SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Bill Monning

Senator Mark DeSaulnier
Senator Bill Emmerson

April 18, 2013

Upon Adjournment of Senate Budget and Fiscal Review Committee

Room 4203, State Capitol
(John L. Burton Hearing Room)

AGENDA Part 3
(Joe Stephenshaw)

4440 Department of State Hospitals

Items to be Heard

California Department of State Hospitals (4440)

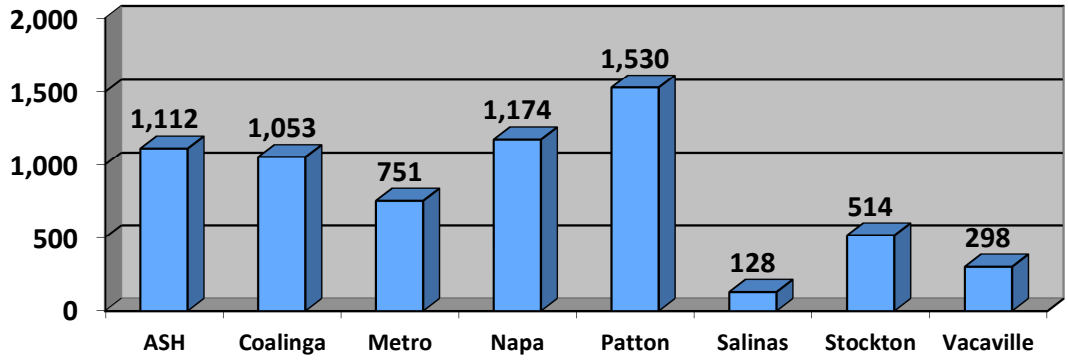
The California Department of State Hospitals (DSH) operates five state hospitals throughout California, including: Atascadero State Hospital (San Luis Obispo County), Coalinga State Hospital (Fresno County), Metropolitan State Hospital (Los Angeles County), Napa State Hospital (Napa County), and Patton State Hospital (San Bernardino County). Each state hospital provides inpatient treatment services for Californians with serious mental illnesses. Additionally, the department operates two correctional programs, Salinas Valley Psychiatric Program and Vacaville Psychiatric Program, and is in the process of opening a third correctional program at the California Health Care Facility in Stockton in the budget year.

The majority of the state hospital population, approximately 92 percent, is forensic or penal code related. Major categories of state hospital patients include:

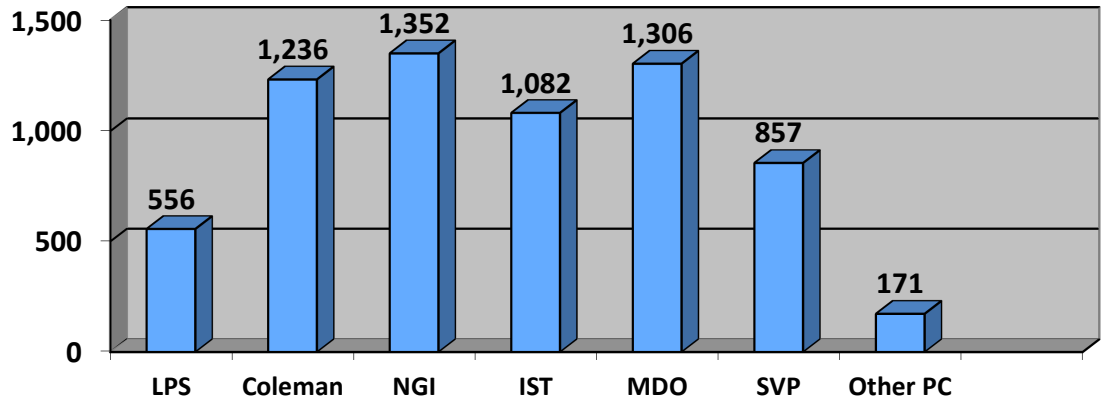
- Judicial commitments directly from superior courts - Not Guilty by Reason of Insanity (NGI) and Incompetent to Stand Trial (IST)
- Civil commitments as Sexually Violent Predators (SVPs)
- Referrals/transfers from California Department of Corrections and Rehabilitation (CDCR) including Mentally Disordered Offenders (MDOs) and Parolees
- Civil commitments from counties under the Laterman-Petris-Short Act

DSH projects providing inpatient mental health treatment services to approximately 6,560 patients in 2013-14.

Estimated State Hospital Population
2013-14



Estimated Patient Casepoad by Commitment
2013-14



The Governor's proposed budget includes $1.6 billion for DSH in 2013-14, an increase of approximately $139.6 million (9.7 percent) over the 2012-13 Budget Act. The proposed budget year position authority for DSH is 10,787.4 positions, an increase of 834.1 positions (8.4 percent) from the prior year. The increases in funding and positions primarily reflect the activation of 514 beds at the new California Health Care Facility in Stockton.

(dollars in thousands)

Funding	2011-12	2012-13	2013-14
General Fund (GF)	$1,313,572	$1,320,859	$1,457,306
GF, Prop 98	14,878	-	-
CA Lottery Education Fund	48	90	90
Federal Trust Fund	62,318	-	-
Reimbursements	793,316	119,036	121,491
Mental Health Services Fund	1,824,585	-	-
Mental Health Facility Lic Fund	391	-	-
Total	$4,009,108	$1,439,985	$1,578,887
Positions	9,816.7	9,953.3	10,787.4

Issue 1 – STOCKTON FACILITY ACTIVATION

Governor's Proposal. The Governor's budget proposes $67.5 million General Fund for the activation of 514 beds at the new California Health Care Facility (CHCF) in Stockton (a total of $100.9 million including full-year costs of existing positions authorized in 2012-13).

Background. The *Coleman* federal court monitors the provision of mental health care of California's prison inmates as the result of a class-action lawsuit brought against California Department of Corrections and Rehabilitation (CDCR) asserting that they were not providing adequate mental health care to inmates. Because of remedies required by the *Coleman* court, when inmates require inpatient mental health care, they are referred to DSH, which places them in either the Salinas Valley Psychiatric Program (SVPP) or the Vacaville Psychiatric Program (VPP). Significant waiting lists have developed at these two facilities, resulting in the court directing California to address the waiting lists on a faster timeline.

In November 2009, the CDCR, working collaboratively with the Federal Receiver overseeing inmate medical care, filed a Long-Range Integrated Strategy Plan to reduce overcrowding and provide for increased medical and mental health treatment beds. Construction of the CHCF was included in the long-range plan and is key to ultimately satisfying both the *Coleman* and *Plata* (medical) courts.

The CHCF is currently under construction, with intake of inmates scheduled for July 22 of this year. The facility will include 1,722 beds of all security levels and will provide all necessary support and rehabilitation program spaces. CHCF establishes specialized housing with necessary treatment for a population of seriously and chronically, medically and mentally ill inmates. Within CHCF, DSH will be responsible for 514 licensed and Joint Commission accredited beds, which will be known as the Stockton Psychiatric Program (SPP). These beds will include 432 intermediate level-of-care beds for high-level (custody level IV) inmates and 82 acute level-of-care beds, which will serve inmates of all custody levels.

The SPP will employ a total of 931 clinical and administrative staff. DSH states that it has undertaken outreach and education efforts to affected staff at Vacaville and Salinas, thereby providing information about employment opportunities at SPP. The hiring plan has been phased in over a two-year period to accommodate building activations, licensing and patient movement plans. DSH expects to fill all positions by December 2013. The January 2013-14 budget does not include the savings from staff reductions at VPP and SVPP, however this savings is expected to be reflected in the May Revision.

The primary costs associated with this request include:

- Required positions for Stockton activation -- $65,242,000
- Psychiatrist-on-duty 24-hours per day -- $782,000
- Relocation costs for promotional staff -- $759,000

- 18.0 additional housekeeping staff -- $719,000

Staff Comment. These beds are a requirement of the federal court, not only as part of the court approved long-range bed plan, but, also included in CDCR's Blueprint (*The Future of California Corrections*), which is the Administration's comprehensive plan for improving the state's prison system in order to satisfy court requirement's (particularly *Coleman* and *Plata*) and achieve the fiscal savings resulting from the 2011 Public Safety Realignment.

Recommendation. Approve as budgeted.

Issue 2 – VACAVILLE PSYCHIATRIST-ON-DUTY

Governor's Proposal. The Governor's budget proposes $782,000 in both 2012-13 and 2013-14 to establish 24-hour on-site psychiatric coverage at Vacaville in order to better meet the needs of patients and to reduce overtime costs.

Background. California Code of Regulations, Title 22 requires that a psychiatrist be available at all times for psychiatric emergencies. Currently, Vacaville utilizes a Psychiatrist-on-Call (POC) program, which DSH deems insufficient to meet patient needs. Therefore, DSH is proposing to establish a Psychiatrist-on-Duty (POD) program that ensures 24-hour per-day, on-site coverage by a psychiatrist. According to DSH, POD coverage is necessary to meet Joint Commission Accreditation Standards.

DSH explains that savings may be realized with a POD, as POC get paid an hourly rate, including one hour for travel time; a POD would not be paid for travel time, and there would be reduced overtime pay for staff who are waiting for a POC to arrive. The department estimates that there will be approximately 4,300 psychiatric emergencies this year at the Vacaville facility.

DSH states that the absence of a POD program will threaten compliance with the *Coleman* court. CDCR provided funding for POD coverage until July 1, 2012 and will no longer support the program financially. POD coverage is also included in the proposed funding for the Stockton facility.

Staff Comment. The POD function was previously supported by CDCR. However, the majority of POD services are provided to DSH patients and, thus, it is reasonable that the responsibility fall upon DSH. Not providing this function will put the facility at risk of losing its license and of being in violation of the *Coleman* court.

Recommendation. Approve as budgeted.

Issue 3 – PERSONAL DURESS ALARM SYSTEM

Governor's Proposal. The Governor's budget proposes $16.6 million General Fund and 4 positions to install and support the Personal Duress Alarm System (PDAS) at Atascadero State Hospital (ASH) and Coalinga State Hospital (CSH), and to complete the PDAS project at Metropolitan State Hospital (MSH) and Patton State Hospital (PSH). The DSH also requests 3 positions at Napa State Hospital (NSH) to produce triple break-away lanyards that are part of the PDAS.

Background. The state hospitals have experienced a substantial increase in violence as the population has become largely a forensic population. The PDAS is one of the major safety initiatives being implemented at the state hospitals, involving each staff person wearing a personal alarm. The PDAS has been fully implemented at NSH and, based on its success, will be implemented at the other four hospitals. Implementation is underway at MSH and PSH, and this BCP proposes resources to begin implementation at CSH and ASH. The four positions requested will be divided equally between CSH and ASH, resulting in two positions each at all five hospitals. The three additional positions at NSH are for the purpose of producing triple break-away lanyards, which NSH staff developed in order to eliminate all strangulation risk. According to DSH, this type of lanyard is not produced by any manufacturers in the private sector, and that lanyard manufacturers generally are uninterested in producing them for the state hospitals due to liability concerns. The DSH estimates that approximately one-third of the lanyards will need replacement annually.

The budget includes a reduction of $5.6 million General Fund for the PDAS at MSH and PSH, reflecting an updated project schedule. The total cost of the PDAS project is $47.9 million.

Staff Comment. The PDAS is a key initiative undertaken by the department to improve hospital safety for both staff and patients. This proposal is standardizing personal alarm systems throughout the hospitals and replacing outdated systems that are not adequate to meet safety needs in state hospitals.

Recommendation. Approve as budgeted.

Issue 4 – ACTIVE DIRECTORY RESTRUCTURING

Governor's Proposal. The Governor's Budget proposes $1.1 million General Fund ($994,000 one-time and $140,000 ongoing), in 2013-14, to support the development and maintenance of a new single Active Directory (AD) domain, to centralize and consolidate eight existing independent ADs.

Background. In general, the state hospital system is extremely deficient in terms of information technology (IT). Due to a lack of up-to-date IT, it cannot operate as a single system. Instead, it operates as eight independent hospitals and facilities. One of the goals of DSH is to operate, manage, and oversee the hospitals as a single hospital system. According to DSH, a central AD is the essential foundation to implementing shared enterprise clinical systems, such as electronic health records (EHRs). DSH states that consistent patient services and effective management systems require sharing information and application capabilities, and a centralized AD is one of the foundational components to enabling an enterprise approach to EHR, patient treatment plan management, and other critical clinical applications. Within the current environment of eight independent domains, it is virtually impossible for DSH and hospitals to share clinical technologies and other information and to conduct any type of electronic communications.

Within this new centralized AD, DSH will consolidate these eight ADs into one centrally managed employee directory and into a single logical network as part of the California Government Enterprise Network. One of the major purposes of the centralized AD will be to assist with staff scheduling, which, according to DSH, is currently highly inefficient.

Staff Comment. The DSH lacks the infrastructure to operate as one system, which makes it extremely difficult for the department to track and collect information in a standardized or consistent manner. This not only impacts the department's ability to operate in the most efficient manner but also impacts their ability to provide information to policy makers. This proposal will allow the department to begin to lay the framework for establishing effective statewide IT capabilities.

Recommendation. Approve as budgeted.

Issue 5 – AUTOMATED STAFF SCHEDULING AND INFORMATION SUPPORT TOOL

Governor's Proposal. The Governor's budget proposes $5.4 million General Fund and 4 positions in 2013-14, and $1.2 million in 2014-15 and on-going, to implement an Automated Staff Scheduling and Information Support Tool (ASSIST). The DSH anticipates that ASSIST will eventually save approximately 5 percent of overtime costs, or at least $4.8 million.

Background. The state hospital system manages the schedules of an average of 1,000 "Level of Care" (LOC, direct patient care) staff and hundreds of Contract Registry staff at each facility on a 24-hour per day, seven-days per week basis. Currently, each facility uses an average of 23.1 positions on staffing and scheduling efforts. The estimated current annual cost of scheduling is over $10.5 million.

Each facility must schedule LOC staff in such a way as to meet court mandated staffing levels and classifications, as well as state statutory requirements, while considering the clinical and security needs of the patient population and an individual's specific clinical case, acuity level, necessary level of care and emergent conditions or situations that require enhanced observations. Moreover, the staffing office must take into account bargaining unit agreements, overtime rules, vacation bidding rules and immunization and certification requirements when generating schedules. The staffing office must manually create and maintain this schedule while covering an average of 50 unscheduled absences per day.

An ASSIST tool is used to create an efficient staff scheduling system. DSH states that the tool will help each facility responsible for generating schedules, relief pool lists, and reports on staffing and overtime costs in order to better manage their operations. The tool will improve management of staffing levels, overtime usage, and tracking of training and certification requirements throughout the hospital system. The effective management of schedules and overtime should ensure proper staffing ratios and ultimately a reduction in overtime costs.

Centralized staffing data also will allow DSH to respond to information requests regarding overtime costs and other aspects of scheduling. DSH expects this tool to ultimately reduce redundancies and inefficiencies in scheduling, thereby reducing overtime, and overtime costs. DSH states that hospital staff has repeatedly requested the acquisition of this tool, and that CDCR uses an ASSIST-type tool.

Staff Comment. This proposal is consistent with current efforts by the department to standardize and improve processes. In addition, it should result in ongoing savings due to reduced overtime usage that are greater than the ongoing costs of the tool.

Recommendation. Approve as budgeted.

Issue 6 – METROPOLITAN STATE HOSPITAL FIRE ALARM UPGRADE CAPITAL OUTLAY

Governor's Proposal. The Governor's budget proposes $633,000 General Fund, for the preliminary plan phase, to upgrade the fire alarm system at MSH in psychiatric patient housing and to provide a new central monitoring system. Total project costs are $8.9 million.

Background. According to the Administration, the fire alarms in all of the state hospitals are in need of upgrades; they proposed starting the upgrades with Napa because it has experienced the greatest number of problems and failures. Therefore, the 2011 Budget Act included $2.2 million General Fund for the preliminary plans and working drawing phase of the Napa project. In 2012, the budget act included $15.5 million to replace the fire alarm systems in several buildings at Napa State Hospital.

The existing fire alarm control panels and field devices are outdated and no longer meet the National Fire Protection Association (NFPA) codes and 2007 California Fire Code (listed in Title 24, Part 9, Section 202, Occupancy Classification, [B] Institutional Groups I-1.1, I-2 and I-3). The existing fire alarm control panels and field devices are not compatible with the current manufacturer's fire alarm control panels and are no longer listed by the State Fire Marshall's Office. The Administration states that there are numerous devices that fail on a continuous basis, which necessitates constant repair. MSH has a specialized fire protection contractor on the grounds conducting repairs nearly continuously. Overall, the systems lack serviceability and/or expandability and the technology is very outdated.

Given the deficiencies in the fire alarm system at MSH, when the fire alarm system malfunctions, Fire Watch is utilized to ensure all fire/life/safety measures are met. Fire Watch is an expensive process that is conducted by MSH Hospital Police working on overtime status. Since January 2012, the DSH-Metropolitan fire alarm system has failed 584 times. The fire alarms fail so regularly that the fire department considers them not credible and therefore does not respond unless hospital staff calls 911 directly. For these reasons, the DMH asserts that the fire alarm systems require replacement to protect the patients, staff, and visitors.

Staff Comment. This represents an ongoing effort to address a critical safety issue within state hospitals.

Recommendation. Approve as budgeted.

Issue 7 – PATTON STATE HOSPITAL (PSH) SECURITY PERIMETER FENCING CAPITAL OUTLAY

Governor's Proposal. The Governor's budget proposes $560,000 General Fund for the re-evaluation of existing working drawings to provide for increased security fencing and other related physical improvements for security purposes. The total project cost is $16.4 million. The CDCR anticipates annual savings of $4.8 million due to the reduction in security staff that will be possible as a result of this project.

Background. In response to an Assembly request, the former DMH toured the PSH security system in January 1998 to identify potential ways to enhance perimeter security. In March 1998, the Joint Legislative Audit Committee requested the Bureau of State Audits (BSA) to study security at the facility. The BSA audit recommended installation of a double fence, each 14 feet high with razor ribbon, closed-circuit TV and anti-climb mesh, electronic detection system devices, vehicle patrol outside, and bicycle patrol inside. In response to the BSA audit, DMH hired private consultants to study the problem in December 1999. Farbstein and Associates called for complete full double fencing, thereby shifting hospital security from CDCR to hospital-based police, and replacement of kiosk staff with mobile perimeter patrols.

The preliminary plans and working drawing phases of this project were completed, however, due to funding restrictions and other higher priorities, the project was officially placed in suspension in 2005. Currently, CDCR provides security at PSH and, because of current CDCR budget constraints, they state that they are no longer able to provide the level of security needed to meet the needs of the facility and the concerns of the nearby community.

The proposed project will include: 1) the demolition of ground guard posts, existing fencing, lighting, paving and selected trees and shrubs; and, 2) construction of a Level II design, double perimeter fence with barbed tape, fence detection system, 13 ground guard posts, two vehicle and pedestrian sally ports, perimeter patrol roadway improvements, modification to portions of the internal roads, new security lighting and closed-circuit television cameras.

Staff Comment. This project will rectify ongoing perimeter safety concerns and create a safer environment for staff, patients, and the community.

Recommendation. Approve as budgeted.

Issue 8 – NAPA STATE HOSPITAL SECURITY GATES AND FENCING CAPITAL OUTLAY

Governor's Proposal. The Governor's budget proposes $863,000 General Fund to fund the preliminary plan phase of security improvements in the patient housing courtyards at Napa State Hospital (NSH). Total project costs are $3.1 million.

Background. Due to the changing nature of the state hospital population and the age of many of the state hospital facilities, significant security vulnerabilities persist at the hospitals putting patients, staff, and the community at risk of violence. According to the Administration, the purpose of this project is to eliminate such vulnerabilities in the courtyard fencing and gates at NSH that have allowed forensic and civilly committed patients to climb over the fence and escape from the courtyards. A forensically committed patient escaped from the Secured Treatment Area (STA), resulting in improvements to the STA fence, however, according to DSH, NSH lacks the resources to make similar improvements to the courtyard fencing.

Staff Comment. This project also addresses a significant security concern and is consistent with efforts to improve hospital safety.

Recommendation. Approve as budgeted.

Issue 9 – OFFICE OF AUDITS

Governor's Proposal. An April Finance Letter proposes $529,000 General Fund and 4.5 positions to staff a new Office of Audits within DSH.

Background. The DSH currently does not have an internal audit function. Over the past five years, the department has been audited by the Department of Finance (DOF), Office of Audits and Evaluation (OSAE), and the Bureau of State Audits (BSA), and conducted an internal review of its administrative functions in 2011. The audit findings present a need for stronger internal audit and compliance capabilities to monitor, manage and improve department policies and procedures. Following are overviews of some of the audit findings in recent years.

- In 2007, the OSAE conducted an audit of the DMH budget, which included a couple of key findings: 1) the staffing model did not adequately reflect hospital workload; and, 2) funding was insufficient for annual operating expenditures. The OSAE also identified the seeds of a fiscal problem that would eventually become a major contributor to fiscal deficiencies: the DMH used salary savings to offset operating expenditures and equipment (OE&E). Over the following few years, salary savings would decrease as the number of vacancies decreased, and OE&E costs would rise, leading to unavoidable deficits. Per the 2012 Budget Act, the OSAE has just completed a follow-up audit that found, overall, DSH implemented 22 recommendations, implementation of nine recommendations is in progress, 46 recommendations have not been implemented, and eight are no longer applicable.

- In 2011, in order to gain a clearer understanding of the causes of fiscal deficiencies, the Department of Mental Health (DMH) assembled a team of staff and retired annuitants, with extensive state management experience, to investigate and analyze the state hospitals' budget. The original purpose of the project was to collect information necessary to develop recommendations for the new administrative structure for the newly proposed DSH. However, ultimately the scope of the project was widened to address the growing deficits and related fiscal challenges. Building on the 2007 OSAE audit, the 2011 report provided a similar, but clearer picture of the unsustainable fiscal management of the state hospitals, which they explained as a combination of increasing costs coupled with decreasing resources. The decreasing resources occurred through a combination of budget reductions, such as a $75 million reduction between 2008-09 and 2009-10, and the decreasing availability of salary savings mentioned above. The increasing costs are a more complex story, involving the following key issues: 1) the federal Civil Rights of Institutionalized Persons Act (CRIPA); 2) violence-related costs; 3) unfunded overtime; and 4) lack of budget transparency. The DMH report included the following observations:

- Headquarters is thinly staffed with a limited capacity for analysis; hospital administrative structures are also thinly staffed, especially in fiscal oversight functions;
- The division charged with hospital oversight was preoccupied with complying with the federal CRIPA court order;
- Hospitals have performed better than headquarters, but they lack robust, shared fiscal management systems and training;
- Headquarters' executive structure should be revised to replace the existing Long-Term Care Supports division with an operations division and a clinical division; and,
- There are a number of organizational and process changes the department can make to improve fiscal management and help avoid deficits in the future.

These recent audits show that DSH has a critical need to ensure that all administrative policies and procedures are implemented consistently across all of its facilities. Historically, the hospitals have functioned as relatively autonomous entities. The department is now taking a system-wide approach to its hospital operations to improve the efficiency and effectiveness of its operations, ensuring that the hospitals are consistently compliant with state administrative rules and policies.

The proposed resources would consist of a Supervising Governmental Auditor and 3.5 Associate Management Auditor staff to develop a risk assessment, audit plan, and workload analysis. Once complete, an additional 1.5 audit staff positions will allow the DSH to dedicate one auditor to each of the major areas in administrative services: accounting, budgets, contracts, purchasing and personnel. This level of staffing would allow for a representative sampling of work to be reviewed from each facility on an annual basis.

Staff Comment. In recent years, the DSH has experienced significant fiscal and operational control issues. Audits and internal reviews have noted numerous deficiencies, many of which relate to a lack of central control and oversight. The department is currently taking steps to rectify these issues. As discussed in prior proposals in this agenda, the department is focused on moving toward a single system and establishing enhanced information tracking and sharing capabilities. This proposal is consistent with these efforts.

Recommendation. Approve as budgeted.