STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
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To: Thomas A. Mullaney
Executive Director/ State Budget Officer

From: Rebecca Boss
Director, Behavioral Healthcare, Developmental Disabilities, and Hospitals

Date: October 27, 2018

Subject: First Quarter Report for the Period Ending September 30, 2017

Pursuant to Chapter 35-3-17.1 of the Rhode Island General Laws, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) is submitting its statements of financial condition and operations (Quarterly Report) for the fiscal quarter ending September 30, 2017, together with supporting schedules. These statements include year-to-date expenditures through September 30, 2017, as reported on State Controller's Rhode Island Financial Accounting Network System and compare those expenditures to the FY 2018 enacted budget.

BHDDH is currently projecting General Revenue expenditures of $192.3 million, which is $15.9 million over the FY 2018 enacted budget of $176.4 million. The Department is also projecting All Funds expenditures of $431.6 million, which is $34.6 million more than the FY 2018 enacted budget.

A more detailed discussion of the estimates and variances is reported below by program:

Central Management

General Revenue: The Department is projecting a general revenue surplus of $236,962, which is primarily attributable to a $249,674 decrease in the category of salary and benefits. This decrease is offset by a $21,250 increase in capital purchases and equipment; a $7,738 increase in operating supplies and expenses and a $800 increase in contract professional services. The decreases in this division represent the current projected expenses of personnel for this division. The Department includes an additional $21,250 for the replacement of computers and other IT equipment which have reached the end of their useful life and must be replaced as their maintenance will no longer be supported in the future.

Hospital and Community System Support

General Revenue: A general revenue deficit of $500 is projected within this division. The Department projects a $27,529 reduction in salary and benefit costs and a $8,071 reduction in operating offset by a $1,450 increase in contract professional services and a $34,650 increase in capital purchases and equipment. The decreases reflect the projected expenses for this division for personnel and operating costs. The Department includes an increase of $34,650 for the replacement of computers and other IT equipment which have reached the end of their useful life and must be replaced as their maintenance will no longer be supported in the future.

Services for the Developmentally Disabled

General Revenue: A general revenue deficit of $12.0 million is anticipated within this program. A total of $11.6 million of this deficit is within the Private Community DD Services program and predominantly reflects a projected increase in costs for direct services and is reflective of caseload trends experienced during FY 2017 and is on par with what was projected and reported in the Department's revised FY 2018 budget request. The division continues to experience increasing costs likely associated with the November 2016 implementation of a new client assessment tool, the SIS-A. A total of $3.5 million of the deficit is related to enacted FY 18 budget savings initiatives which are not expected to be achieved. The second cost driver to the Private DD program is an increase in supplemental authorizations contributing $1.0 million general revenue to the total Private DD Services deficit. Projections include two initiatives introduced last fiscal year and also incorporated into the enacted FY 2018 budget: the continued commitment to Residential Service Rebalancing ($0.9 million general revenue savings) by aligning the utilization of group homes in RI to national averages with a target of reducing overall group home census by 110 individuals in FY 2018; and reducing supplemental authorizations ($0.8 million general revenue savings) by applying more stringent standards for approvals including denial of requests that do not address emergency need, short-term stabilization, transition supports, hospitalization risk, and court-ordered services.

A total of $461,747 of the deficit is within the State Operated Residential and Community Services sub program due to a revised projection for anticipated savings expected for the consolidation of five RICLAS group homes savings initiative. The Department expects to achieve partial savings through continued work on consolidating two RICLAS special care facilities.

Federal: A deficit of $14.3 million in federal funds is projected within this program. A total of $12.0 million of this deficit is within the Private Community DD Services program and is reflective of the federal share of the deficit for direct services described under the General Revenue section under this program. A total of $2.3 million of the total deficit for the program is within the State Operated Residential and Community Services sub program which represents the federal share of projected expenditures as described under the General Revenue section for this program.

Restricted Receipts: A surplus of $340,310 in restricted receipts is projected within this program which is located under the State Operated Residential and Community Services sub program. The surplus occurs across all categories and represents the projected expenditure level based on a declining caseload.

Behavioral Healthcare Services

General Revenue: A deficit of $62,238 is projected for this program. This results from an increase primarily within salary and benefits. The program continues to experience growth with federal grant programs requiring additional administrative resources. The reported expenditure to date data reflecting a -$1.1 million general revenue credit is due to prior year audit findings within the CNOM programs of the division.

Federal: A deficit of $37,925 in federal funds is anticipated within the program. Changes include surpluses worth $602,882 within assistance and grants and $127,588 within contract professional services reflecting a decrease of expenditures primarily within Behavioral Health Clinics and the RI-STR grants. The Behavioral Health Clinic surplus is due to a delay in the federal approval of a balance forward which was not reflected in the enacted budget. With regards to the RI-STR grant a delay in approval notification of the grant resulted in a shorter implementation time frame for the program. A deficit within salary and benefits worth $743,295 offsets the decreases on the assistance and grants category, but the overall increase is primarily due to personnel requirements needed to manage new grant awards. One such award is the Screening Brief Intervention and Referral to Treatment (SBIRT)grant. This grant will examine individuals over a five-year timeframe to cover tobacco, alcohol, marijuana and other drug abuse and will be delivered to individuals in primary care and health centers, emergency departments, and the Department of Corrections.

Hospital and Community Rehabilitation Services

General Revenue: A deficit of $4.0 million is projected for this program. A deficit of $3.1 million occurs within salary and benefits with $2.1 million occurring within overtime. This deficit is primarily due to the delay in the hospital consolidation project which assumed savings within the overtime line in the current year which cannot be achieved. The Department remains committed to a hospital campus consolidation plan which has become a stronger priority for the Department considering the recent preliminary denial of accreditation through the tri-annual Joint Commission survey. Ligature risks have been cited throughout our aging hospital buildings. The Joint Commission has communicated a prescriptive plan the hospital must follow to avoid the potential loss of federal Medicare and Medicaid reimbursement. BHDDH has taken swift action to address the immediate patient safety concerns with increased staffing while work on a required 60-day risk assessment and mitigation strategy is underway. The current projection does not include the emergency needs for the Department to remedy the Joint Commission findings. The Executive team at Eleanor Slater Hospital is dedicated to developing and implementing a mitigation strategy that requires supplemental funding and a revised request for RI Capital Asset Plan (RICAP) funds. The personnel projection also includes approximately $300,000 to finance a retroactive payment for a recently approved new contract for physicians. The $780,789 deficit in assistance and grants is primarily due to the inability to achieve enhanced third-party collections included in the enacted FY 2018 Budget due to recent trends in the hospital case mix. An additional $300,000 within capital purchases and equipment is a supplemental request to cover the costs of a new clinical electronic medical records (EMR) system for Eleanor Slater Hospital.

Federal: A deficit of $7.4 million occurs primarily within personnel in overtime due to unachieved savings from the delay in the hospital consolidation project. A deficit of $1.6 million within assistance and grants reflects the restoration of the federal match share of the funding required to cover lower than budgeted third party collections. A $409,679 deficit within capital purchases and equipment reflects the federal share of the requested funding for a new clinical electronic medical records (EMR) system.

Restricted Receipt: A surplus of $3.0 million reflects the Department's projected third-party billing collection levels for FY 2018. The enacted FY 2018 Budget included an increase in collections through enhanced third-party billing the Department does not anticipate achieving due to current trends in case mix.

Other: A deficit of $300,000 is due to a requested increase in RI Capital Plan Fund expenditures in FY 2018 to address significant supply needs at the hospital to include the replacement of hospital beds, ward furniture, medical equipment, dietary equipment, and various security upgrades.

Summary

The Department's third quarter report projections align with the budget request submitted on October 13, 2017. As the Department is informed by the results of the risk assessment for Eleanor Slater Hospital currently underway, a corrective action plan will be communicated to the Executive Office of Health and Human Services (EOHHS) and the Office of Management and Budget (OMB) along with further supplemental funding requirements to remedy the findings made by the Joint Commission. Also, the Department recognizes recent budget trends within Developmental Disabilities which project service level increases resulting from a shift in supplemental funding to service level authorizations. As such, the Division proposes constraining the present service level increases and expenditure of funds above an individual's tier level through more stringent standards for supplemental funding and tier change requests with authorization that directly respond to emergency need, short term stabilization, transition supports, hospitalization risk, and court ordered services. The Department is working on corrective action plans to address the current year projected deficit and determining potential courses of action which would meet client needs, be accountable to regulatory entities and meet fiscal constraints.

If you have any questions feel free to contact me directly, or if you need additional information please contact Carmela Barone Corte at Carmela.Corte@bhddh.ri.gov or 401-462-1343.

cc: Eric Beane, Secretary, Executive Office of Health and Human Services

Department of Behavioral Healthcare, Developmental Disabilities & Hospitals
Summary of Expenditures by Program and Fund Source for the Quarter Ending September 30, 2017

Program	Source of Funds Description	FY 18 Enacted	Spent thru 9/30/17	Projected Oct-Jun	Total Projected Expenditures	Surplus / Deficit
⊟Central Management	General Revenue	1,655,306	294,784	1,123,560	1,418,344	236,962
Total		**1,655,306**	**294,784**	**1,123,560**	**1,418,344**	**236,962**
⊟Hosp & Comm Sys	General Revenue	2,067,954	325,746	1,742,708	2,068,454	(500)
	Operating Transfers from Other Funds	250,000	0	250,000	250,000	0
Hosp & Comm Sys Support Total		**2,317,954**	**325,746**	**1,992,708**	**2,318,454**	**(500)**
⊟Disabled	General Revenue	123,584,106	22,288,566	113,343,127	135,631,693	(12,047,587)
	Federal	130,151,094	18,240,922	126,198,842	144,439,764	(14,288,670)
	Restricted Receipt	1,872,560	225,145	1,307,105	1,532,250	340,310
	Operating Transfers from Other Funds	1,300,000	31,463	1,268,537	1,300,000	0
Serv for Devel Disabled		**256,907,760**	**40,786,095**	**242,117,612**	**282,903,707**	**(25,995,947)**
⊟Behavioral Healthcare	General Revenue	2,543,780	(1,069,228)	3,675,246	2,606,018	(62,238)
	Federal	24,368,659	4,213,589	20,192,995	24,406,584	(37,925)
	Restricted Receipt	100,000	0	100,000	100,000	0
	Operating Transfers from Other Funds	1,150,000	43,451	1,106,549	1,150,000	0
Behavioral Healthcare Services Total		**28,162,439**	**3,187,813**	**25,074,789**	**28,262,602**	**(100,163)**
⊟Svcs	General Revenue	46,597,476	22,723,704	27,881,105	50,604,809	(4,007,333)
	Federal	49,747,706	(2,076,321)	59,199,277	57,122,956	(7,375,250)
	Restricted Receipt	6,536,595	0	3,548,723	3,548,723	2,987,872
	Operating Transfers from Other Funds	5,165,000	430,935	5,034,065	5,465,000	(300,000)
Hosp & Comm Rehab		**108,046,777**	**21,078,318**	**95,663,170**	**116,741,488**	**(8,694,711)**
Grand Total		**397,090,236**	**65,672,755**	**365,971,840**	**431,644,595**	**(34,554,359)**

Department of BHDDH	Row Labels	FY 18 Enacted	9/30/17	Oct-Jun	Expenditures	Deficit
	General Revenue	176,448,622	44,563,571	147,765,747	192,329,318	(15,880,696)
	Federal	204,267,459	20,378,190	205,591,114	225,969,304	(21,701,845)
	Restricted Receipt	8,509,155	225,145	4,955,828	5,180,973	3,328,182
	Operating Transfers from Other Funds	7,865,000	505,849	7,659,151	8,165,000	(300,000)
	Grand Total	**397,090,236**	**65,672,755**	**365,971,840**	**431,644,595**	**(34,554,359)**