



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROBERT GORDON
DIRECTOR

MEMORANDUM

DATE: July 30, 2019

TO: The Honorable Gretchen Whitmer, Governor

FROM: Robert Gordon, Director *RG*

SUBJECT: State Hospital Construction Plans

Michigan residents need and deserve access to high-quality mental health care with effective professional staffing and strong community supports. These services must exist across a continuum, ranging from outpatient services through intensive community-based care to state psychiatric hospitalization. In general, individuals fare best in the least restrictive environment, closest to their community and loved ones. Nonetheless, state hospitals today hold a critical place in the continuum of care, particularly for forensic and high-acuity cases.

Prior to this administration, the legislature authorized \$115 million for hospital construction in Caro, Michigan. In March 2019, the Michigan Department of Health and Human Services (MDHHS) paused construction in order to allow for an independent study and further consideration. That study is now complete, and after careful consideration, this memo provides MDHHS's recommendations.

The recommendations bolster Michigan's psychiatric care services to achieve five goals:

- Honor the Caro community's commitment and contributions to psychiatric care
- Strengthen the quality of care in state hospitals
- Expand the availability of care in community-based programs
- Improve access to care, aligning with the state's geography and demography
- Use state resources efficiently

Implementing these recommendations requires legislative action. We look forward to discussing them with you and the legislature.

Background

The legislature's 2017 authorization of \$115 million for Caro hospital supported the construction of a new 200-bed facility. This amounted to a planned increase of 55 beds from the current Caro facility's spending plan and in overall state hospital capacity.

Based upon concerns about availability of staffing and accessibility to residents, MDHHS paused the Caro construction project and engaged a consulting firm, Myers & Stauffer, to analyze the process which led to plans for a new Caro hospital, to engage in fact finding, and to support further decision-making. Myers & Stauffer's final report is attached to this memo.

The Myers & Stauffer report notes several aspects of the prior planning process. It finds no evidence of a "formal, criteria-based needs analysis and justification for the Caro site or other potential locations." It also reveals no evidence supporting the decision to expand the Caro facility and the total hospital census by 55 beds. In recommending a plan for moving forward, MDHHS has aimed to evaluate these matters fairly and fully.

We have carefully considered both the strengths and the challenges of the Caro facility. Foremost among the strengths is the devotion of the staff and the community to providing care with compassion and professionalism. Sustaining a facility in Caro will also minimize disruption for patients currently there. A Caro facility will serve particularly well patients from the immediate region, representing one-fourth of Caro's patients over the last two years according to the Myers & Stauffer report.

At the same time, significant challenges come with the Caro location. The report notes the high vacancy rates for psychiatrists, psychologists, and registered nurse managers. Indeed, MDHHS has had no Chief of Clinical Affairs in Caro since 2010, despite continuous posting for the position. According to Myers & Stauffer, patients at Caro have average stays more than 50% longer than at other facilities, which in our judgment is due largely to the lack of sufficient clinical oversight. For the majority of patients not from the immediate region, geographical distances have compromised family visits and community linkages.

We have also carefully considered whether to increase the number of state hospital beds. On the one hand, there are waiting lists for psychiatric hospital beds, for both state and community-based facilities. At the same time, many patients can be better served outside state hospitals. Beginning in December 2018, due to challenges including short staffing, MDHHS temporarily halted admissions to Caro, reducing the census from 145 to 72 patients. Even with that reduction, the waitlist for all State of Michigan hospitals did not increase. With supplemental funding collaboratively provided by the legislature, new professional staff at Caro coordinated appropriate community placements for patients. Community facilities managed their patients to avoid placement on state waitlists. Caro has since incrementally increased its census, but the experience reinforces how quality care can appropriately limit demand for state hospitals.

While our focus is improving the capacity of our state hospitals to deliver their needed services, we also feel a responsibility to manage tax dollars wisely. Our state hospitals have real needs that must be met. At the same time, our entire behavioral health system is straining. Resources spent in one domain are resources unavailable in the other.

Recommendations

Our recommendations would improve what we call "careflow": making it easier for an individual to be admitted when necessary to a state hospital, and making it faster for an individual to be discharged when clinically ready into an appropriate setting.

To achieve an appropriate state hospital capacity, MDHHS recommends continuing to target spending plans to the current level of 794 total funded beds, rather than increasing the total number by 55 beds. Within that current total, MDHHS recommends realigning Caro's current spending-plan level of 145 beds through the following actions:

- 1) Bring the Caro facility to 84 beds, via either large-scale modernization or new construction. A facility of this size will be able to attract and retain necessary professional staff, without again creating unmanageable staffing demands. An 84-bed facility will be close to the current census, and will reflect the state's approach to hospital unit design, utilization for patients, and construction. Total staff needed to support the facility, professional and nonprofessional, will be the same as today.
- 2) Shift the remaining 61 beds to other existing state hospitals closer to major population centers. Existing facilities have closed units that can be brought back into use at a limited cost.
- 3) Pursue additional resources for community-based services, sufficient to care for more than 55 additional high-acuity individuals. The expansion of community-based options can begin promptly.

This plan will create greater capacity at significantly lower cost than the existing \$115 million authorization. Based on preliminary conversations with the Department of Technology, Management and Budget, and subject to the regular capital outlay process led by the State Budget Office, the estimated capital cost associated with major Caro renovation is approximately \$40 million. The cost of a new 84-bed facility is approximately \$65 million. On the same preliminary basis, the currently estimated capital cost associated with renovating other existing facilities is under \$20 million. There is no capital cost associated with the community-based expansion. Therefore, our preliminary estimate of the capital costs of these recommendations is \$30 to \$55 million less than the legislature had authorized.

Anticipated annual operating costs would also be substantially lower than assumed by the legislature. The legislative authorization for a 200-bed facility did not include resources for operating costs associated with adding 55 beds. Today, the state's cost per state hospital bed exceeds \$300,000 per year, with variation by facility. By contrast, the cost per person of community-supported services for persons with serious mental illness is much lower, often under \$100,000. A substantial portion of these costs is typically eligible for a federal Medicaid match.

Conclusion

These recommendations achieve multiple goals. They will sustain and strengthen the Caro community's historic role in providing psychiatric care. They will improve the quality of mental health services at state hospitals by strengthening their infrastructure and making them more able to recruit and retain needed staff. The recommendations will also improve patients' access to their families and to community supports by strengthening community alternatives and augmenting diverse hospital locations. This approach is consistent with that of the prior House Cares committee, and the direction of reforms nationwide. Finally, the recommendations will achieve their results at significantly lower cost than the legislature previously anticipated, allowing for additional investment in other urgent priorities.

Attachment