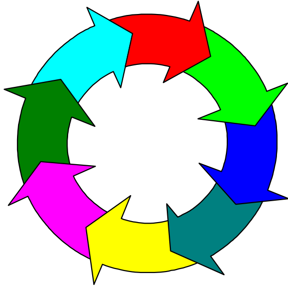

Community Services Coalition

Consumers, families, advocates, professionals and providers
united to improve access to quality
community mental health and mental retardation services in Texas

June 20, 2002

Chairman Andrew Hardin
State Board of TDMHMR
909 45th Street
Austin, Texas 78751

Dear Chairman Hardin:

The Community Services Coalition would like to congratulate you, Commissioner Hale, members of the State Board, and the Department staff on the progress made thus far in developing the Legislative Appropriations Request for the 2004-05 biennium for community mental health and mental retardation services in Texas.

We believe that the new spending priorities outlined in the potential exceptional items will greatly improve services for Texans with mental disabilities. The items focus efforts on several high need groups of Texans in the MHMR priority population and we fully support the critical need for the services proposed.

From the perspective of the Community Services Coalition (which represents consumers, families, advocates and community providers) the over-arching priorities for community MHMR services in today's environment are:

PRIORITY 1: **Maintaining current services with rising costs** including salaries, cost of living and pharmacy.

PRIORITY 2: **Reinforcing "Front Door" services that are over-burdened by a fast growing population.**

PRIORITY 3: **Addressing jail diversion and eliminating the waiting lists.**

In consideration of these priorities, the Community Services Coalition supports the exceptional items proposed by the TDMHMR staff and recommends three additional spending priorities.

Additional Items Proposed	**FY 2004** General Revenue	**FY 2005** General Revenue	**Biennium** General Revenue
Maintaining Current Services With Rising Costs	**$ 27,126,919**	**$ 41,523,913**	**$ 68,650,832**
Funding Population Growth	**$ 9,280,000**	**$ 18,745,600**	**$ 28,025,600**
Jail Diversion and Ending Waiting Lists	**$ 24,015,240 ****	**$ 56,035,560 ****	**$ 80,050,800 ****
TOTAL** Some Items Not Yet Estimated	**$ 60,422,159 ****	**$ 116,305,073 ****	**$ 176,727,232 ****

The Coalition urges the State Board to adopt two Guiding Principles for future community funding issues:

- ☆ **Pay Parity Principle** for state institutional wages and community wage rates. Use state wage rates in all future TDMHMR rate-setting, contracting and estimating service costs
- ☆ **Equity Principle** for distributing funds to local authorities. All new funds (except those identified for inflation and cost of living adjustments) should be distributed to the low per capita authorities until equity is achieved.

Detail for each additional spending priority is provided on the following pages.

Maintaining current services and adjusting for inflation

TDMHMR has proposed an exceptional item to provide an inflationary adjustment for community providers. The Coalition strongly supports the proposal as a high priority. Without this funding, inflation will result in reduced quality or fewer people to be served. Additional factors should be considered in setting the appropriate inflationary adjustment.

Cost of Living and Salary Adjustments **-** Community providers face three significant obstacles in today's competitive job market: shortage of health care professionals in most Texas counties, the lower wages community providers can pay compared to state institutions, and the degree to which rising health care costs erode the funds available for wages.

A comparison of state wages and those paid by community centers and private Medicaid providers shows that overall community provider wages fall about 20 to 30 percent below state wages for similar jobs. These low wages result in high turnover, especially in today's highly competitive health care job market.

Nationwide, health care costs are experiencing an inflation rate that is substantially higher than the standard consumer price Index. This higher rate of inflation has eroded the funds available for wages.

Consumer Price Index
U.S. Bureau of Statistics

	2000	2001	1990-2001
CPI – All Consumer Items	3.3%	2.8%	35%
CPI – Medical Care Items	4.1%	4.5%	67.6%
CPI – Medical Care Services	4.3%	4.8%	71.4%

Some community MHMR providers report turnover in direct care staff of over 60 percent. Staff turnover, especially in community MHMR services, compromises continuity of care and quality of services. In fact, due to high turnover of nursing positions in state facilities (35 percent for registered nurses), TDMHMR proposes an additional exceptional item to fund a targeted pay raise for Registered Nurses and Licensed Vocational Nurses. Without a parallel raise for nursing positions for community providers, a raise for nurses in state facilities could create an even greater problem in these critical positions.

Rising Costs of Pharmacy Services - The federal government estimates that drug costs in public programs will increase an average of 12.6 percent each year over the next 10 years. HHSC reports that Texas is experiencing an 18 percent increase in pharmacy costs each year in the CHIP program.

Local MHMR authorities spent over $105 million in FY2002 on pharmacy services. Last session, the Legislature added about 15 percent to pharmacy services appropriations to account for pharmacy cost growth reported by TDMHMR. Local authorities throughout the state are continuing to see rapid growth in pharmacy costs. A large metropolitan authority has documented a per consumer monthly pharmacy cost increase from $187.59 in September 2001 to $213.08 in September 2002 – equaling a 13.6 percent annual cost increase. This cost growth parallels the experience of other local authorities and the cost growth predicted, nationally.

Additions to the TDMHMR Proposed Exceptional Item for Inflationary Adjustment for Community. In summary, the inflation adjustment in the TDMHMR proposal of 2.4 percent for 2004 and 2.5 percent for 2005 is insufficient to maintain current services in today's health care environment. In addition, the targeted pay raise for nurses in state facilities could result in nursing shortages for community providers unless a parallel raise is funded.

As a result, three essential components should be added to the TDMHMR proposal for inflationary cost growth:

- ✓ Add a salary adjustment for nurses in community programs that parallels the adjustment proposed for nurses in state facilities;
- ✓ Add an additional 2.4 percent for 2004 and an additional 2.5 percent in 2005 to better address the issue of wage parity for state institution and community providers; and
- ✓ Add an additional ten percent inflationary adjustment for pharmacy services for each year.

MAINTAINING CURRENT SERVICES AND ADDRESSING INFLATION	FY 2004 General Revenue	FY 2005 General Revenue	Biennium General Revenue
TDMHMR Exceptional Item for Inflation Cost of Living and Salary Adjustments			
Inflationary adjustment for Community Programs	$ 12,419,059	$ 25,666,053	$ 38,085,112
Nurse salary adjustment for state facilities	8,997,538	8,997,538	17,995,076
Subtotal TDMHMR Exceptional Items	**21,416,597**	**34,663,591**	**56,080,188**
Additional Items Proposed by Coalition			
Additional inflationary adjustment for community	12,419,059	25,666,053	38,085,112
Nurse salary adjustment for community centers	2,670,357*	2,670,357*	5,340,714*
Nurse wage adjustment for non-center HCS/ICF	1,500,000	1,500,000	3,000,000
Pharmacy Services Cost Growth	10,500,000	11,550,000	22,150,000
Subtotal Coalition Adjustments for Inflation	**27,089,416**	**41,386,410**	**68,475,826**
Total Proposed Inflation/ Salary Adjustments (excludes nurse adjustment for facilities)	**48,506,013**	**76,050,001**	**124,556,014**

* ALL FUNDS

Additional Guiding Principle on Pay Parity – The Community Services Coalition urges the State MHMR Board to adopt a Pay Parity Principle to guide its deliberations on future funding issues. Currently, TDMHMR sets Medicaid rates and models service costs using wage estimates that are below the state wage for the same job. Adopting a Pay Parity Principle for all future rate-setting and cost estimating would ensure that community providers are able to pay wages that are comparable to jobs available in state MHMR facilities.

Reinforcing "Front-door" services that are over-burdened by a fast growing population.

As the general population grows, the number of people with serious mental illness and mental retardation grows, accordingly. Safety net providers of "Front Door" services must have resources to address the increased demand of population growth.

The Texas population has grown by more than 2 percent each year for the past decade. A significant number of our communities are growing by over 10 percent a year. However, no new funds have been appropriated to serve any new mental health consumers since FY2001.

Due to the high demand in our communities, local authorities are consistently serving more consumers than they are funded. They are spreading limited dollars over a larger number of consumers to address the growing demand. Unfortunately, as the recent TDMHMR report on Indigent Mental Health Care shows, services to the non-Medicaid consumer generally are reduced.

To address the growing caseload, we propose a New Exceptional Item for Caseload Growth in Community Mental Health and Community Mental Retardation Services (non-Medicaid services).

Since the Texas population is growing at a rate of 2 percent each year, below is a rough estimate of the dollars needed to address this growth (using a growth factor of 2 percent each year and a rough estimate of annual GR in Community MH of $325 million; and a rough estimate of annual GR in Community MR (non-Medicaid) of $ 139 million):

FUNDING POPULATION (CASELOAD) GROWTH	FY 2004 General Revenue	FY 2005 General Revenue	Biennium General Revenue
Community MH	$ 6,500,000	$ 13,130,000	$ 19,630,000
Community MR (non-Medicaid)	$ 2,780,000	$ 5,615,600	$ 8,395,600
Total	**9,280,000**	**18,745,600**	**28,025,600**

Addressing jail diversion and eliminating the waiting lists

Obtaining services for Texans in the TDMHMR priority population who are on TDMHMR waiting lists for services should be a priority in any listing of spending needs. Texans with serious mental disabilities who do not receive the treatment and supports they need are at a serious risk of incarceration or placement in an institution. A first step in jail diversion efforts should be to eliminate the wait for public mental health services.

Texas should make a commitment to end the waiting lists for all MHMR services so that no one has to wait an unreasonable period of time for essential services. Some families have waited over nine years on waiting lists for Home and Community Services (HCS).

The Community Services Coalition urges the State MHMR Board to adopt a goal of eliminating any waiting lists for mental health services and – due to the size of the current list - reducing the wait for HCS services to under two years.

TDMHMR Waiting List Feb. 28, 2002

	Receiving No Services	Receiving Some Services	Unduplicated Count
Mental Health			
Children's	383	150	
Adult	2,562	2,425	
Total	**2,945**	**2,648**	**5,520**
Mental Retardation			
Children	3,454	3,273	
Adult	5,544	6,924	
Total	**8,998**	**10,197**	
HCS Only			
Children	(46%)	5,923	
Adults	(46%)	10,922	
Total			**19,195**

The Coalition proposes two goals related to jail diversion and ending waiting lists:

- ☆ To improve jail diversion, eliminate the waiting list for all public mental health services and all General Revenue funded community mental retardation services; and
- ☆ To support individuals in the community, end the HCS waiting list within 6 years.

Due to the variety of services mental health consumers and state-funded MR services consumers are waiting for, additional analysis will be required to estimate the cost of that component of the recommendation.

The estimate of the funding needed to reach the HCS waiting list goal uses the following assumptions:

- ✓ In addition to the 1,200 slots proposed by TDMHMR for HCS waiting list, the Coalition proposes an additional 1,900 new HCS consumers to be placed in FY2004. Continued funding for the FY2004 consumers and another 1,900 new HCS consumers placed in FY2005. To estimate an offset for ramp-up and time needed for placement, the estimate includes a 3 month delay in funding new slots each year.
- ✓ For the purpose of this estimate, we have used an average plan of care of $42,132 a year ($3,511/month). GR is estimated at 40 percent.

Summary of New Exceptional Items

JAIL DIVERSION AND ENDING WAITING LISTS	FY 2004 General Revenue	FY 2004 All Funds	FY 2005 Gen. Revenue	FY 2005 All Funds	Biennium General Revenue	Biennium All Funds
Community MH						
Children's MH	533 consumers					To Estimate
Adult MH	5,507 consumers					To Estimate
Community MR						
HCS Waiting List	$ 24,015,240	60,038,100	56,035,560	140,088,420	80,050,800	$ 200,126,520
GR Funded MR Services	To Be Estimated					To Estimate
Capacity Development	To Be Estimated					To Estimate
Total ** Estimate Incomplete	**$ 24,015,240 ****	**60,038,100****	**56,035,560****	**140,088,420****	**80,050,800****	**$ 200,126,520 ****

The new spending priorities the Coalition proposes for inclusion in the State Board's deliberations, include:

Additional Items Proposed	FY 2004 General Revenue	FY 2005 General Revenue	Biennium General Revenue
Maintaining Current Services with Rising Costs	$ 27,126,919	$ 41,523,913	$ 68,650,832
Funding Population (Caseload) Growth	$ 9,280,000	$ 18,745,600	$ 28,025,600
Jail Diversion and End Waiting Lists	$ 24,015,240**	$ 56,035,560**	$ 80,050,800**
TOTAL	**$ 60,422,159****	**$ 116,305,073****	**$ 176,727,232****

** Some Items Not Estimated Yet

Please fell free to contact any of the Community Services Coalition member organizations if you have any questions or need additional detail about any of the above proposals. We look forward to working with you and your staff in developing the additional detail needed to fully evaluate the proposals.

In conclusion, we want to thank you for your leadership and careful deliberation about these important issues. Your identification and prioritization of spending needs in community MHMR services will undoubtedly shape the Legislature's decisions on appropriations next year. We stand ready to assist you in your work.

Sincerely,

Community Services Coalition

National Alliance for the Mentally Ill – NAMI-Texas
Advocacy, Inc.
Texas Society of Psychiatric Physicians
Texas Mental Health Consumers
Capacity FOR JUSTICE
Texas Federation of Families
The Arc of Texas
Mental Health Association in Texas
Texas Council of Community MHMR Centers, Inc.
Private Providers Association of Texas, Inc.
Texas Depressive and Manic Depressive Assn.
Texas Association on Mental Retardation

United to improve access to quality
community mental health and mental retardation services in Texas

Attachments: Summary of New Exceptional Items Proposed by TDMHMR and Community Services Coalition

Key Facts Supporting Additional Spending Priorities

Community Services Coalition Comments on: *TDMHMR Summary of Potential Exceptional Item Requests*

Community Services Coalition Comments on:

TDMHMR Summary of Potential Exceptional Item Requests for the 2004-2005 Biennium:

Page A-1 Community Mental Health: Children's Services

- ✓ Support the proposed items and add New Exceptional Items proposed by the Coalition
  - TDMHMR proposal does not address Rising Cost of Current Services, Caseload Growth, or Waiting Lists.
  - TDMHMR proposal does not fund any services for new consumers over 6 years of age. Adolescents at risk of incarceration, and other priority groups, are not addressed.
  - TDMHMR proposal parts 1 & 2 concern children who are already using a high volume of public services but need enhanced services.
    - ✓ Do not increase performance targets; and
    - ✓ When estimating new costs, consider what the state is already spending (PRS, state hospital) on these high-utilizing consumers who need enhanced services.
  - Both TDMHMR proposal and New Item should be reviewed for federal funds potential – many children and services may be Medicaid eligible.
- ✓ Distribute all new funds to low per capita funded authorities.

Page A-2 Community Mental Health: Adult Services

- ✓ Support the proposed items and add New Exceptional Items proposed by the Coalition
  - <u>While the TDMHMR proposal increases services to high need individuals, it does not address Caseload Growth, Rising Costs of Current Services, or Waiting Lists.</u> The TDMHMR proposal targets all additional services to high need consumers (serious mental illness <u>and</u> homeless, substance abuse, criminal justice or frequent hospitalization). Many people on the waiting list, and new consumers to the system, will not qualify for the new services proposed. With no new services in FY2002-03, proposing no expansion through 2005 for the majority of the priority mental health population, will mean many consumers will have to wait for services until they are in crisis. Adding Coalition items to fund caseload growth, rising costs, and waiting lists will be an important complement to the TDMHMR proposal.
  - <u>Relating to performance measure adjustments</u> - Many of the exceptional Items proposed by the Department for both children's and adult community mental health services concern more intensive services focused on high need consumers who are already in services. When this is the case, the performance measures should reflect that these are not new consumers and are already accounted for in existing caseload performance measures.
  - The loss of many psychiatric facilities in many communities puts an inordinate pressure on State Hospitals. Also, the increase in the cost to local authorities for community hospital bed days is an additional complication. Additional revenues are needed for local authorities to develop alternatives to State Hospital placement for adults.
- ✓ Distribute all new funds to low per capita funded authorities.

Page A-3-A-5 Additional HCS waiver Services

- ✓ Support the proposed items and add New Exceptional Items proposed by the Coalition
  - TDMHMR proposals do not address the Rising Cost of Current Services, or Waiting Lists for General Revenue funded services.
  - TDMHMR proposal should be reviewed to consider what the state is already spending (ICF-MR, etc.) on the consumers proposed for services in new less-restrictive community placements.
  - TDMHMR proposal should be reviewed to ensure adequate funds are included for assessment and coordination, ramp-up period is accounted for in estimate, and infrastructure needed to support program expansion is funded.

- TDMHMR proposal concerns consumers who are already in service but are ready for a different placement. Do not increase performance targets.
- <u>HCS Waiting List Reduction (A-5)</u> – While proposal A-3 & A-4 will provide services for practically all consumers in institutions who are ready for placement, this item only funds about 10 percent of the consumers in the community who are on waiting lists for services – most are not receiving other public services and have been waiting for years. Add Coalition New Item to End Waiting Lists.

✓ Distribute all new funds to low per capita funded authorities.

Page A-6 Inflationary Adjustments

✓ Support the proposed items and add New Exceptional Items proposed by the Coalition

- TDMHMR proposal does not address Pharmacy Cost Growth or Pay Parity – pharmacy costs are projected to sky-rocket by about 12.6 percent a year for the foreseeable future. State salaries have far out-paced those of community providers. Add Coalition New Items for Pharmacy Cost Growth and Pay Parity.
- TDMHMR proposal and Coalition New Items should be prioritized highly as necessary to maintain current services to current consumers.
- If TDMHMR raises the State Hospital Bed Day Rate to local mental health authorities, additional costs should be added to this for inflationary adjustment.

Page B-2 Upgrade Salaries for (State Facility) Nurses and Pharmacists

✓ Add a parallel adjustment for nurses' salaries in community programs.