

Addictions and Mental Health Division (AMH) 2010 Revised Forecast of Need For State Hospital Beds

This is an updated forecast of the needed hospital and community-based treatment beds for people living with mental illness in Oregon through 2030.

This forecast updates the 2005 Framework Master Plan Phase II report. That forecast called for approximately 1012 total beds within and without community settings. Similarly, this forecast calls for 960 total beds.

Staff looked at the forecasting methodology and the assumptions used in the master plan and found that there is a need to change two significant factors to more accurately project the bed need.

1. The forecast used in this paper is history based. This is a change from the “population” based forecast used in the 2005 forecast. The “History Based Forecast” uses real hospital utilization data to forecast the number and types of individuals projected to need hospital level of care by 2030. Population based projection has proved to be less reliable when comparing projections to actual use.
2. The forecast used in this paper also moved from using average length of stay in a state hospital facility to using average daily population (ADP), based on average hospital daily utilization over a year. ADP can be better used to trend and forecast capacity needs in the future. ADP is linked to flow into and out of the hospital.

Additionally, under this forecast, a team of experts from AMH, OSH and the DHS/OHA Forecasting Unit revised the forecast of the need for hospital beds through 2030. Hospital level of care is defined as requiring 24-hour nursing and psychiatric care, on-site credentialed professional staff, organized medical staff, treatment planning, pharmacy, laboratory, on-site food and nutritional services, as well as vocational and educational services. Given the assumed closures of the OSH Portland campus and the Blue Mountain Recovery Center, there will be a continued need for hospital level of care in order to meet the intensive needs of a relatively small subset of individuals with mental health disorders.

The 2005 Framework Master Plan Phase II Report was prepared by the Reach New Heights consulting group. They have provided feedback on this updated forecast and their concerns were reviewed by the group. The consensus from AMH and the Forecasting Unit is that the proposed forecasting method is a more accurate tool.

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Forecasted Bed Need by 2030

2005 Forecast	Location	2010 Forecast
620	Beds OSH Salem	620
360	Beds Junction City	174
32	Beds Community Secure Facilities	32
0	Beds Community Geriatric	70
0	Beds Community Forensic	64
Total = 1012		Total = 960

There continues to be a need for hospital-level care and transitional care at the proposed Junction City campus.

Of the forecasted 794 beds, the Salem campus will have 620 beds which we are targeting for completion at the end of 2011. The Junction City site should have 174 beds. That is a total reduction of 186 beds in Junction City.

Cost considerations relating to Junction City

In December 2010, Greg Roberts, OSH Superintendent, and Lee Hullinger, OSH Chief Financial Officer, jointly developed a staffing model for a proposed 174-bed facility in Junction City. Roberts based clinical staffing on US Department of Justice recommended classifications and ratios and Hullinger modeled non-clinical staffing to maximize efficiencies for Junction City to operate as a satellite campus with ongoing resources and senior management provided from the OSH Salem campus. Projected staffing totals for Junction City amount to 522 full-time equivalent employees equating to a staff to patient ratio of 3.00-to-1.

This recommendation assumes that the operating costs for OSH Portland and Blue Mountain would offset the operating costs for Junction City. If Junction City were not built, it would be necessary to increase staffing and operating costs for OSH Portland by \$11.0 million and for Blue Mountain by \$17.0 million. If this is considered in the overall cost to operate Junction City, the increase is \$11.0 million.

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OSH Portland has 92 beds in leased space, and the lease expires in March 2015. The current space is old and unsuited to the needs of a modern psychiatric hospital. It does not support 20 hours of active psychiatric treatment as required by US Department of Justice, and it is not possible to operate essential vocational services in the space available. The continued use of this space requires an agreement with the landlord to a long term lease and to provide additional space to support active treatment and vocational services. It also requires extensive remodeling, estimated at \$13.0 million at the state's expense, invested in property not owned by the state. The continued use of the Portland facility beyond 2015 is not recommended.

The 60 beds at the Blue Mountain Recovery Center in Pendleton are in a building that is more than 60 years old and has exceeded its physical life cycle. The rough order of magnitude for remodeling Blue Mountain is \$11.0 million. This assumes remodeling patient space and the kitchen. Given that the building is over 60 years old there are many factors that require engineering studies prior to creating an estimate that can be used for budget purposes. These include poor condition of plumbing, potential for lead water pipes, lead-based paint, asbestos, quality of electrical system and potential for seismic upgrades. There is also the factor of added costs if the facility is in use while the work is being done.

The attached graphic makes it clear that the hospital at Junction City must be built with at least 152 beds to replace the 152 beds lost as both OSH Portland and Blue Mountain are closed. Once those units are closed, there would be insufficient capacity to serve adults who are civilly committed, found guilty except for insanity or otherwise so ill that they require treatment provided by psychiatrist-led treatment teams with 24-hour nursing in a state hospital to stabilize their symptoms and prepare them to live safely and successfully in the community.

Projected operating costs for a 174-bed Junction City facility total \$101.0 million and may be off-set by projected savings of \$35.0 million for OSH Portland and \$27.0 million for Blue Mountain, assuming both campuses were closed. All cost estimates are based on 24-months. The estimated biennial operating cost for a 174-bed Junction City facility is \$11.0 million more than the costs for the closed facilities after staffing is increased to meet US Department of Justice standards. The following table summarizes this information:

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Projected staffing & operation costs:	\$ 101.0 million
- less projected savings of closing OSH Portland	(\$ 35.0 million)
- less projected savings of closing Blue Mountain	(\$ 27.0 million)
- less projected cost to increase staffing for OSH Portland to meet US Department of Justice standards	(\$ 11.0 million)
- less projected cost to increase staffing for Blue Mountain to meet US Department of Justice standards	(\$ 17.0 million)
Biennial operating cost in addition to the savings from the closure of Portland and Blue Mountain	\$ 11.0 million

Taken collectively over the next five years, these recommendations will allow Oregon to meet the forecasted need for hospital level of care, replace the Portland Campus of OSH and Blue Mountain and utilize community resources to meet the newly forecasted need.¹

Selecting the Junction City Site

Following the release of the Phase II Master Plan, the Governor and legislative leadership created a joint siting workgroup. The workgroup selected criteria to be used in evaluating possible sites for two state hospitals. The criteria included the cost of the site, the location of the site in terms of the ability to recruit and retain staff, the nearness to the families of persons served in the state hospital and the availability of transportation. The Legislature selected the existing OSH Salem campus on the south side of Center Street and the Junction City site on land owned by the Department of Corrections. These two sites met most of the criteria and were the most cost effective.

¹ **Notes to the Financing Plan**

Note 1: If the state elected not to build Junction City, it would be necessary to keep both OSH Portland and BMRC open. In order to do that it would be necessary to increase the staffing levels to those acceptable to the US Department of Justice. This would cost \$11.0 million for Portland and \$17.0 million for BMRC, a total of \$28.0 million.

Note 2: Beginning in April 2011 the monthly lease payment for Portland OSH increases from \$113,000 per month to \$128,000. The biennial lease amount will be \$3,072,000 for most of 2011-13.

Note 3: The anticipated full biennial debt service for a smaller Junction City facility is estimated to be \$19.7 million when all construction is completed.

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Community-based care

The updated forecast identifies the need for additional beds in the community that will make it possible to move people out of the hospital. Thirty-two Secure Residential Treatment beds were identified in the Master Plan but not funded through the Replacement Project. Addictions and Mental Health has opened one 16-bed facility and is in the process of developing 16 additional beds in the community by July 1, 2011.

The Oregon State Hospital and Addictions and Mental Health, in partnership with Seniors and People with Disabilities, are developing a plan to move neuro-geriatric patients out of the hospital and into community long-term care placements. The plan calls for reducing hospital level of care beds by 70 and utilizing community long-term care facilities and programs to serve these individuals in a less restrictive community setting. There will be new costs to the system to develop and implement a new model for serving individuals disabled by age-related disorders or by brain injuries who are not successfully served in current community-based programs.

In addition, Addictions and Mental Health is responsible for developing or reprogramming capacity to serve the continued growth in the forensic population. This need is forecast to grow an additional 64 forensic beds by 2030. The estimated cost for the 10 community forensic beds needed in 2011-13 is \$.7 million for start up and \$1.6 for operating costs. The remaining 51 beds will either be built in future years, or the capacity will result from reprogramming or using existing capacity more efficiently.

Addictions and Mental Health started a new program, known as the Adult Mental Health Initiative (AMHI), to manage utilization of residential facilities at the local level. The goals are to reduce length of stay in community-based mental health facilities, to increase the rate of discharge of patients from the state hospital system into the community, and to organize services that support individuals living in the most integrated and independent environment. The effective management of the current residential capacity will result in shorter lengths of stay. This results in more people being served at this level of care within the existing bed capacity. For these efforts to be effective, there must be a continued investment in mental health services through the Oregon Health Plan and the Community Mental Health Programs.

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Alternate options

The first option considered was to proceed as recommended by the Phase II Master Plan. Further analysis made it clear that there is no longer a need for 980 hospital beds.

The second option considered was to build multiple 16-bed hospital facilities and 100 secure residential treatment beds in 16-bed facilities spread throughout the state. It is not cost effective to attempt to staff and provide hospital level of care in stand alone 16-bed facilities. It is necessary for the facilities to be stand alone administratively and operationally in order to obtain Medicaid financing. The cost for five of these facilities (needed for 75 hospital level beds) and regional medical supports is estimated to be more than \$92.5 million. The cost for seven 16-bed Secure Residential Treatment Facilities needed for 100 transition beds is \$2.5 million for start up and \$45.3 million per biennium for operations. The total cost of this option is \$140.3 million. These scenarios assume entities other than the state will build the facilities with minimal state-paid start up. To do otherwise would require bond financing to construct these facilities. Neither of these scenarios provide cost-effective services.

Advocates for community-based services have been vocal in their support of 16-bed facilities in the community as a better alternative in terms of Medicaid financing and smaller size. This alternative is not workable for individuals who require hospital level of care. While 16-bed Secure Residential Treatment Facilities may be preferable to larger institutions, stand alone facilities cannot easily provide the robust level of treatment and rehabilitative services that prepare people to live in less structured, more independent environments. Addictions and Mental Health is committed to community-based services that are more integrated and support individuals in their own homes.

The third option considered was to build a 242-bed facility in Junction City. The refined analysis suggests that this is still more beds than Oregon needs. The costs for 242 beds are estimated to be \$123.5 million without owners' project management, staffing and Behavioral Health Integration Project costs.

These three options are not recommended.

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Conclusion

The 2010 updated forecast shows that the need for treatment facilities for people living with mental illness is close to what was predicted in 2005. Additionally, a certain percentage of that population will continue to need hospital-level care that it is not feasible to provide in community settings.

At the same time, the Addictions and Mental Health Division remains committed to ensuring that people who do not need hospital level care can receive treatment in the least restrictive environment possible. Therefore, while the overall forecast for mental health treatment beds remains stable, where those beds are allocated has been changed.

There is a need to build capacity for 794 beds in the state hospital system. That is a reduction of 186 hospital-level beds from the 2005 forecast. The 620 beds in Salem are targeted for completion at the end of 2011. The remainder will be in a 174-bed facility in Junction City.