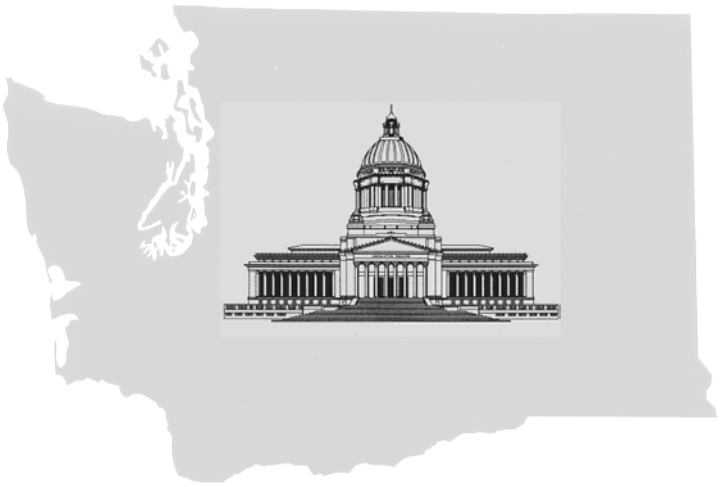
State of Washington
Joint Legislative Audit and Review Committee (JLARC)



Follow-up: 2000 Mental Health System Performance Audit

Report 03-2

January 8, 2003

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The Joint Legislative Audit and Review Committee (JLARC) carries out oversight, review and evaluation of state-funded programs and activities on behalf of the Legislature and the citizens of Washington State. This joint, bipartisan committee consists of eight senators and eight representatives, equally divided between the two major political parties. Its statutory authority is established in RCW 44.28.

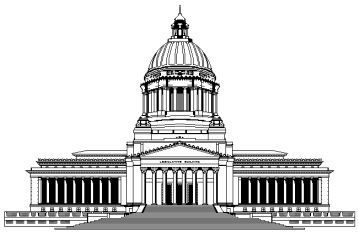
JLARC staff, under the direction of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented. JLARC has, in recent years, received national recognition for a number of its major studies.

FOLLOW-UP: 2000 MENTAL HEALTH SYSTEM PERFORMANCE AUDIT

FOLLOW-UP REPORT 03-2

REPORT DIGEST

JANUARY 8, 2003



STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

STUDY TEAM

ROBERT KRELL

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Follow-up: 2000 Mental Health System Performance Audit

Background: One of JLARC's most visible projects in recent years was its performance audit of the state's public mental health system, completed in December 2000 (Report 00-8). This system spends over $1 billion per biennium, and serves over 100,000 people each year. Key findings from the audit included the following:

- Services are not well coordinated, either between the Mental Health Division and other Divisions within DSHS, or between the state's 14 Regional Support Networks (RSNs) and the State Hospitals.
- Existing accountability efforts are focused primarily on the *processes* of service, rather than on the *outcomes* of service. Without reliable information on client outcomes, overall assessment of system effectiveness is impossible, as are comparisons of effectiveness among RSNs or providers.
- The system for allocating funding to the RSNs is inequitable, with wide disparities in the amount of resources made available for community mental health services.
- While the proportion of Medicaid-eligible persons in an RSN was found to be a good proxy measure of the number of persons needing public mental health services – a factor that must be considered in the allocation of funds – periodic studies of the prevalence of mental illness should be conducted to determine whether it continues to be an acceptable proxy measure.

JLARC made 14 recommendations to address these and other issues. The status of implementation efforts is highlighted below.

As originally requested by JLARC, and subsequently required by Chapter 334, Laws of 2001, the Department of Social and Health Services has submitted three formal follow-up reports on the status of the implementation of the audit's recommendations, with the last report dated June 1, 2002.[1]

[1] The Department of Social & Health Services' June 2002 Status Report can be viewed online at: http://www1.dshs.wa.gov/legrel/pdf/leg0602/jlarcmh.pdf.

The Director of the Department's Mental Health Division also provided additional information on the status of implementation efforts in correspondence to JLARC dated December 18, 2002, included as an appendix to this report.

Implementation Status of Audit Recommendations – Continuing JLARC Oversight

The matrix provides an overview of the implementation status of each of the report's recommendations. Highlights for key issue areas are as follows.

- Service Coordination and Collaboration (Recommendations 1, 2, and 3): Some specific actions have been completed, such as contractually requiring RSNs to collaborate with allied service providers, and developing hospital discharge protocols. A number of other broader-based efforts have also been implemented, at least in part, and can be considered as being works-in-process.

- Performance Measures and Outcome Data (Recommendations 4, 9, 10 and 14): The Mental Health Division has incorporated a number of performance measures (mostly non-outcome measures) into its contracts with the RSNs, and in July 2002 published its first annual *Performance Indicators Report*.[2] Work on the more challenging task of developing and implementing outcome measures, for which funding was provided by the Legislature, is in process, with full implementation expected by January 2004.

- Changes to Funding Allocation System (Recommendation 11): Implementation of a new funding methodology was authorized in the 2001-03 Operating Budget, and is to be phased in over a six year period. The Mental Health Division recommends against implementing that portion of the JLARC recommendation that calls for allocating funding for state hospital beds directly to the RSNs, believing it would lead to a significant loss of federal funds.

- Mental Illness Prevalence Study: (Recommendation 12): This study was funded by the Legislature and is currently in process, with a required due date of November 2003. JLARC, as directed, is tracking the progress of that study and will undertake a review when it is completed.

JLARC staff will continue to monitor implementation activities, with a primary focus on the development of an outcome-oriented performance measurement system, and the mental illness prevalence study. We expect to carry out the next follow-up for JLARC's January 2004 meeting.

[2] The Mental Health Division's 2001 Performance Indicator Report can be viewed online at: http://www.wa.gov/dshs/mentalhealth/pdf/mhdpireport.pdf

Overview of Implementation Status of Recommendations From JLARC's Performance Audit of the Mental Health System
As of December 2002

Original Recommendation (Summarized)		Implementation Status				Comment
		Done	On-Going Efforts [1]	In Process [2]	Not Done	
1	DSHS should comply with legislative intent and coordinate allied services provided to MH clients. It should implement strategies for resolving organizational, regulatory, and funding issues at all levels of the system— state, regional, and local.		✔			Various activities and programs, including the "A-Team" concept, "No Wrong Door" program, coordination with JRA and other Divisions within DSHS.
2	In its contracts with RSNs, the MHD should require RSNs to collaborate and work with allied service provider agencies in providing MH services and identify RSN responsibilities to achieve collaboration. The MHD should enforce the provisions of those contracts.	✔				Provisions included in the 2001-03 RSN contracts.
3	MHD, AASA, the state hospitals, and RSNs should meet legislative intent to ensure hospital discharge and community placement for eligible clients occur in a timely manner. This will require developing an understanding of both the hospital discharge and the community placement criteria and how they relate to one another on a case-specific basis.		✔			Major effort has been the "Expanding Community Services" project, which ID's patients in state hospitals that could be served in the community. Discharge protocols developed. Increasing insurance costs a major problem for some providers.
4	MHD should continue to streamline and reduce process-oriented accountability activities. The MHD should negotiate with HCFA (now CMS) regarding how to replace process-oriented system accountability requirements with system and client outcomes reporting.		✔			Audit duplication reduced through combined regulatory site visits. Deeming implemented. On-going consultation with federal CMS on reducing process related requirements. Balanced Budget Act requires *more* process requirements.

[1] On-Going Efforts: Some efforts have been implemented, while others are in process.
[2] In Process: No major efforts have yet been completed, but work is underway.

Original Recommendation (Summarized)		Implementation Status				Comment
		Done	On-Going Efforts [1]	In Process [2]	Not Done	
5	The Legislature should further clarify its intent that the MH system should be efficient and effective by amending RCW 71.24.015	✔				Chapter 334, Laws of 2001
6.1	MHD should reduce the number of reported cost elements to those directly linked to the accountability process.	✔ (In part)				Some reductions already made; others may be possible when outcome system is complete.
6.2	MHD should clarify the definition of the "provider administration" cost category to improve the consistency of assigning organizationally complex items to either administrative or non-administrative categories.	✔				Problems remain, however, in gathering uniform accounting information from the RSNs.
6.3	MHD should issue instructions to RSNs to ensure that reported cost information is collected in a manner that reconciles with actual county-maintained (RSN) fiscal records.	✔				
6.4	MHD should collaborate with the State Auditor's Office (SAO) to ensure that all RSNs are using appropriate accounting procedures to segregate RSN revenues, fund balances, and reserve accounts from other county funds.				✔	MHD held initial meeting with SAO, but took no further action. Additional follow-up in this area may be appropriate.
6.5	MHD should work with the SAO and counties to explore the feasibility of using the Local Government Financial Reporting System to assist MHD with monitoring and streamling the cost reporting process.				✔	MHD reports SAO staff did not feel this would be helpful, thus no further action was taken. SAO staff report that while the system may not currently provide sufficient detail for it to be helpful to MHD, enhancements could be pursued.
6.6	MHD should develop a process for quantifying and reporting the costs of RSN utilization of state-operated mental hospitals. This data should be integrated with other cost information collected from the RSNs	✔				New reporting process implemented in 2001.

1] On-Going Efforts: Some efforts have been implemented, while others are in process.
[2] In Process: No major efforts have yet been completed, but work is underway.

Original Recommendation (Summarized)		Implementation Status				Comment
		Done	On-Going Efforts [1]	In Process [2]	Not Done	
7	The MHD should change its fiscal accountability standard (which requires 75 percent of revenues to be spent for direct services) to provide uniform definitions that [relate to the categorization of direct service and direct service support costs].	✔				
8	The MHD should develop uniform client and client service data definitions to address the inconsistencies noted in this report.	✔				MHD's "data dictionary" revised through process of meetings with RSNs, providers and consumers.
9	The MHD should comply with legislative intent and HCFA (now CMS) requirements to use outcomes information in managing the state's public mental health system. Implementation of a uniform performance measurement system should be a requirement of each contract between the MHD and the RSNs.		✔			Twelve measures incorporated into MHD's contracts with the RSNs - others being developed. First *Performance Indicator Report* issued in July '02. On-going work group. Also see comments under Rec.10 below.
10	The MHD should implement an outcome-oriented performance measurement system consistent with the framework described in this report. In addition, the MHD should report back to JLARC on the status of the system's implementation on an annual basis over the next five years and indicate how it is using the information to manage the system.			✔		New outcome system funded by Legis-lature. Work in progress with full implementation expected by January '04. Federal Balanced Budget Act also requires performance measures.
11. a-c	The MHD should continue to use a capitated payment methodology for allocating funds to the RSNs. However, the following changes should be made: a) eliminate separate methodologies for the allocation of federal and state outpatient funding; b) eliminate the distinction between outpatient and community inpatient funding; c) substantially reduce the disparity in funding per Medicaid-eligible person.	✔				New payment methodology implemented September '01; to be phased in over 6 years.
11.d	d) Funding for state hospital beds should be allocated to the RSNs				✔	MHD recommends against for various reasons, most notably a significant loss of federal funds.

1] On-Going Efforts: Some efforts have been implemented, while others are in process.
[2] In Process: No major efforts have yet been completed, but work is underway.

	Original Recommendation (Summarized)	Implementation Status				Comment
		Done	On-Going Efforts [1]	In Process [2]	Not Done	
12	MHD should conduct periodic studies of the estimated regional prevalence of mental illness in order to determine whether the association between the number of Medicaid eligible persons in an RSN and the number of people needing service remains intact. Future prevalence studies should address shortcomings of the PEMINS study, including a methodology for capturing the homeless and the prevalence of mental illness among those incarcerated in county jails, and should utilize a broader range of diagnoses and the weight the diagnoses by severity.			✔		Study funded by Legislature - currently in process. Advisory committee in place and meeting regularly. JLARC staff are monitoring as directed in the 2001-03 Budget. Completed study due November '03.
13	MHD should require that RSN fund balances (including all reserve funds and undesignated fund balances) be restricted to a maximum of 10 percent of annual revenue. This policy should be implemented over time so as not to create a “bow wave” of unsustainable spend-down of fund balances.	✔				Implemented in '02 contracts.
14	Concurrent with the implementation of the data and performance measurement recommendations of this report, MHD should periodically analyze performance information to identify providers and RSNs that operate efficiently and effectively and the best practices used by such RSNs and providers. The MHD should disseminate these practices to all RSNs and providers, and create a pool of incentive funds to provide financial incentives for efficient and effective service.			✔		Full implementation tied in to performance indicator and outcome system referenced in Recommendations 9 and 10 (see comments above).

1] On-Going Efforts: Some efforts have been implemented, while others are in process.
[2] In Process: No major efforts have yet been completed, but work is underway.

APPENDIX

- Correspondence From Mental Health Division Director Regarding Implementation Activities

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
Mental Health Division • PO Box 45320 • Olympia WA 98504-5320 • (360) 902-8070

RECEIVED
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JLARC

December 18, 2002

Joint Legislative Audit and Review Committee
506 16th Avenue SE
Olympia, Washington 98501-2323

Dear JLARC Committee Members:

Thank you for the opportunity to provide a brief update on the activities of the Mental Health Division (MHD) and the Department of Social and Health Services (DSHS) since our last report to the Legislature and JLARC dated June 1, 2002. The MHD has continued activities described in the June 1, 2002 report and we are pleased to report updated progress in the following areas:

System Collaboration

- Work continues on all projects elaborated on in the June 1, 2002 report. MHD and JRA continue their collaborative efforts (signed agreements are in place in 10 Regional Support Networks (RSN) with the remaining four pending); MHD, the RSNs, and the Children's Administration Regional Office Administrators held a second joint meeting November 7, 2002, and the development of cross system protocols are due by March 2003.
- Discharge protocols/procedures are in the process of final agreement at Western State Hospital (WSH). This effort included prominent participation from WSH staff and the RSN liaisons. In addition, the RSNs, state hospitals, and MHD have worked extremely hard and collaboratively the past several months to put into place Utilization Review procedures at the state hospital, and notification procedures regarding patients nearing discharge.
- The Expanded Community Services (ECS) program, approved by the Legislature in the 2001 Session, continues to meet its goal. As of January 1, 2003, WSH will be reduced by 120 beds, and ESH will be reduced by 28 beds. An additional 30 beds are slated to be closed at WSH the remainder of this biennium. An evaluation of ECS consumer outcomes and cost savings is being conducted by the Washington Institute for Mental Illness Research and Training with updates being submitted throughout 2003 and a final report scheduled for March 2004.
- MHD engaged a consulting firm, The Public Consulting Group from Boston, to assess inpatient and residential resources in the state of Washington. This produced a report, entitled "Projecting the Need for Inpatient and Residential Behavioral Health Services for Adults Served by the Mental Health Division" in September 2002. This report concluded that inpatient and residential resources are lacking in Washington, as compared to eight peer

states, leading to reliance on the state hospitals and other inpatient systems of care. In order to prevent further reliance on expensive inpatient resources, the report recommended investments in residential and intensive outpatient programs.

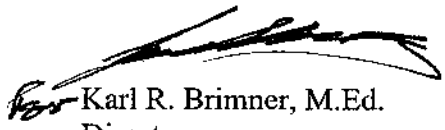
- The Washington Medicaid Integration Project, a DSHS collaborative project continues. A Request for Interest was issued in July 2002, garnering responses from 30 entities. DSHS continues work on development of a Request for Proposals for this project.

Outcome Measurement Development

- The first Performance Indicator report was published by MHD in July 2002. This report included data on eight recommended indicators from the JLARC report, with additional indicators under development. Although the report cautions against comparisons across RSNs, it nevertheless provides valuable information in assessing trends within an RSN or comparing an RSN against the statewide average.
- The MHD consumer outcome measurement system began pilot testing in three RSN regions November 1, 2002. Although there have been the usual and expected issues with the implementation of a new system, data and feedback will continue to be evaluated for improvements. The consumer outcome advisory group will be reconvened early in 2003 to assist in evaluating pilot data before full implementation.

MHD and DSHS continue to meet challenges and obstacles in pursuit of many of these activities. We would be happy to elaborate on any of the above activities or any other activities of interest to the committee at its next meeting in January 2003. However, we are pleased to report that significant work continues towards many of the issues raised in JLARC's initial report. Should there be any questions, please do not hesitate to contact me.

Sincerely,



Karl R. Brimner, M.Ed.
Director
Mental Health Division

cc: Kari Burrell, Governor's Office
Richard Onizuka, MHD
Wendy Long, MHD
Tim Brown, HRSA