

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version:	CSHB 86(HSS)
Fiscal Note Number:	1
(H) Publish Date:	3/11/2020

Identifier: HB086-DHSS-API-2-28-2020
 Title: MENTAL HEALTH HOSPITAL: CONTRACTS/BIDS
 Sponsor: FIELDS
 Requester: (H)HSS

Department: Department of Health and Social Services
 Appropriation: Alaska Psychiatric Institute
 Allocation: Alaska Psychiatric Institute
 OMB Component Number: 311

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2021	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2021 Request	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
OPERATING EXPENDITURES	FY 2021	FY 2021						
Personal Services		5,298.5	5,298.5	5,298.5	5,298.5	5,298.5	5,298.5	5,298.5
Travel								
Services		(5,298.5)	(5,292.7)	(5,292.7)	(5,292.7)	(5,292.7)	(5,292.7)	(5,292.7)
Commodities	913.0		514.0	514.0	514.0	514.0	514.0	514.0
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	913.0	0.0	519.8	519.8	519.8	519.8	519.8	519.8

Fund Source (Operating Only)

1037 GF/MH (UGF)	913.0		519.8	519.8	519.8	519.8	519.8	519.8
Total	913.0	0.0	519.8	519.8	519.8	519.8	519.8	519.8

Positions

Full-time	57.0		57.0	57.0	57.0	57.0	57.0	57.0
Part-time								
Temporary								

Change in Revenues

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2020) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2021) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Refreshed to SLA2020 form; updated figures to represent current FY2021 Governor's Request, and the backing out thereof.

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Division:	Alaska Psychiatric Institute	Date:	02/28/2020 10:30 AM
Approved By:	Sana Efird, Administrative Services Director	Date:	02/28/20
Agency:	Office of Management and Budget		

FISCAL NOTE ANALYSIS

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Analysis

This bill has two main components: (1) creates laws that prohibit the use of certain State of Alaska procurement methods for services and supplies; and (2) detailing department duties to run a state psychiatric hospital.

This bill requires the state to run an inpatient psychiatric hospital, and prohibits the state from delegating or contracting for ownership, operation, management, or maintenance for the hospital. If this legislation were to pass this new law would be retroactive to March 1, 2019. The bill's language is expansive and would encompass all types of contractual services; including security, transportation, janitorial, and contracted doctors and nurses.

Should this bill be enacted, API would no longer have clinical staff to serve patients because API could not contract for professional services. Due to ongoing recruitment and retention issues, API would not have sufficient psychiatrists, physicians and advanced nurse practitioners to evaluate and treat patients. Currently, the hospital has Locum Tenens in place to address these staff shortages. The impact would be that the state could not operate the Alaska Psychiatric Institute (API) and API could be closed indefinitely due to myriad of issues outlined in the remainder of the note.

API does not have staff to provide regulatory compliance support needed to maintain licensing and certification standards. The regulatory support is currently provided through contract. It is anticipated that the state could not find replacement services in time to avoid negative care and compliance consequences.

API does not have staff to complete the Medical Coder Review for Billing; this is currently contracted out with Alaska Health Care Billing Service.

Currently, the hospital contracts with Signal 88 to provide security; API would not be able to safely operate until the state established a state-run security plan.

The hospital currently contracts with Snow White Inc. to provide linen cleaning services for the patient's clothing, bedding, and towels. The equipment onsite is not sufficient to accommodate full capacity; industrial machines would need to be acquired as well as an industrial scale, which is a requirement of the Centers for Medicare & Medicaid Services (CMS) Cost Report to document the total pounds of linens used.

Food service for patients is currently provided through a contract with Nana Management Services. Although the facility contains a kitchen and equipment, it does not have the federally mandated staff to provide these services.

The Federally Required Cost Reporting has been contracted out for many years with Public Consulting Group Inc.

Contracted Services	Amount
Medical Coder Review Services	\$ 50,000.00
Security	\$ 1,000,000.00
Linen	\$ 25,000.00
Food Services	\$ 1,200,000.00
Medicaid Cost Report	\$ 18,225.00
Compliance and Quality Improvement	\$ 3,000,000.00
	\$ 5,293,225.00

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Analysis

The following positions would be needed to absorb work historically performed through contractors.

Compliance and Quality Improvement Positions				
Position	Range	# of Staff Needed	cost per position	Total for the year
Business Service Mgr II		22	2 \$ 144,370.00	\$ 288,740.00
Project Coordinator		24	6 \$ 162,738.00	\$ 976,428.00
Project Assistant		16	12 \$ 97,846.00	\$ 1,174,152.00
Food Service Positions				
Position	Range	# of Staff Needed	cost per position	Total for the year
Dietitian		20	2 \$ 128,892.00	\$ 257,784.00
Food Service Supervisor		16	2 \$ 102,654.00	\$ 205,308.00
Food Service Lead		56	2 \$ 80,784.00	\$ 161,568.00
Food Service Journey		57	7 \$ 77,653.00	\$ 543,571.00
Nutrition Programs Mgr		22	1 \$ 144,370.00	\$ 144,370.00
Security Positions				
Position	Range	# of Staff Needed	cost per position	Total for the year
Security Guard		6	20 \$ 63,229.00	\$ 1,264,580.00
Laundry Positions				
Position	Range	# of Staff Needed	cost per position	Total for the year
Custodial Services Supervisor		16	1 \$ 103,095.00	\$ 103,095.00
Medical Coding Positions				
Position	Range	# of Staff Needed	cost per position	Total for the year
Medical Services Coding Technician		13	1 \$ 87,006.00	\$ 87,006.00
Cost Report Positions				
Position	Range	# of Staff Needed	cost per position	Total for the year
Admin Assistant II		14	1 \$ 91,921.00	\$ 91,921.00
Total new PCN's		57	Total Cost	\$ 5,298,523.00

For an additional 57 positions, the one-time and ongoing costs are listed below:

Services: Office space, phone, reimbursable service agreements for position support costs: \$535.8 annually

Commodities: Office supplies: \$114.0 annually

One-Time Commodities Cost: Computer, software, and office equipment: \$399.0

With the food service not being contracted out, there would be an additional cost to purchase food supplies prepare onsite. The estimated amount for food supplies annually would be approximately \$400.0.

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Analysis

In the event that API is not able to contract out for services or be able to fill necessary positions, API could potentially close. If API were to close, the state would remain responsible for the patients and other obligations for commitment. In order to meet those obligations, the state would have to immediately find placements for all patients and would likely be housed in inpatient units throughout the state or in out of state placements. This could have a large fiscal impact on the State of Alaska.

In addition, there would be high costs due to litigation including legal challenges by contractors and potential sanctions in courts for both civil and forensic cases. Initial litigation costs for a simple contract case before the Office of Administrative Hearings can range from \$15,000 to \$30,000 depending on the complexity of the case. This does not include the cost of damages, if awarded. The cost of prolonged and/or complex litigation based on contract termination would exceed that amount – prior experience has shown a single case may exceed \$2 million in damages, attorney fees, and expert/court costs.

The department cannot estimate at this time what the legal fees and fines would be regarding legal challenges based on the state's statutory mental health care obligations and the impacts of defaulting on existing contracts.