



## Appalachian Regional Healthcare

### Inpatient Psychiatric Funding Utilization – FY 2023

During the 2022 legislative session, \$14.6 million was appropriated in each year of the FY23-FY24 Budget for Appalachian Regional Healthcare to utilize for the care of the inpatient involuntary psychiatric population in Eastern Kentucky. As a result of the appropriation, the contract between the Cabinet for Health and Family Services and ARH was renewed reflecting this new funding level through FY 2024.

A large portion of the planning for utilization of the funds is related to recurring personnel expenses that are crucial for improving services and operations. Leadership structures have been defined and some salary adjustments have been put into place. Several positions have now been hired, but there are a few that are still being recruited. The table below outlines staffing/program initiatives that have been approved and are in various stages of implementation. The service line is currently working on operational planning for the year and there are several more personnel initiatives that are in the early planning phases.

| <b>Project Name</b>   | <b>Brief Project Description</b>   | <b>Estimated Annual</b> |
|---|--|-------------------------|
| <b>Positions &amp; Salary Adjustments</b>                             |  |                         |
| Kentucky Therapist Salary Readjustment                                | The Behavioral Health Service Line brought all inpatient behavioral health therapists and counselors up to a competitive salary, based on data from the Kentucky Hospital Association. (Completed) | \$111,833.00            |
| Adjustment to Nursing Scale   | ARH as a system adjusted the nursing salary scale in Q4 FY23. Behavioral Health units were included in the specialty designation. (Completed)  | \$502,660.00            |
| Assistant System Director: Kentucky Inpatient Operations              | A new leadership position to oversee day-to-day operations of the 100 inpatient psychiatry beds in Kentucky. (Hired)   | \$150,200.00            |
| Local Directors of Psychology/Counseling                              | A new leadership position to oversee local therapeutic and psychological services at each individual psychiatric center. (Hired)   | \$112,200.00            |
| Assistant System Director of Beh Health: Psychiatric Nursing Services | A new leadership position designed to lead Behavioral Health Nursing will be home based in Hazard. (Recruiting)  | \$177,000.00            |

| <b>Project Name</b>   | <b>Brief Project Description</b>   | <b>Estimated Annual</b> |
|---|--|-------------------------|
| Assistant System Director of Beh Health: Psychological Services | A new leadership position designed to lead the Treatment Mall and Social Services will be home based in Hazard. (Recruiting)   | \$158,000.00            |
| System Director of Behavioral Health Pharmacy Services          | A new leadership position designed to lead Pharmacy services and participate in treatment teams. (Hired, not started)  | \$184,800.00            |
| Director of Behavioral Health Security Operations               | A new leadership position designed to oversee the unique aspect of behavioral health security, training of officers, and relationship building with local law enforcement. (Recruiting)                  | \$138,000.00            |
| Director of Treatment Mall and Social Services                  | A New leadership position designed to oversee the Hazard Treatment Mall and Kentucky-based social services. (Hired)  | \$132,000.00            |
| Behavioral Health Transporter                                   | This position will be utilized to transport patient home after discharge as well as between our Kentucky inpatient units. (Recruiting)   | \$64,896.00             |
| Treatment Mall Activity Coordinator                             | Hired  | \$218,725.00            |
| Treatment Mall Discharge Planner                                | Recruiting   | \$104,000.00            |
| Treatment Mall Primary Therapist                                | Hired  | \$155,230.68            |
| <b>Total Personnel (recurring)</b>                              |  | <b>\$2,209,544.68</b>   |
| <b>Operational Services &amp; Equipment</b>                     |  |                         |
| System-Wide Telepsychiatry Consult Service                      | Standing up a System-Wide Telepsychiatry consult-liaison service to serve patients in our ED awaiting beds, and patients on our acute medical/surgical floors with comorbid behavioral health disorders. | \$4,620.00              |
| <b>Total Operational Services (some recurring)</b>              |  | <b>\$4,620.00</b>       |
| <b>Total Operational Funding Commitments</b>                    |  | <b>\$2,214,164.68</b>   |

To optimize the inpatient programming once staffing models and structures are established, it was also important to address the physical environments at each facility to support the safe and effective care for individuals with serious and persistent mental illness. Multiple discussions and visits to sister facility, Eastern State Hospital, have assisted in these plans. YTD capital expenditure commitments and proposals total \$4,723,505.80 for FY 2023 and are allocated as shown in the

table below across the three inpatient units. Planning continues for FY 2024 capital improvements and upgrades.

| Facility     | Capital               |
|--------------|-----------------------|
| Hazard       | \$1,448,927.00        |
| Highlands    | \$1,446,018.00        |
| Harlan       | \$1,828,560.80        |
| <b>Total</b> | <b>\$4,723,505.80</b> |

Funding utilized is heavily based on ARH financial statements for behavioral health. Preliminary reporting for FY23 resulted in use of \$6.9 million of the \$14.6 based on the ability most of the year to collect elevated Medicaid reimbursement without prior-authorization requirements. The waiver expired with the public health emergency in May which will result in lower collections in FY 2024. Without the waiver, ARH estimates that that \$12.8 million of the \$14.6 would have been needed. 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 like is seen in other state facilities.

The following report illustrates the \$6.9 million of state funding utilized in FY 2023.

9 Months ending March 31, 2023

|  | Hazard                | Harlan              | Highlands           | FYTD Total           | FY2023 Annualized    |
|--|-----------------------|---------------------|---------------------|----------------------|----------------------|
| <b>Patient/Payer Payments*</b>                       | 10,347,005            | 4,788,068           | 2,568,938           | 17,704,011           | 23,583,810           |
| <b>HRIP (est pymts)</b>                              | 4,381,471             | 1,847,673           | 2,577,668           | 8,806,812            | 11,731,702           |
| <b>HRIP (est taxes)</b>                              | (851,876)             | (405,197)           | (276,630)           | (1,533,703)          | (2,043,072)          |
| <b>HRIP (est fees)</b>                               | (43,815)              | (18,477)            | (25,689)            | (87,981)             | (117,201)            |
| <b>Total Patient Revenues</b>                        | <b>\$ 13,832,785</b>  | <b>\$ 6,212,067</b> | <b>\$ 4,844,286</b> | <b>\$ 24,889,139</b> | <b>\$ 33,155,240</b> |
| <i>Labor and Benefits</i>                            | 4,422,004             | 2,084,045           | 2,394,307           | 8,900,356            | 11,856,314           |
| <i>Other Expense</i>                                 | 385,589               | 342,803             | 149,278             | 877,670              | 1,169,159            |
| <i>Purchased Services within Dept</i>                | 542,160               | 854,528             | 1,222,133           | 2,618,821            | 3,488,575            |
| <i>Indirect Support</i>                              | 1,571,375             | 1,270,392           | 1,099,235           | 3,941,001            | 5,249,874            |
| <i>Management Fee</i>                                | 726,288               | 363,144             | 363,144             | 1,452,575            | 1,935,000            |
| <i>At Risk Management Fee Estimate</i>               |                       |                     |                     |                      | 147,813              |
| <b>Total Behavioral Health Unit Cost</b>             | <b>\$ 7,647,415</b>   | <b>\$ 4,914,912</b> | <b>\$ 5,228,097</b> | <b>\$ 17,790,424</b> | <b>\$ 23,846,735</b> |
| <i>Cost of Purchased Services for Patient Care**</i> | 3,560,123             | 2,973,762           | 2,076,792           | 8,610,677            | 11,470,428           |
| <b>Total Cost of Care Provided</b>                   | <b>\$ 11,207,538</b>  | <b>\$ 7,888,674</b> | <b>\$ 7,304,890</b> | <b>\$ 26,401,102</b> | <b>\$ 35,317,163</b> |
| <b>Total Expenses over Revenue</b>                   | <b>\$ (2,625,248)</b> | <b>\$ 1,676,607</b> | <b>\$ 2,460,603</b> | <b>\$ 1,511,962</b>  | <b>\$ 2,161,923</b>  |
| <i>Total Capital Expense</i>                         | 1,448,927             | 1,828,561           | 1,446,018           | 4,723,506            | 4,723,506            |
| <b>Total Expense Reimbursement from DBHDID</b>       | <b>\$ (1,176,321)</b> | <b>\$ 3,505,168</b> | <b>\$ 3,906,621</b> | <b>\$ 6,235,468</b>  | <b>\$ 6,885,429</b>  |

\*Includes payments collected from patient or third party payers for all medical and behavioral health services

\*\*Cost associated with all patient care incurred by medical center departments during the patient stay (ED, lab, radiology, etc.)

\*\*\*Values are rounded to the whole dollar which result in the appearance of calculation errors.