615
15.00%	\$3,790,592	\$1,794,560	\$1,622,301	\$2,245,140	\$2,197,782	\$1,028,548	\$12,678,922
20.00%	\$5,054,123	\$2,392,746	\$2,163,068	\$2,993,520	\$2,930,375	\$1,371,397	\$16,905,229
25.00%	\$6,317,653	\$2,990,933	\$2,703,835	\$3,741,900	\$3,662,969	\$1,714,246	\$21,131,537

### Summary:

Despite the fiscal impact of moving the behavioral health facilities into a new entity being indeterminate, there are multiple layers of decisions that would need to be made with potential cost implications. Because the substitute legislation does not provide a timeline, it is not clear when the plan would be implemented. As drafted, it appears the determination is left to the Secretary of Health and Human Services, however there would need to be budget actions in order to execute most of the items listed in this fiscal impact statement.

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

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** No.