

HJR 16: State-Operated Institutions
Building and Operating a 16-Bed Inpatient Facility
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Background

In March, the Children, Families, Health, and Human Services Interim Committee asked for estimates of the costs of building and operating a 16-bed mental health treatment facility for individuals who are involved in the civil commitment process.

Because actual costs would be based on multiple factors and decisions, this briefing paper can only provide a range of the potential costs — not a specific estimate. A variety of scenarios and assumptions have been used to develop potential costs. Depending on the actual design and purpose of the facility, it appears that construction costs could range from:

- \$4.7 million for the smallest and least-expensive facility likely to accommodate 16 patients, if it's built on the lowest-cost property in a major city; to
- \$8.75 million for a large, hospital-like facility built on the highest-cost land in a major city.

Staffing and other operating costs are likely to be at least \$3 million a year.

Following is an explanation of the general elements involved in building and operating a 16-bed facility and the range of potential costs for those elements.

Construction Costs

The total cost of building a facility must take into account:

- construction of the building itself;
- cost of the land and any necessary utility hookups;
- design fees; and
- the furnishings for patient rooms, offices, treatment areas, and common areas.

Construction costs would depend in large part on the size of the building. Officials with the state Architecture and Engineering Division commonly calculate the size of new buildings by estimating the number of square feet needed per person, based on the planned usage of the building. They note that the main building of the Montana State Hospital (MSH) is licensed for 114 patients and is about 88,000 square feet. Because a 16-bed facility would treat the same

types of individuals as MSH, the division suggests that 800 to 1,000 square feet per person may be a ballpark estimate for a 16-bed facility.

Using those figures, the facility could range in size from 12,800 to 16,000 square feet.

The size of similar facilities in Montana and elsewhere also may provide guidance on the potential size of a 16-bed facility.

- The new Montana Chemical Dependency Center (MCDC) in Butte is located in three buildings — a 16-bed facility for women, a 16-bed facility for men, and a third building with detoxification rooms and administrative offices. The total square footage of all three buildings is about 27,540 square feet, for an average of 9,180 square feet per building.
- The D Wing at MSH houses individuals involved in the criminal justice system but also has several features that would be present in a 16-bed facility. For example, it has its own recreation and eating areas. However, it does not have a kitchen or treatment rooms. The 32-bed wing has 19,035 square feet; half of that, or a potential 16-bed equivalent, is 9,518 square feet.
- Minnesota operates several 16-bed Community Behavioral Health Hospitals that generally are 17,000 to 18,000 square feet in size.

This paper provides estimates for building facilities of three different sizes, to reflect the potential range of sizes:

- a facility that would be half the size of the MSH D Wing, at 9,518 square feet;
- a facility with 800 square feet per person, at 12,800 square feet; and
- a facility with 1,000 square feet per person, at 16,000 square feet.

Cost estimates for construction were developed by using *RSMMeans Square Foot Costs*, an annual publication that the Architecture and Engineering Division uses to estimate construction costs for various types of buildings. The book doesn't contain information specific to a psychiatric hospital. However, it puts the costs of a jail-like facility at \$311 to \$327 per square foot, while costs for a hospital-like facility range from \$341 to \$354 per square foot.

A residential facility for people being detained, evaluated, or treated because they pose a danger to themselves or others must include some of the secure elements that might exist in a jail setting as well as some of the medical and treatment elements found in a hospital facility. The table on Page 3 shows the approximate construction costs for the three options using the average square-foot costs for a jail facility, a hospital facility, and a combined average for those two types of facilities.

Potential Construction-Only Costs

	Jail: \$319/sq. foot	Hospital: \$347.50/sq. foot	Combined: \$333.25/sq. foot
Small: 9,518 square feet	\$3,036,242	\$3,307,505	\$3,171,874
Medium: 12,800 square feet	\$4,803,200	\$4,448,000	\$4,265,600
Large: 16,000 square feet	\$5,104,000	\$5,560,000	\$5,332,000

The Architecture and Engineering Division also incorporates design fees and furnishing and other costs into the total costs of construction. The division estimates that design fees are equal to about 10 percent of the construction costs, while furnishings and other unexpected expenses are equal to 30 percent to 35 percent of the constructions costs.

The table below uses those percentages to determine an estimated total cost of building and furnishing facilities of the sizes listed above.

Potential Total Costs for a 16-Bed Facility

	Jail Option	Hospital Option	Combined Average
Small: 9,518 square feet	\$4,341,826	\$4,729,732	\$4,535,779
Medium: 12,800 square feet	\$5,838,976	\$6,360,640	\$6,099,808
Large: 16,000 square feet	\$7,298,720	\$7,950,800	\$7,624,760

Finally, the state would need to buy land for the facility if it doesn't already own property on which it could be located. The Montana Association of Realtors queried Realtors in various areas of Montana and provided the following prices for one acre of commercial property that is equipped with sewer, water, and utility hookups.

Potential Land Costs

Location	Per-Acre Cost
Billings	\$300,000-\$350,000
Great Falls	\$800,000
Kalispell	\$175,000-\$350,000
Missoula	\$200,000-\$225,000

Leasing vs. Buying

Minnesota has entered into 10-year leases with private firms for its 16-bed behavioral health hospitals. Costs vary by facility and region but are typically range from \$350,000 to \$400,000 a year in the first few years, increasing to \$400,000 to \$500,000 by the end of the lease period.

The 10-year total lease costs range from a low of \$3.8 million to a high of \$5.2 million. The square-foot costs of the lease for a building in the middle of the cost span is about \$24 in the early years of the lease and about \$28.50 in the later years.

In Montana, the state is leasing the new MCDC buildings in Butte at a rate of \$19.85 per square foot for the first five years of the 10-year lease period. The cost will increase to \$20.71 per square foot in the second half of the lease periods. The state has an option to renew the lease at \$21.60 per square foot and \$22.54 per square foot in subsequent five-year periods.

Importantly, MCDC is a voluntary treatment center that requires fewer secure features than would a facility that serves individuals who have been involuntarily detained for evaluation or committed for treatment. Construction costs — and thus lease costs — would most likely be higher for a 16-bed mental health treatment facility.

If the state were to lease a facility at a cost of \$25 per square foot, potential lease costs could range from about \$238,000 to \$400,000 a year in the initial years of a lease.

Operating Costs

Montana currently does not have a facility similar enough in size and purpose to provide a comparison for the potential costs of operating a 16-bed mental health treatment facility. Some potential comparisons include:

- 16-bed mental health treatment facilities in Minnesota and Washington state;
- the 25-bed Lewistown Infirmary at the Montana Mental Health Nursing Care; and
- the Montana State Hospital.

In Minnesota, annual operating costs for the several 16-bed facilities in the state range from \$4 million to \$5 million each. The facilities are licensed as hospitals and, as such, may have slightly higher operating costs than a 16-bed facility that is not licensed as a hospital.

In Washington, the state pays private providers under a Medicaid managed care contract and estimates that costs range from \$800 to \$1,100 per bed day. If all 16 beds of a facility were full each day of the year, operating costs would total \$4.7 million to \$6.4 million a year. The state includes rent or mortgage costs in those payments.

In Montana, the Department of Corrections has a memorandum of understanding with the Department of Public Health and Human Services for providing physical health care to prison inmates at the Mental Health Nursing Care Center in Lewistown. The inmates have chronic medical conditions that requires a level of care that is not readily available at the prisons. Under the agreement, the Corrections Department pays about \$1.5 million for personnel and certain other operating costs. The personnel includes five registered nurses, 16 certified nurse

assistants, an activities therapist/case manager, a program manager, an administrative support employee, a food service worker, a custodian, and a laundry worker.

It's important to note that costs for the Lewistown Infirmary do not include costs for any mental health staff, physical health care that may be required outside of the facility, or medications.

Staffing costs make up a significant portion of the operating costs of any facility that provides direct care to individuals, and 16-bed facilities would be no different. Montana's administrative rules for 16-bed Behavioral Health Inpatient Facilities establish the following staffing requirements, at a minimum:

- a medical director, who also could be a staff physician, psychiatrist, or advanced practice registered nurse;
- a psychiatrist;
- at least one registered nurse on duty around the clock; and
- "a sufficient number of qualified staff" on duty 24 hours a day. The number of staff would depend on the facility occupancy and the acuteness of the patients' conditions.

The 16-bed facilities in Minnesota have an average of 37 staff members. If a Montana facility were staffed in a manner similar to a Minnesota facility, staffing costs might total about \$2.3 million. The table below shows the potential staffing pattern and costs for a Montana facility.

Potential Personnel Costs

Position	#	Salary/Benefits*	Total
Psychiatrist	1	\$254,310	\$254,310
Registered Nurse	11	\$79,706	\$876,761
Registered Nurse Supervisor	1	\$87,914	\$87,914
Licensed Practical Nurse	7	\$57,614	\$403,298
Psychiatric Technician	6.5	\$44,339	\$288,202
Social Work Specialist	2	\$52,572	\$105,145
Office and Administrative Specialist	2	\$64,682	\$129,365
Occupational Therapist	1	\$77,476	\$77,476
Medical Assistant	1	\$49,254	\$49,254
Maintenance Worker	1	\$50,951	\$50,951
Total	33.5		\$2,322,675

* Total based on average hourly wage for the position in FY 2015, health insurance costs of \$10,644 per person, and other benefits equal to 16 percent of the salary.

Actual personnel costs could vary depending on the experience and pay level of the staff, the number of staff needed, and whether the state contracts with some staff instead of hiring them as state employees.

The facility would have other operating costs, as well. The table below shows some of the major cost categories, the average daily cost per patient or per square foot that is projected at MSH for the current fiscal year, and the potential equivalent annual cost for a 16-bed facility.

Potential Operating Costs

Expense	MSH Cost	16-Bed Equivalent Cost	Annual Cost
Medications	\$27.63 per day	\$442	\$161,359
Food, Clothing, Other Supplies	\$14.60 per day	\$234	85,264
Contracted Lab/Laundry Services	\$5.69 per day	\$91	33,230
Utilities and General Maintenance	\$4 per square foot	12,800 square feet	\$51,200
Total			\$331,053

And finally, the facility would need to pay for general medical care, as well as the mental health treatment that patients receive. Those costs could vary widely from year to year, depending on the number of patients who have a serious chronic condition or an unexpected health emergency, such as a heart attack. For example, costs for outside medical care at MSH averaged about \$233,000 a year in the previous three fiscal years. However, those costs are expected to be about \$775,000 this fiscal year.

In summary, additional operating expenses likely will be at least \$500,000 a year, bringing the total operating costs for a 16-bed facility to \$3 million or more per year.

A Note on Medicaid Reimbursement

Advocates of 16-bed facilities note that treatment offered at the facilities may qualify for Medicaid reimbursement for individuals who are between 21 and 65 years of age, unlike larger mental health treatment facilities that are considered to be Institutions for Mental Disease. As a result, federal Medicaid dollars may pay for services that currently are paid for solely with state dollars. That means the federal government would pay for about 66 percent of the costs, while the state's share would drop from 100 percent to about 34 percent.

However, it's important to keep a few points in mind when considering the degree to which Medicaid would pay for treatment at a 16-bed facility:

- Medicaid will only reimburse for services provided to a person who meets Medicaid eligibility standards. In Montana, childless adults who are 19 to 64 years of age and who are not disabled or pregnant are ineligible for Medicaid.

- Medicaid will reimburse only for Medicaid-eligible services. Not all services provided by a 16-bed facility would qualify for reimbursement, including room and board and items such as eyeglasses and durable medical equipment.
- The Centers for Medicare and Medicaid Services would make the final determination of whether to certify the facility for Medicaid reimbursement.

Committee Decision Points

If the committee wants to support the construction and use of 16-bed mental health facilities, members may want to consider and decide the following questions.

1. Should the Legislature appropriate funds to build and operate one or more 16-bed facilities? If so, the committee should consider and decide the following questions.
 - a. How many facilities should the Legislature fund?
 - b. Should the appropriation include money for a state-constructed facility or for a privately built facility that the state would lease?
 - c. Should the facility be operated by the state or by a private provider under a contract for services?
 - d. What amount of funding would best represent the likely costs of building or leasing a 16-bed facility?
 - e. What amount of funding would best represent the likely cost of operating a 16-bed facility?
 - i. If the committee is uncertain of an appropriation level, what additional information is needed to make that decision?
2. If the committee supports the creation of one or more 16-bed facilities, does it want to establish guidelines for where the facilities should be located?
3. Alternatively, should the committee encourage the governor to include money in the executive budget for creation of 16-bed treatment facilities? If so, does the committee want to:
 - a. make a recommendation on the number of facilities?
 - b. make a recommendation on whether facilities should be state-owned or privately owned and whether they should be operated by the state or by a private provider?
 - c. encourage members of the House Appropriations Committee and Senate Finance and Claims Committee to support any request by the executive branch for additional crisis response employees?
4. Does the committee want to obtain more information before taking further action on this item? If so, members should identify the topics they want to explore in more depth.

Next Steps

If the committee decides to request a bill draft, the draft bill would be presented to the committee for review and public comment at the June 20 meeting and could be revised for further consideration at the Aug. 18 meeting.

If the committee decides to encourage the governor or the 2015 budget committees to include an appropriation in the executive budget, staff would draft a letter for review and approval by either the presiding officer or the full committee.

If the committee wants more information, staff could schedule additional presentations or prepare additional research for the June 20 meeting.

Sources:

- Discussions and e-mail correspondence with:
 - Thomas Ruter, State Operated Services, Minnesota Department of Human Services
 - David Reed, Supervisor, Division of Behavioral Health and Recovery, Washington Department of Social and Health Services
 - Russell Katherman and Marina Little, Architecture and Engineering Division, Montana Department of Administration
 - Tracey Thun, Montana State Hospital
 - Roy Kemp, Quality Assurance Division, Department of Public Health and Human Services
 - Pat Sullivan, Office of Budget and Program Planning
 - Kelly DaSilva, Human Resources Manager, Montana Legislative Branch
 - Amy Fisher, Montana Association of Realtors
- Title 37, Chapter 106, Subchapter 17, Administrative Rules of Montana
- 1st Amendment to Lease #8137 (MCDC Lease Agreement), Oct. 9, 2013
- RS Means Square Foot Costs, 34th Annual Edition, *ReedConstruction Data LLC*, 2013
- 2015 Biennium Fiscal Report, *Legislative Fiscal Division*, June 2013, Table 33-C

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