



Appropriately Fund Hospitals that Expand Inpatient Psychiatric Services (Operating and Capital Funding for 90- and 180-Day Beds in Community Hospitals)

The Problem

Concentrating all long-term mental health placements and resources at Eastern and Western State Hospitals is not working. For patients, they could be better served not in state hospitals, but when they are closer to their homes, communities and families. Patients may be less likely to be readmitted to care and have shorter durations of stay.

To help address this problem, some acute care and freestanding psychiatric community hospitals are willing to provide long-term, court-ordered mental health services to help expand inpatient psychiatric capacity in the state. While hospitals are increasing their capacity to serve civilly committed patients, key challenges hospitals are facing are the Medicaid payments rates – they fail to cover the cost of care, which is usually at 75 percent the cost of care for those hospitals currently treating short-term psychiatric patients.

Proposed Solution

Some community hospitals would like to treat 90- and 180- day mental health patients. This decision is complex and differs for each individual hospital since psychiatric care is a specialty service that comes with a variety of challenges stemming from an underfunded system.

For acute care and freestanding psychiatric community hospitals to provide long-term care to civilly committed patients, they will need assurances that financial reimbursements will be adequate to address the costs of caring for these complex cases. The state must appropriate adequate funding to ensure that managed care organizations (MCOs) and behavioral health – administrative service organizations (BH-ASOs) reimburse these hospitals at a sufficient rate. This will help assure these hospitals will have sufficient and predictable revenue streams to support this care.

The state should also appropriate the necessary capital funding to support community hospitals serving individuals on 90- and 180-day commitment orders. Facilities that accommodate involuntary civil commitment patients require additional infrastructure, including enhanced security features and recreational space. These features are not present at facilities that hospitals currently use to provide care for short-term psychiatric patients.

The Governor's 2019-21 Proposed Budget

A key focus of Governor Inslee's 2019-21 proposed budget is increasing investments in behavioral health, including moving long-term civil commitment patients out of state hospitals and into community settings. To help achieve this, the capacity at community hospitals needs to increase.

The **Office of Financial Management (OFM)** estimates the following increase in long-term 90- and 180-day inpatient beds in acute care and freestanding psychiatric community hospitals (rolling total):

OFM Estimate: New 90- and 180-Day Bed Capacity in Community Hospitals

	2019-21 Biennium		2021-23 Biennium		2023-25 Biennium		2025-27 Biennium	
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Acute	8	8	12	37	37	37	37	37
Freestanding	0	0	8	38	38	38	38	38

- Bed capacity assumptions are cumulative each fiscal year. Ultimately, assumes a total of 37 long-term beds in acute care hospitals and 38 long-term beds in freestanding psychiatric hospitals by 2027.

For the 2019-21 biennium, OFM estimates the following in necessary appropriations (for the eight 90- and 180-day beds in community hospitals):

OFM Estimate: Cost of New 90- and 180-Day Bed Capacity in Community Hospitals for 2019-21 Biennium

	FY 2020	FY 2021	2019-21 Biennium
General Fund – State	\$1,606,930	\$1,606,930	\$3,213,860
Total	\$3,419,000	\$3,419,000	\$6,838,000

- Assumes an inpatient psychiatric care rate of \$1,170 (for both acute care and freestanding psychiatric community hospitals).
- Assumes an occupancy rate of 100 percent for each bed.
- Assumes federal match rate of 53 percent.

Budget Ask

Operating funding to expand services for individuals on 90- and 180- day civil commitment orders by adding inpatient beds in acute care and freestanding psychiatric community hospitals. The legislature must ensure that these hospitals are paid a rate that covers at least the cost of providing the care with an annual update for inflation.

\$19.2 million in capital funding to assist hospitals to expand inpatient psychiatric units to accommodate more patient rooms, create additional common space, as well as repurposing existing areas. Capital funding will also help efforts to incorporate a mixture of indoor and outdoor recreational areas, gym space, and therapeutic activities to meet the needs of individuals on 90- and 180- day civil commitment orders.

A summary of the additional capacity these hospitals could provide is below:

WSHA Estimate: Acute Care Hospitals with Psychiatric Units Under RCW 70.41 (Qualifying for Federal Match)*

Hospital	County	Number of Additional ITA Beds	Patient Days at 85% Occupancy	Capital Funding Needed
Providence Everett (*new operations – need interim rate)	Snohomish	6	1,861.5	Yes - \$4.2 million
Astria Toppenish (*new operations – need interim rate)	Yakima	8	2,482.0	Not at this time
Virginia Mason Memorial	Yakima	6	1,861.5	Yes - \$4.5 million
TOTAL		20	6,205	\$8.7 million

*NOTE: MultiCare is interested in expanding their capacity to serve both acute involuntary patients (those on 72 hour and 14-day holds) and long-term civilly committed patients (those on 90- and 180-day commitment orders). MultiCare estimates that for \$100 million in capital funding, they will be able to expand the Navos campus in West Seattle and build a new site in South King County – site to be determined. Each site would require \$50 million in capital funding. MultiCare estimates that this investment will result in an additional 90 to 120 beds to serve long-term patients on 90- and 180-day commitment orders. These beds would be divided among the two facilities.

WSHA Estimate: Freestanding Psychiatric Hospitals Under RCW 71.12 (Not Qualifying for Federal Match)

Hospital	County	Number of Additional ITA Beds	Patient Days at 85% Occupancy	Capital Funding Needed
Navos	King	8	2,482.0	Yes - \$10.5 million
Cascade	King	18	5,584.5	Not at this time
Fairfax	King	20	6,205.0	Not at this time
TOTAL		46	14,272	\$10.5 million

- Patient days are estimated at an occupancy rate of 85 percent.
- Hospitals with new operations will need an interim rate. From the beginning of operations until the hospital has reached 200 Medicaid days and produced a cost report, hospitals shall be paid an interim rate for inpatient psychiatric care of \$1,170.
- The rate should be adjusted annually for inflation.
- Not all costs are reimbursed by Medicaid. For example, the physician group/hospital will be unable to cover psychiatrist salaries under the current payment system and staff time spent attending court proceedings is not captured by CMS on the cost report.

Key Messages

- Patients will be better served when they are closer to their home, communities and families. They may be less likely to be readmitted to care and have shorter durations of stay.
- Washington hospitals stand ready to help the state address the growing demand for long-term civil commitment services. There are three acute care hospitals in Snohomish and Yakima counties able and willing to provide 20 long-term psychiatric beds and three freestanding psychiatric hospitals in King County able and willing to provide 46 more.
- In order to effectively provide this much needed care, hospitals need to be paid a rate that is sufficient to meet the cost of care. For too many years, the Medicaid inpatient psychiatric rates for community hospitals have been a fraction of the total cost of patient care.
- The legislature should fund an interim rate for new facilities providing 90- and 180- day treatment.
- Hospital units for patients on 90- and 180- day commitments will be entirely Medicaid, meaning there will be no other payer source to help offset the losses from the under-funding of government payments.

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