



Inpatient Psychiatric Funding Utilization – FY 2025

Appalachian Regional Healthcare (ARH) has entered into a Memorandum of Agreement (MOA) with the Cabinet for Health and Family Services and the Department for Behavioral Health, Developmental and Intellectual Disabilities to serve as the state-designated psychiatric hospital for individuals admitted from District IV, as specified in 908 KAR 2:040. The FY25–FY26 budget allocates \$14.6 million annually to ARH for the care of the inpatient involuntary psychiatric population in Eastern Kentucky.

A substantial portion of the fund allocation plan is devoted to ongoing personnel expenses, which are critical for improving service quality and operational efficiency. The remaining capital and personnel investments allocated for FY 2025 are informed by five key areas of focus, each designed to enhance the quality, safety, and sustainability of psychiatric care across our facilities.

- Enhancing therapeutic and recreational programming
- Supporting and retaining nursing staff
- The recruitment of compassionate, culturally competent providers
- Strengthening leadership and community integration
- Investing in critical infrastructure

The following table provides information on staffing and program initiatives that have received approval and are at various stages of implementation.

Staffing/Project Name	Brief Description	Annual Expense
Manager of Behavioral Health Intake	Leads Behavioral Health Intake Team and coordinates involuntary admissions across ARH's catchment area.	\$75,240.00
Director of Behavioral Health Education and Psychological Support	Leads therapy and psychology staff, clinician training, complex case consultation, and psychological testing.	\$111,670.42
System Director of Outpatient and Consult-Liaison Behavioral Health	Leads outpatient and consult-liaison services, ensuring care coordination from emergency department (ED) to outpatient services.	\$171,600.00
Director of Behavioral Health Outreach and Recovery Services	Leads peer recovery specialists and builds partnerships with schools, shelters, and recovery centers.	\$92,400.00
Director of Hazard Psychiatric Center	Leads day-to-day operations of the Hazard Psychiatric Hospital.	\$145,200.00
System Director of Behavioral Health Nursing	Leads psychiatric nurse practice across all ARH inpatient psychiatric hospitals.	\$145,200.00
Primary Therapist Recruitment	Adds three new therapists (two in Highlands, one in Hazard) to support patient treatment and recovery.	\$313,800.96

Staffing/Project Name	Brief Description	Annual Expense
Discharge Planner Recruitment	Adds five discharge planners across three facilities to support transitions from inpatient care to community supports.	\$309,511.22
Legal Liaison Recruitment	Adds legal liaisons at Hazard and Highlands to improve 202A legal proceedings and coordinate misdemeanor competency evaluations.	\$158,400.00
Activities/Recreation Worker and Serious Mental Illness (SMI) Peer Recruitment	Adds additional recreation workers and a new SMI peer role to enhance programming across psychiatric centers.	\$225,138.60
Recruitment of Hazard Psych Center Medical Director	Recruits a new general psychiatrist and medical director for the Hazard Psychiatric Center.	\$475,200.00
Behavioral Health Nurse Educator	Supports nursing education, orientation, preceptorship, and ongoing training.	\$125,400.00
Safety Educator	Focuses on non-violent crisis intervention training, incident review, and post-event support.	\$66,000.00
PRN Advanced Practice Providers	Added six psychiatric nurse practitioners to cover weekends, holidays, and sick leave.	\$750 per shift

Staffing/Project Name	Brief Description	Annual Expense
Frontline Staff Compensation Restructure	Enhanced recruitment and retention through base pay increases for most inpatient psychiatric clinical staff.	\$526,478.00

Once staffing models and organizational structures are determined, optimizing inpatient programming also required evaluating and enhancing the physical environments of each facility to ensure safe and effective care for individuals experiencing serious and persistent mental illness. Capital expenditure commitments and proposals total \$5,857,885 for FY 2025 and are allocated as shown in the table below across the three inpatient units. Planning continues for future capital improvements and upgrades.

Facility	Capital
Hazard	\$2,516,511
Harlan	\$3,341,374
Highlands	\$0
Total	\$5,857,885

Funding utilized is heavily based on ARH financial statements for behavioral health. Reporting for FY 25 resulted in the draw down of all \$14.6 million in funds available. Because ARH collections are utilized to offset expenditures, the items listed in the tables above, as well as any future initiative expense, will not reflect a dollar-for-dollar accounting of funding utilization as is seen, in other state facilities.

The following report illustrates \$14.6 million in state funding utilized in FY 2025.

	Hazard	Harlan	Highlands	Total	Annualized
Payments	18,832,729	7,638,653	8,044,207	34,515,589	34,515,589
Prior Year Payment Adjustment	(1,700,498)	(551,439)	(660,150)	(2,912,087)	(2,912,087)
Total Revenues	17,132,231	7,087,214	7,384,057	31,603,502	31,603,502
<i>Labor and Benefits</i>	8,961,876	3,589,936	4,468,830	17,020,642	17,020,642
<i>Other Expense</i>	1,802,239	688,901	808,284	3,299,424	3,299,424
<i>Purchased Services within Dept</i>	835,014	13,811	660,442	1,509,268	1,509,268
<i>Rx Costs</i>	38,056	38,346	99,457	175,858	175,858
<i>Indirect Support</i>	3,834,538	501,824	2,169,696	6,506,057	6,506,057
Behavioral Health	15,471,723	4,832,817	8,206,709	28,511,249	28,511,249
<i>Purchased Services for Patient Care - Cost</i>	4,090,137	2,331,205	3,357,088	9,778,431	9,778,431
Total Expense	19,561,860	7,164,022	11,563,797	38,289,680	38,289,680
Operating Income/(Loss)	(2,429,629)	(76,809)	(4,179,740)	(6,686,178)	(6,686,178)
Contract Funding to Cover Loss on Operations	2,429,629	76,809	4,179,740	6,686,178	6,686,178
Capital Commitments	2,516,511	3,341,374	-	5,857,885	5,857,885
<i>Management Fee</i>	967,500	483,750	483,750	1,935,000	1,935,000
<i>At Risk Management Fee</i>	60,469	30,234	30,234	120,938	147,813
Total Management Fee	1,027,969	513,984	513,984	2,055,938	2,082,813
Total Contract Funding	5,974,109	3,932,167	4,693,725	14,600,000	14,600,000

*Capital includes Hazard renovations, Harlan HVAC, portion of Harlan renovation, and various projects under \$250k

Furthermore, to ensure the continuation of contracted inpatient psychiatric services provided by Appalachian Regional Healthcare (ARH) within Hospital District IV under KRS 210.300, it is estimated that \$14,600,00 in funding from the Commonwealth's General Fund will be required for State Fiscal Year 2026. This estimate reflects the projected cost of sustaining the personnel, programming, and infrastructure investments planned in FY 26.