

STATE INSTITUTIONS FOR MENTAL HEALTH

FY 2023 – FY 2025 BUDGET ANALYSIS

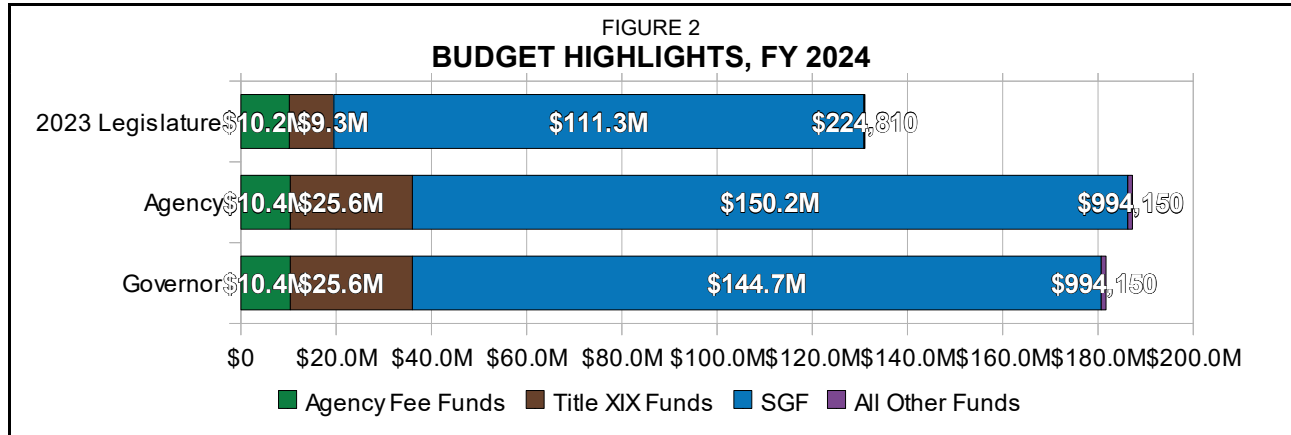
FIGURE 1
BUDGET OVERVIEW, FY 2023 – FY 2025

	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Operating Expenditures:					
State General Fund	\$ 139,043,270	\$ 150,240,477	\$ 144,675,306	\$ 155,176,637	\$ 112,615,749
Federal Funds	(480)	395,000	395,000	-	-
All Other Funds	31,437,569	36,614,566	36,614,566	21,034,552	21,527,438
<i>Subtotal</i>	<u>\$ 170,480,359</u>	<u>\$ 187,250,043</u>	<u>\$ 181,684,872</u>	<u>\$ 176,211,189</u>	<u>\$ 134,143,187</u>
Capital Improvements:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL	<u>\$ 170,480,359</u>	<u>\$ 187,250,043</u>	<u>\$ 181,684,872</u>	<u>\$ 176,211,189</u>	<u>\$ 134,143,187</u>
Percentage Change:					
State General Fund	26.6 %	8.1 %	4.1 %	3.3 %	(22.2) %
All Funds	16.3 %	9.8 %	6.6 %	(5.9) %	(26.2) %
FTE Positions	1,455.5	1,454.9	1,405.6	1,454.9	1,405.6

The State Institutions for Mental Health (MH Institutions) serve individuals diagnosed with severe and persistent mental illnesses who require inpatient treatment. There are two mental health institutions operated by the State of Kansas: Osawatome State Hospital (OSH) and Larned State Hospital (LSH). Both facilities are state agencies administered by the Kansas Department for Aging and Disability Services (KDADS), pursuant to KSA 39-1904.

EXECUTIVE SUMMARY

The 2023 Legislature approved a budget of \$131.1 million, including \$111.3 million from the State General Fund (SGF), for the State Institutions for Mental Health for FY 2024. One adjustment has been made subsequently to that amount due to an SGF reappropriation, which increased the current year approved amount by \$734,170 without any legislative action required.

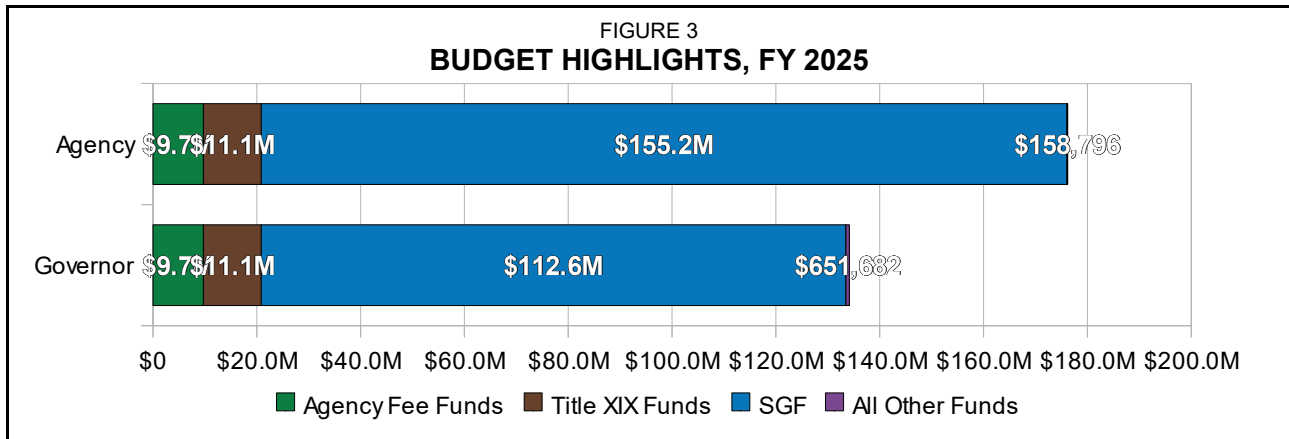


The **agencies** request a revised estimate of \$187.3 million, including \$150.2 million SGF, in expenditures and 1,454.9 FTE positions in FY 2024. This is an increase of \$56.2 million, or 42.9 percent, including an SGF increase of \$38.9 million, or 35.0 percent, above the budget approved by the 2023 Legislature.

This increase is primarily due to the the agencies' supplemental requests totaling \$27.4 million SGF and a transfer of \$10.9 million SGF from KDADS for the hourly differential payments pursuant to the 24/7 Pay Plan. Additionally, the agencies' requests include an estimated \$16.0 million in carry-forward funds in the LSH Title XIX Fund above the amount in the approved budget. These funds were transferred from KDADS in FY 2023 pending receipt of the FY 2023 Governor's Budget Amendment (GBA) to cover the contract agency staff shortfall, and they will primarily be used to reduce the shortfall in FY 2024.

The **Governor** recommends expenditures totaling \$181.7 million, including \$144.7 million SGF, for the agencies in FY 2024. This is a decrease of \$5.6 million SGF below the agencies' revised estimate in FY 2024. The decrease is due to the Governor not recommending the request from LSH for a Due Process Manager (LSH requested \$65,171 SGF, and the Governor recommended \$0) and partially recommending the request from OSH for contract nursing expenditures (OSH requested \$10.5 million SGF, and the Governor recommended \$5.0 million SGF).

Additionally, the Governor recommends a reduction of 49.0 FTE positions below the agencies' revised estimate to eliminate unfilled and unfunded FTE positions from the agencies' FTE counts.



The **agencies** request \$176.2 million, including \$155.2 million SGF, in expenditures and 1,454.9 FTE positions for FY 2025. This is a decrease of \$11.0 million, or 5.9 percent, including a SGF increase of \$5.0 million, or 3.3 percent, from the agencies' request for FY 2024.

The overall decrease is due to an anticipated decrease of \$14.5 million in the LSH Title XIX Fund and a decrease of \$14.3 million SGF due to the 24/7 Pay Plan transfer appearing in the KDADS budget for FY 2025. The overall decrease is partially offset by the agencies' enhancement requests totaling \$43 million SGF.

The **Governor** recommends expenditures totaling \$134.1 million, including \$112.6 million SGF, for the agencies for FY 2025. This is a reduction of \$42.1 million, including \$42.6 million SGF, below the agencies' request for FY 2025. The reduction is due to the Governor not recommending the following enhancement requests: LSH Sexual Predator Treatment Program (SPTP) Deputy Superintendent (\$170,157 SGF), LSH Due Process Manager (\$86,927 SGF), LSH Contract Nursing (\$31.0 million SGF), OSH Contract Nursing (\$10.5 million SGF), and LSH SPTP Primary Medical Care Staff (\$326,454 SGF). Additionally, the Governor recommends a slight reduction to the request by LSH for a Forensic Evaluator (a decrease of \$4,502 SGF). Finally, the Governor recommends using State Institutions Building Fund (SIBF) moneys for the Biddle Courtyard Remodel (a decrease of \$492,886 SGF and an increase of the same amount of SIBF moneys).

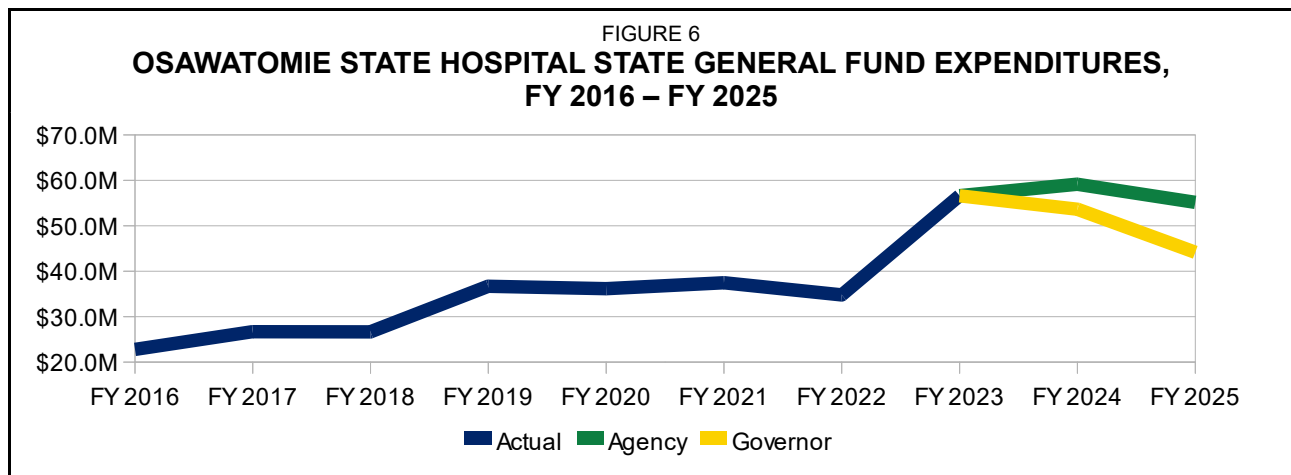
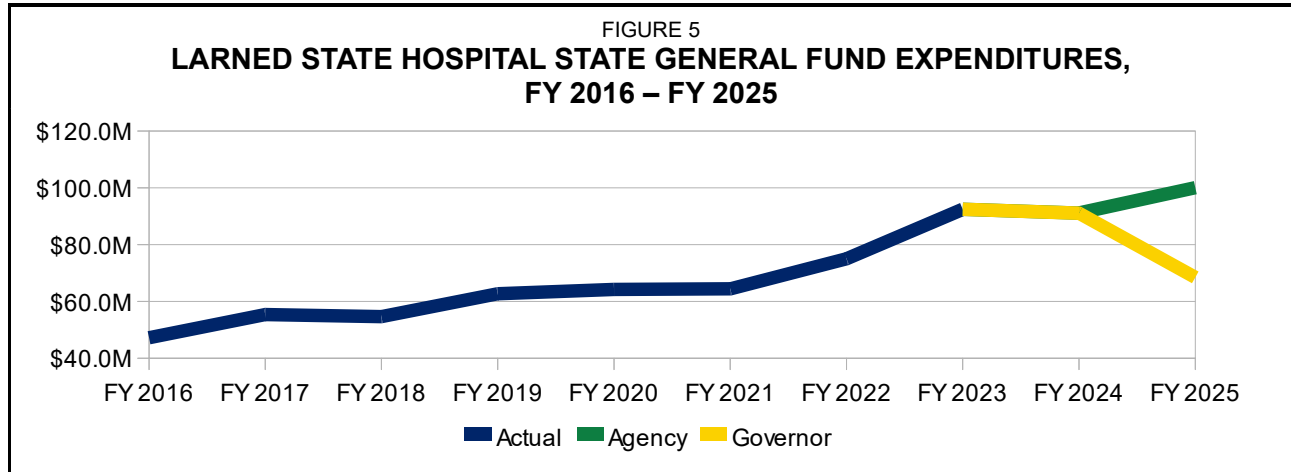
The Governor's recommendation also includes a reduction of 49.0 FTE positions below the agencies' request to eliminate unfilled and unfunded FTE positions from the agencies' FTE counts.

EXPENDITURES AND FINANCING

FIGURE 4
BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2023 – FY 2025

	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Category of Expenditure:					
Salaries and Wages	\$ 81,682,813	\$ 92,825,973	\$ 92,760,802	\$ 79,987,844	\$ 79,399,804
Contractual Services	79,263,732	85,849,939	80,349,939	88,126,353	46,646,391
Commodities	7,163,053	7,426,817	7,426,817	7,559,014	7,559,014
Capital Outlay	2,224,204	1,022,691	1,022,691	523,239	523,239
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 170,333,802</u>	<u>\$ 187,125,420</u>	<u>\$ 181,560,249</u>	<u>\$ 176,196,450</u>	<u>\$ 134,128,448</u>
Aid to Local Units	-	-	-	-	-
Other Assistance	15,474	14,623	14,623	14,739	14,739
<i>Subtotal—Operating</i>	<u>\$ 170,349,276</u>	<u>\$ 187,140,043</u>	<u>\$ 181,574,872</u>	<u>\$ 176,211,189</u>	<u>\$ 134,143,187</u>
Capital Improvements	131,083	110,000	110,000	-	-
Debt Service Principal	-	-	-	-	-
TOTAL	<u>\$ 170,480,359</u>	<u>\$ 187,250,043</u>	<u>\$ 181,684,872</u>	<u>\$ 176,211,189</u>	<u>\$ 134,143,187</u>
Financing:					
State General Fund	\$ 139,043,270	\$ 150,240,477	\$ 144,675,306	\$ 155,176,637	\$ 112,615,749
LSH Fee Fund	2,985,658	4,342,483	4,342,483	3,671,879	3,671,879
OSH Fee Fund	6,937,906	6,055,362	6,055,362	6,055,362	6,055,362
Title XIX Funds	21,019,661	25,617,571	25,617,571	11,148,515	11,148,515
Federal Funds	(480)	395,000	395,000	-	-
All Other Funds	494,344	599,150	599,150	158,796	651,682
TOTAL	<u>\$ 170,480,359</u>	<u>\$ 187,250,043</u>	<u>\$ 181,684,872</u>	<u>\$ 176,211,189</u>	<u>\$ 134,143,187</u>
FTE Positions	1,455.5	1,454.9	1,405.6	1,454.9	1,405.6

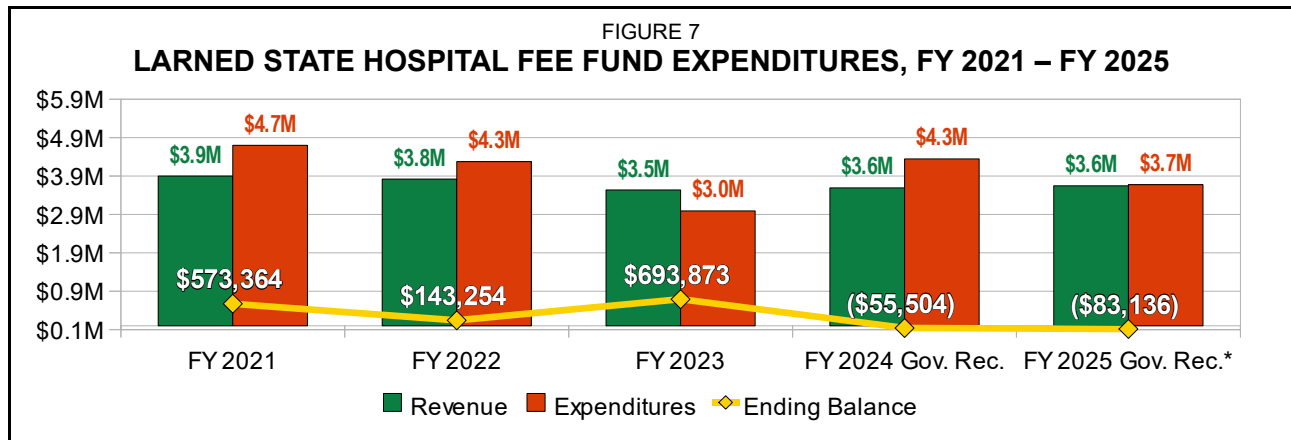
STATE GENERAL FUND



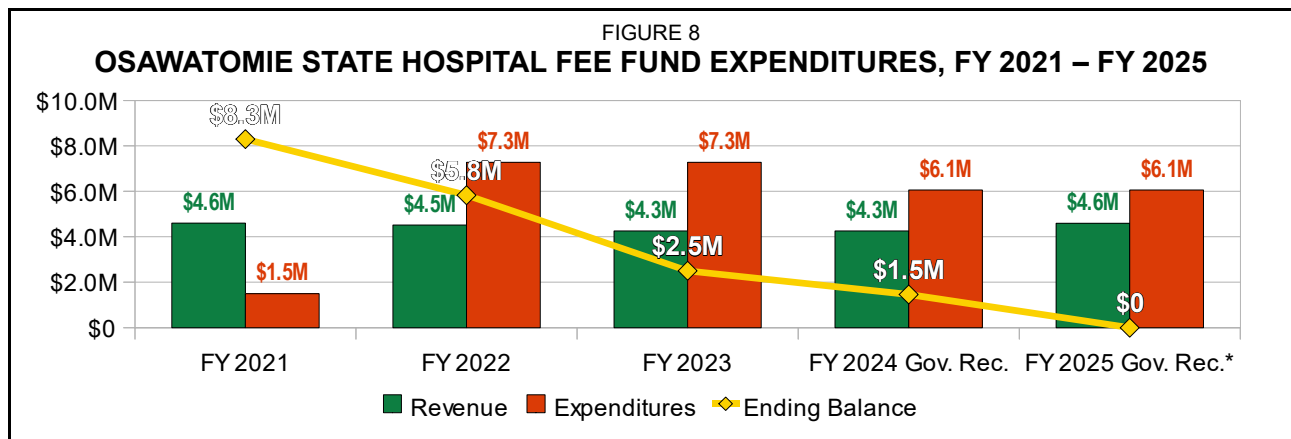
For the State Institutions for Mental Health , SGF expenditures compose a majority of the institutions' budgets. The MH Institutions are considered by the federal Centers for Medicare and Medicaid Services (CMS) to be institutions for mental disease. Under Medicaid statutes, institutions for mental disease are hospitals, nursing facilities, or other institutions with more than 16 beds that are primarily engaged in providing care of individuals with mental illness.

Historically, these types of institutions are not eligible to receive Medicaid reimbursements for services provided to individuals ages 21 to 64. Therefore, unlike the State Institutions for Intellectual/Developmental Disabilities, the MH Institutions are not eligible for Medicaid reimbursements, which results in SGF moneys being the major funding source for these institutions. The institutions do receive a small amount of Medicaid funding from the Medicaid Disproportionate Share Hospital payments the State receives. These are payments made to hospitals that serve a large number of Medicaid or uninsured individuals. The State receives these funds and then distributes them to qualifying hospitals. As such, the MH Institutions receive a small portion of these payments.

AGENCY FEE FUNDS



* For FY 2025, the lowest month ending balance for the Larned State Hospital Fee Fund will occur in July, with a balance of \$0.



* For FY 2025, the lowest month ending balance for the Osawatomie State Hospital Fee Fund will occur in June, with a balance of \$1.5 million.

Both hospitals maintain fee fund accounts; however, these are not traditional fee funds in which the agencies collect various fees or licenses. These fee funds are largely funded by private insurance and Medicare recoupments that the hospitals receive in the course of providing care to residents. Both agencies have indicated these funds are generally not stable sources of revenue, as they cannot consistently anticipate when the hospital will receive recoupments or exactly how much those recoupments will be.

FY 2024 ANALYSIS

FIGURE 9

SUMMARY OF BUDGET REQUEST, FY 2024

	SGF	All Funds	FTE
Legislative Approved:			
Amount Approved by 2023 Legislature	\$ 110,592,634	\$ 130,340,774	1,453.5
1. SGF Reappropriation	734,170	734,170	--
<i>Subtotal—Legislative Approved</i>	\$ 111,326,804	\$ 131,074,944	1,453.5
Agency Revised Estimate:			
Supplemental Requests:			
2. LSH Due Process Manager	\$ 65,171	\$ 65,171	--
3. LSH Contract Nursing Staff	15,741,417	15,741,417	--
4. LSH Pay Plan Shortfall	601,807	601,807	--
5. OSH Contract Nursing Staff	10,500,000	10,500,000	--
6. OSH Pay Plan Shortfall	436,682	436,682	--
<i>Subtotal—Supplemental Requests Only</i>	\$ 27,345,077	\$ 27,345,077	--
7. 24/7 Pay Plan Transfer	\$ 10,904,824	\$ 10,904,824	--
8. LSH Title XIX Funds for Contract Nursing Staff	-	15,989,174	--
9. All Other Adjustments	663,772	1,936,024	1.4
<i>Subtotal—Agency Revised Estimate</i>	\$ 150,240,477	\$ 187,250,043	1,454.9
Governor's Recommendation:			
10. Non-Recommended - LSH Due Process Manager	(65,171)	(65,171)	--
11. Partially-Recommended - OSH Contract Nursing Staff	\$ (5,500,000)	\$ (5,500,000)	--
12. Unfunded FTE Reduction	-	-	(49.3)
TOTAL	\$ 144,675,306	\$ 181,684,872	1,405.6

LEGISLATIVE APPROVED

Subsequent to the 2023 Session, one adjustment was made to the \$131.1 million, including \$111.3 million SGF, appropriated to the State Institutions for Mental Health for FY 2024. These adjustments change the current year approved amount without any legislative action required and include the following:

1. **SGF REAPPROPRIATION.** The MH Institutions reappropriated \$734,170 SGF that was not expended in FY 2023.

AGENCY ESTIMATE

The **agencies** request a revised estimate of \$187.3 million, including \$150.2 million SGF, in expenditures and 1,454.9 FTE positions in FY 2024. This is an increase of \$56.2 million, or 42.9 percent, including an SGF increase of \$38.9 million, or 35.0 percent, above the budget approved by the 2023 Legislature.

The revised estimate includes \$27.3 million SGF for the following supplemental requests:

2. **LSH Due Process Manager.** LSH requests \$65,171 SGF for salaries and wages to employ a Due Process Manager in FY 2024. The employee would provide residents with a mechanism to report issues related to residents' care and treatment, including the opportunity to request a review of administrative decisions impacting residents. LSH employs two Grievance Officers who report to the Chief Operations Officer. The Due Process Manager would supervise the Grievance Officers. The request represents three-quarters of the salary and benefits cost to employ the Due Process Manager.
3. **LSH Contract Nursing Staff.** LSH requests \$15.7 million SGF to increase its base budget to cover the shortfall for agency nursing staff costs in FY 2024. In FY 2023, contract agency nursing costs averaged \$830,000 per week. LSH estimates contract nursing staff costs will total \$40.5 million in FY 2024. The approved budget in FY 2024 includes \$9.5 million as a base budget for contract nursing staff, and LSH received \$16.0 million in Title XIX Funds from KDADS, a majority of which will be used for contract nursing staff (see Item 8, below), leaving a shortfall of \$15.7 million in FY 2024.
4. **LSH Pay Plan Shortfall.** The revised estimate includes \$601,807 SGF in FY 2024 to account for a shortfall in appropriations for the Legislative Pay Plan in 2023 SB 25.
5. **OSH Contract Nursing Staff.** OSH requests \$10.5 million SGF to cover a shortfall for agency nursing staff costs in FY 2024. OSH estimates costs will reach \$19.0 million in FY 2024. In FY 2024, the agency experienced slower hiring of Registered Nurses and hired more contract staff to fill vacancies in the direct care and Mental Health/Developmental Disability Technician positions. In prior years, the additional costs were covered with salary savings due to higher vacancy rates.
6. **OSH Pay Plan Shortfall.** The revised estimate includes \$436,682 SGF in FY 2024 to account for a shortfall in appropriations for the Legislative Pay Plan in 2023 SB 25.

Absent the supplemental requests, the revised estimate includes an increase of \$28.8 million, including \$11.6 million SGF, in base budget expenditures. Significant adjustments are as follows:

7. **24/7 Pay Plan Transfer.** In FY 2024, KDADS transferred \$10.9 million SGF to LSH and OSH to provide shift differentials to employees pursuant to the 24/7 Pay Plan.
8. **LSH Title XIX Funds for Contract Nursing Staff.** The agency's revised estimate includes an additional \$16.0 million in carry-forward funds above the amount included in the agency's approved budget. These funds were transferred from KDADS in FY 2023 pending receipt of the FY 2023 GBA to cover the contract agency staff shortfall, and will primarily be used to reduce the shortfall in FY 2024.
9. **ALL OTHER ADJUSTMENTS.** The revised estimate includes an increase of \$2.0 million, including \$663,772 SGF, for fluctuations across all expenditure categories.

GOVERNOR'S RECOMMENDATION

The **Governor** recommends expenditures totaling \$181.9 million, including \$144.7 million SGF, for the agencies in FY 2024. This is a decrease of \$5.6 million SGF below the agencies' revised estimate in FY 2024.

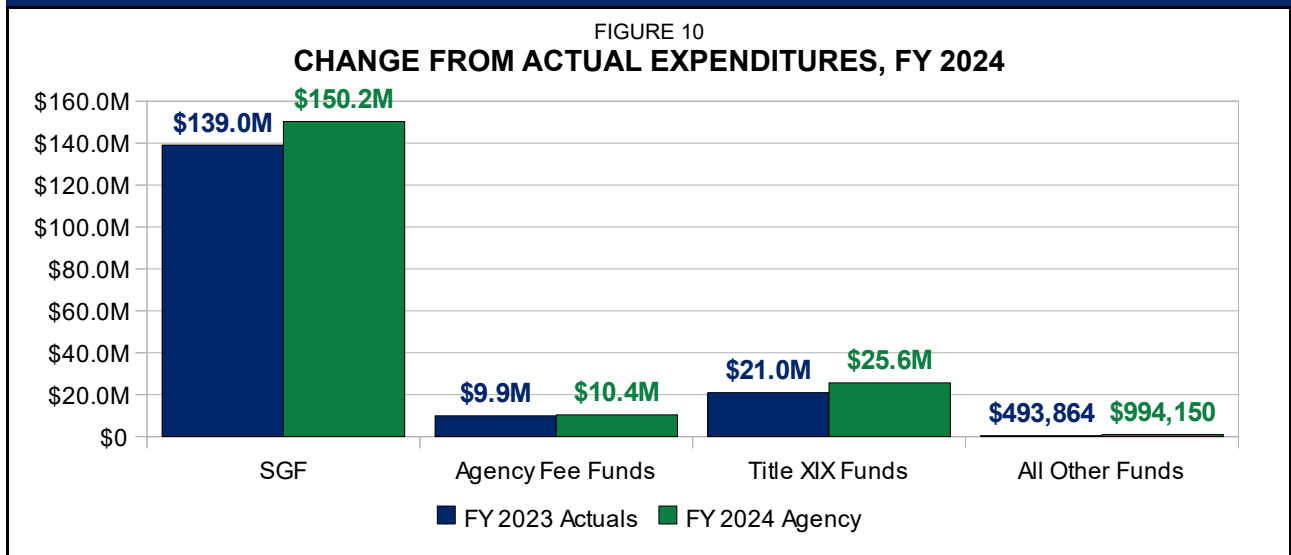
The **Governor's** recommendation includes the following adjustments:

10. **SUPPLEMENTALS NOT RECOMMENDED.** The Governor does not recommend adoption of the LSH request for a Due Process Manager. This results in a reduction of \$65,171 SGF below the agencies' revised estimate in FY 2024.

11. **SUPPLEMENTALS PARTIALLY RECOMMENDED.** The Governor recommends partial adoption of the OSH request for contract nursing staff, recommending \$5.0 million SGF instead of the \$10.5 million SGF requested by LSH. This results in a reduction of \$5.5 million SGF below the agencies' revised estimate in FY 2024.

12. **UNFUNDED FTE REDUCTION.** The Governor's recommendation includes a reduction of 49.0 FTE positions below the agencies' revised estimate in FY 2024. This reduction eliminated unfilled and unfunded FTE positions from the agencies' FTE counts.

FY 2024 CHANGE FROM ACTUAL EXPENDITURES



The **agencies** estimate revised expenditures of \$187.3 million, including \$150.2 million SGF, in FY 2024. This is an increase of \$16.8 million, including \$11.2 million SGF, above the agencies' actual expenditures in FY 2023. This increase is primarily due to the agencies' FY 2024 supplemental requests to cover shortfalls in the agencies' contract nursing budgets.

FY 2025 ANALYSIS

FIGURE 11

SUMMARY OF BUDGET REQUEST, FY 2025

	SGF	All Funds	FTE
Agency Request:			
Request without Major Changes	\$ 123,079,352	\$ 160,103,078	1,454.9
Enhancement Requests:			
1. LSH SPTP Deputy Superintendent	\$ 170,157	\$ 170,157	--
2. LSH SPTP Forensic Evaluator	130,053	130,053	--
3. LSH SPTP Primary Medical Care Staff	326,454	326,454	--
4. LSH Due Process Manager	86,927	86,927	--
5. LSH Contract Nursing Staff	30,979,962	30,979,962	--
6. LSH Environmental Services Staff	315,670	315,670	--
7. OSH Contract Nursing Staff	10,500,000	10,500,000	--
8. OSH Biddle Courtyard	492,886	492,886	--
<i>Subtotal—Enhancement Requests Only</i>	\$ 43,002,109	\$ 43,002,109	--
9. Non-Reoccurring 24/7 Pay Plan Transfer	\$ (10,904,824)	\$ (10,904,824)	--
10. Non-Reoccurring LSH Title XIX Funds for Contract Nursing Staff	-	(15,989,174)	--
<i>Subtotal—Agency Request</i>	\$ 155,176,637	\$ 176,211,189	1,454.9
Governor's Recommendation:			
11. Enhancements Not Recommended	\$ (42,063,500)	\$ (42,063,500)	--
12. Enhancement Partially Recommended - LSH SPTP Forensic Evaluator	(4,502)	(4,502)	--
13. Funding Swap - OSH Biddle Courtyard	(492,886)	-	--
14. Unfunded FTE Reduction	-	-	(49.0)
TOTAL	\$ 112,620,251	\$ 134,143,187	1,405.9

AGENCY REQUEST

The **agencies** request \$176.2 million, including \$155.2 million SGF, in expenditures and 1,454.9 FTE positions for FY 2025. This is a decrease of \$11.0 million, or 5.9 percent, including an SGF increase of \$5.0 million, or 3.3 percent, from the agencies' request for FY 2024. The overall decrease is due to LSH estimating a decrease of \$14.5 million in the LSH Title XIX Fund and a decrease of \$10.9 million SGF due to the 24/7 Pay Plan transfer appearing in the KDADS budget for FY 2025. The overall decrease is partially offset by the agencies' enhancement requests totaling \$43.0 million SGF.

The request includes \$43.0 million SGF for the following enhancement requests:

1. **LSH SPTP Deputy Superintendent.** LSH requests \$170,157 SGF to employ a Deputy Superintendent for the SPTP. Currently, the superintendent of LSH directly oversees the SPTP, as well as the State Security Program and the Psychiatric Services Program. The SPTP has 236 inpatient beds at LSH.

2. **LSH SPTP Forensic Evaluator.** LSH requests \$130,053 to employ a Forensic Evaluator for the SPTP. Currently, the agency employs one Forensic Evaluator position who conducts statutorily required initial psychological assessments, ongoing psychological evaluations, and annual forensic court reports. These duties must be completed for 285 residents annually. LSH reports the one Forensic Evaluator has historically met the demand, but recent modifications to the annual report has resulted in more residents agreeing to engage in the annual review process, which many residents had previously refused. LSH reports the increased demand required the

SPTP Clinical Program Director and Assistant Clinical Program Director to assist the Forensic Evaluator to meet demands in FY 2023 and FY 2024.

3. **LSH SPTP Primary Medical Care Staff.** LSH requests \$326,454 SGF to employ one Primary Care Medical Staff to manage medical needs of the SPTP residents with high-risk medical needs. LSH reports the resident population is aging and requires ongoing oversight, monitoring, and treatment. LSH reports that, for the SPTP population, outside medical appointments increased from 814 in FY 2021 to 1,136 in FY 2023, and sick calls increased from 1,542 in FY 2021 to 1,858 in FY 2023.
4. **LSH Due Process Manager.** LSH requests \$86,927 SGF to employ a Due Process Manager in FY 2024. The employee would provide residents with a mechanism to report issues related to residents' care and treatment, including the opportunity to request a review of administrative decisions impacting residents. LSH employs two Grievance Officers who report to the Chief Operations Officer. The Due Process Manager would supervise the Grievance Officers. The request would continue the supplemental request in FY 2024 and represents one full year's salary and benefits to employ the Due Process Manager for FY 2025.
5. **LSH Contract Nursing Staff.** LSH requests \$31.0 million SGF to increase its base budget to cover the shortfall for agency nursing staff costs for FY 2025. In FY 2023, contract agency nursing costs averaged \$830,000 per week. This would supplement the existing base budget of \$9.5 million to reach the estimated total of \$40.5 million for contract nursing staff.
6. **LSH Environmental Services Staff.** LSH requests \$315,670 SGF to employ six environmental services staff members. Four employees would serve the SPTP. LSH reports the duties were previously carried out by Vocational Training Program resident workers; however, access to the SPTP buildings have been restricted for resident access due to security concerns. The additional 2 employees would maintain 12 non-patient buildings in programs outside of the SPTP. LSH reports the two employees would allow for coverage of areas on campus that do not receive regular service and would provide a healthier work-life balance for staff.
7. **OSH Contract Nursing Staff.** OSH requests \$10.5 million SGF to cover a shortfall for agency nursing staff costs for FY 2025. This would continue to fund contract nursing staff costs at the same level OSH requested in a supplemental request in FY 2024. In FY 2024, the agency experienced slower hiring of registered nurses and hired more contract staff to fill vacancies in the direct care and Mental Health/Developmental Disability Technician positions. In prior years, the additional costs were covered with salary savings due to higher vacancy rates.
8. **OSH Biddle Courtyard.** OSH requests \$492,886 SGF to fund improvements to the Biddle Courtyard. OSH reports patients are restricted to being indoors for the entirety of their hospitalization due to safety concerns with the Biddle Courtyard, including uneven concrete, exposed pipes, and inadequate drainage. OSH reports the funds would allow for better utilization of the outdoor space, increased safety, and additional therapy and leisure opportunities.

Absent the enhancement requests, the request includes a decrease of \$26.9 million, including a decrease of \$10.9 million SGF, in base budget expenditures. Significant adjustments are as follows:

9. **Non-Reoccurring 24/7 Pay Plan Transfer.** In FY 2024, the agencies received a transfer of \$10.9 million from KDADS for hourly differentials pursuant to the 24/7 Pay Plan. For FY 2025, this transfer is included in the KDADS budget and will be transferred to the agencies at the beginning of FY 2025.
10. **Non-Reoccurring LSH Title XIX Funds for Contract Nursing Staff.** In FY 2024, LSH supplemented its contract nursing staff budget with a transfer of \$16.0 million in Title XIX Funds. This transfer is not anticipated to re-occur in FY 2025.

GOVERNOR'S RECOMMENDATION

The **Governor** recommends expenditures totaling \$134.1 million, including \$112.6 million SGF, for the agencies for FY 2025. This is a reduction of \$42.1 million, including \$42.6 million SGF, below the agencies' request for FY 2025.

The **Governor's** recommendation includes the following adjustments:

11. **ENHANCEMENTS NOT RECOMMENDED.** The Governor does not recommend adoption of the following supplemental requests:
 - *LSH SPTP Deputy Superintendent.* The Governor does not recommend adoption of this request, resulting in a reduction of \$170,157 SGF below the agencies' request for FY 2025.
 - *LSH SPTP Primary Medical Care Staff.* The Governor does not recommend adoption of this request, resulting in a reduction of \$326,454 SGF below the agencies' request for FY 2025.
 - *LSH Due Process Manager.* The Governor does not recommend adoption of this request, resulting in a reduction of \$86,927 SGF below the agencies' request for FY 2025.
 - *LSH Contract Nursing Staff.* The Governor does not recommend adoption of this request, resulting in a reduction of \$31.0 million SGF below the agencies' request for FY 2025.
 - *OSH Contract Nursing Staff.* The Governor does not recommend adoption of this request, resulting in a reduction of \$10.5 million SGF below the agencies' request for FY 2025.
12. **ENHANCEMENTS PARTIALLY RECOMMENDED.** The Governor recommends partial adoption of the LSH request for a Forensic Evaluator. The Governor recommends \$125,551 SGF, a reduction of \$4,502 below the agencies' request for FY 2025.
13. **FUNDING SWAP - OSH BIDDLE COURTYARD.** The Governor recommends funding the OSH Biddle Courtyard request with SIBF moneys instead of SGF. This results in a reduction of \$492,886 SGF and an increase of \$492,887 SIBF.
14. **UNFUNDED FTE REDUCTION.** The Governor's recommendation includes a reduction of 49.0 FTE positions below the agencies' revised estimate for FY 2025. This reduction eliminated unfilled and unfunded FTE positions from the agencies' FTE counts.

SUPPLEMENTAL AND ENHANCEMENT REQUESTS

FIGURE 12
SUPPLEMENTAL AND ENHANCEMENT REQUESTS, FY 2024 – FY 2025

Request	Agency			Governor		
	SGF	All Funds	FTE	SGF	All Funds	FTE
FY 2024 Supplementals:						
1. LSH Due Process Manager	\$ 65,171	\$ 65,171	-	\$ -	\$ -	-
2. LSH Contract Nursing Staff	15,741,417	15,741,417	-	15,741,417	15,741,417	-
3. LSH Pay Plan Shortfall	601,807	601,807	-	601,807	601,807	-
4. OSH Contract Nursing Staff	10,500,000	10,500,000	-	5,000,000	5,000,000	-
5. OSH Pay Plan Shortfall	436,682	436,682	-	436,682	436,682	-
TOTAL	\$ 27,345,077	\$ 27,345,077	-	\$ 21,779,906	\$ 21,779,906	-
FY 2025 Enhancements:						
6. LSH SPTP Deputy Superintendent	\$ 170,157	\$ 170,157	--	\$ -	\$ -	-
7. LSH SPTP Forensic Evaluator	130,053	130,053	--	125,551	125,551	-
8. LSH SPTP Primary Medical Care Staff	326,454	326,454	--	-	-	-
9. LSH Due Process Manager	86,927	86,927	--	-	-	-
10. LSH Contract Nursing Staff	30,979,962	30,979,962	--	-	-	-
11. LSH Environmental Services Staff	315,670	315,670	--	315,670	315,670	-
12. OSH Contract Nursing Staff	10,500,000	10,500,000	--	-	-	-
13. OSH Biddle Courtyard	492,886	492,886	--	-	492,886	-
14. Unfunded FTE Reduction	-	-	--	-	-	(49.0)
TOTAL	\$ 43,002,109	\$ 43,002,109	-	\$ 441,221	\$ 934,107	(49.0)

1. **LSH Due Process Manager.** LSH requests \$65,171 SGF for salaries and wages to employ a Due Process Manager in FY 2024. The employee would provide residents with a mechanism to report issues related to residents' care and treatment, including the opportunity to request a review of administrative decisions impacting residents. LSH employs two Grievance Officers who report to the Chief Operations Officer. The Due Process Manager would supervise the Grievance Officers. The request represents three-quarters of the salary and benefits cost to employ the Due Process Manager.

The Governor does not recommend adoption of this request.

2. **LSH Contract Nursing Staff.** LSH requests \$15.7 million SGF to increase its base budget to cover the shortfall for agency nursing staff costs in FY 2024. In FY 2023, contract agency nursing costs averaged \$830,000 per week. LSH estimates contract nursing staff costs will total \$40.5 million in FY 2024. The approved budget in FY 2024 includes \$9.5 million as a base budget for contract nursing staff, and LSH received \$16.0 million in Title XIX Funds from KDADS, a majority of which will be used for contract nursing staff (see Item 8 below), leaving a shortfall of \$15.7 million in FY 2024.

The Governor recommends adoption of this request.

3. **LSH Pay Plan Shortfall.** The revised estimate includes \$601,807 SGF in FY 2024 to account for a shortfall in appropriations for the Legislative Pay Plan in 2023 SB 25. The 2023 Legislature appropriated \$120.0 million, including \$46.0 million SGF, across all state agencies to provide salary adjustments for FY 2024 based on the Department of Administration Market Survey. This total amount was short by approximately \$11.8 million, including \$11.4 million SGF, statewide in FY 2024. To account for this, the State Finance Council prorated agency distribution of the available appropriations by approximately 20.0 percent. For LSH, a supplemental appropriation of \$601,807 SGF in

FY 2024 is required to achieve the intended effect of the Legislative Pay Plan in 2023 SB 25.

The Governor recommends adoption of this request.

4. **OSH Contract Nursing Staff.** OSH requests \$10.5 million SGF to cover a shortfall for agency nursing staff costs in FY 2024. OSH estimates costs will reach \$19.0 million in FY 2024. In FY 2024, the agency experienced slower hiring of registered nurses and hired more contract staff to fill vacancies in the direct care and Mental Health/Developmental Disability Technician positions. In prior years, the additional costs were covered with salary savings due to higher vacancy rates.

The Governor recommends partial adoption of this request, recommending to add \$5.0 million SGF.

5. **OSH Pay Plan Shortfall.** The revised estimate includes \$436,682 SGF in FY 2024 to account for a shortfall in appropriations for the Legislative Pay Plan in 2023 SB 25. The 2023 Legislature appropriated \$120.0 million, including \$46.0 million SGF, across all state agencies to provide salary adjustments for FY 2024 based on the Department of Administration Market Survey. This total amount was short by approximately \$11.8 million, including \$11.4 million SGF, statewide in FY 2024. To account for this, the State Finance Council prorated agency distribution of the available appropriations by approximately 20.0 percent. For OSH, a supplemental appropriation of \$436,682 SGF, in FY 2024 is required to achieve the intended effect of the Legislative Pay Plan in 2023 SB 25.

The Governor recommends adoption of this request.

6. **LSH SPTP Deputy Superintendent.** LSH requests \$170,157 SGF to employ a Deputy Superintendent for the SPTP. Currently, the superintendent of LSH directly oversees the SPTP, as well as the State Security Program and the Psychiatric Services Program. The SPTP has 236 inpatient beds at LSH.

The Governor does not recommend adoption of this request.

7. **LSH SPTP Forensic Evaluator.** LSH requests \$130,053 to employ a Forensic Evaluator for the SPTP. Currently, the agency employs one Forensic Evaluator position who conducts statutorily required initial psychological assessments, ongoing psychological evaluations, and annual forensic court reports. These duties must be completed for 285 residents annually. LSH reports the one Forensic Evaluator has historically met the demand, but recent modifications to the annual report has resulted in more residents agreeing to engage in the annual review process, which many residents had previously refused. LSH reports the increased demand required the SPTP Clinical Program Director and Assistant Clinical Program Director to assist the Forensic Evaluator to meet demands in FY 2023 and FY 2024.

The Governor recommends partial adoption of this request, recommending addition of \$152,551 SGF.

8. **LSH SPTP Primary Medical Care Staff.** LSH requests \$326,454 SGF to employ one Primary Care Medical Staff to manage medical needs of the SPTP residents with high-risk medical needs. LSH reports the resident population is aging and requires ongoing oversight, monitoring, and treatment. LSH reports that, for the SPTP population, outside medical appointments increased from 814 in FY 2021 to 1,136 in FY 2023, and sick calls increased from 1,542 in FY 2021 to 1,858 in FY 2023.

The Governor does not recommend adoption of this request.

9. **LSH Due Process Manager.** LSH requests \$86,927 SGF to employ a Due Process Manager in FY 2024. The employee would provide residents with a mechanism to report issues related to the residents' care and treatment, including the opportunity to request a review of administrative decisions impacting residents. LSH employs two Grievance Officers who report to the Chief Operations Officer. The Due Process Manager would supervise the Grievance Officers. The request would continue the supplemental request in FY 2024 and represents one full year's salary and benefits to employ the Due Process Manager for FY 2025.

The Governor does not recommend adoption of this request.

10. **LSH Contract Nursing Staff.** LSH requests \$31.0 million SGF to increase its base budget to cover the shortfall for agency nursing staff costs for FY 2025. In FY 2023, contract agency nursing costs averaged \$830,000 per week. This would supplement the existing base budget of \$9.5 million to reach the estimated total of \$40.5 million for contract nursing staff.

The Governor does not recommend adoption of this request.

11. **LSH Environmental Services Staff.** LSH requests \$315,670 SGF to employ six environmental services staff members. Four employees would serve the SPTP. LSH reports the duties were previously carried out by Vocational Training Program resident workers; however, access to the SPTP buildings have been restricted for resident access due to security concerns. The additional two employees would maintain twelve non-patient buildings in programs outside of the SPTP. LSH reports the two employees would allow for coverage of areas on campus that do not receive regular service and would provide a healthier work-life balance for staff.

The Governor recommends adoption of this request.

12. **OSH Contract Nursing Staff.** OSH requests \$10.5 million SGF to cover a shortfall for agency nursing staff costs for FY 2025. This would continue to fund contract nursing staff costs at the same level OSH requested in a supplemental request in FY 2024. In FY 2024, the agency experienced slower hiring of registered nurses and hired more contract staff to fill vacancies in the direct care and Mental Health/Developmental Disability Technician positions. In prior years, the additional costs were covered with salary savings due to higher vacancy rates.

The Governor does not recommend adoption of this request.

13. **OSH Biddle Courtyard.** OSH requests \$492,886 SGF to fund improvements to the Biddle Courtyard. OSH reports patients are restricted to being indoors for the entirety of their hospitalization due to safety concerns with the Biddle Courtyard, including uneven concrete, exposed pipes, and inadequate drainage. OSH reports the funds would allow for better utilization of the outdoor space, increased safety, and additional therapy and leisure opportunities.

The Governor recommends funding this request using \$492,886 SIBF.

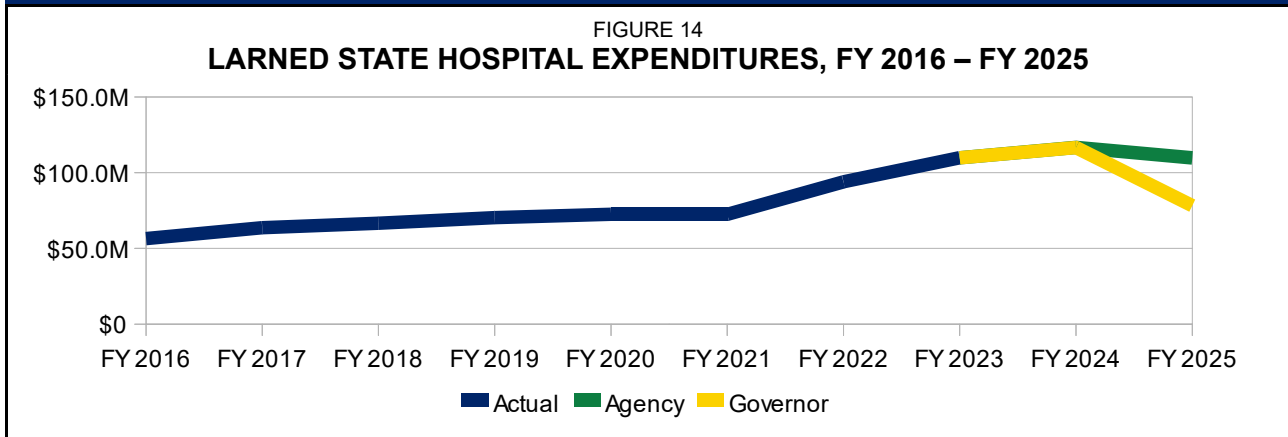
14. **FTE REDUCTION.** Delete 49.0 vacant unfunded FTE positions.

PROGRAM OVERVIEW

FIGURE 13
EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2023 – FY 2025

Programs	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Expenditures:					
Larned State Hospital	\$ 109,863,643	\$ 116,674,607	\$ 116,609,436	\$ 109,772,769	\$ 78,204,767
Osawatomie State Hospital	60,616,716	70,575,436	65,075,436	66,438,420	55,938,420
TOTAL	<u>\$ 170,480,359</u>	<u>\$ 187,250,043</u>	<u>\$ 181,684,872</u>	<u>\$ 176,211,189</u>	<u>\$ 134,143,187</u>
FTE Positions:					
Larned State Hospital	920.5	920.5	887.5	920.5	887.5
Osawatomie State Hospital	535.0	534.4	518.1	534.4	518.1
TOTAL	<u>1,455.5</u>	<u>1,454.9</u>	<u>1,405.6</u>	<u>1,454.9</u>	<u>1,405.6</u>

LARNED STATE HOSPITAL



- STATUTORY BASIS:** • KSA 46-1303; KSA 46-1305; KSA 46-1306; and KSA 59-29a07
- PROGRAM GOALS:**
- Effectively assess reports of suspected reportable incidents to ensure proper Standard of Care is met for patients and residents.
 - Identify and pursue opportunities for quality improvement across the services provided to patients and residents at LSH.
 - Prepare psychiatric services program (PSP) patients for community reintegration and manage their mental illness in a less-restrictive community-based setting.
 - Provide active treatment to patients ordered to the State Security Program.
 - Provide a safe and secure environment for the treatment of sexually violent predators committed by the courts to the SPTP.

Larned State Hospital (LSH) is the state mental health institution serving the western half of the state. It is composed of three main divisions:

- **The Psychiatric Services Program (PSP)**, which provides mental health services to civilly committed individuals who generally have a shorter length of stay, as they are admitted to the hospital, receive services, and are discharged;
- **The State Security Program (SSP)**, which provide mental health services to individuals referred to the hospital by the District Courts who often have a longer stay due to circumstances surrounding their admission; and
- **The Sexual Predator Treatment Program (SPTP)**, which provides services to individuals determined by a Court to be Sexually Violent Predators. To graduate from the program, individuals are required to successfully progress through the program with

gradually decreasing levels of supervision.

HISTORICAL STAFFING ISSUES

LSH has historically faced issues retaining direct support employees. According to the agency, these issues are related to the tension between low starting salaries, the high demands of these positions, and the rural location of LSH.

2021 INTERIM

The Governor issued Executive Directive Nos. 21-537 and 21- 538, which increased the starting salaries for Mental Health/Developmental Disability Technician positions. At the time, the starting salary for this position across all hospitals was approximately \$12.35 an hour. These directives increased the starting salaries to approximately \$16.00 an hour.

2022 SESSION

The Governor and the Legislature implemented the 24/7 Pay Plan, which included a permanent increase to the base pay of several nursing positions at all state hospitals,

and a pay differential that provides an increased hourly rate in certain circumstances and a bonus to salaried positions. KDADS received these funds and distributed them to the state hospitals. Additionally, the Legislature added and the Governor approved \$44,449 SGF for a 5.0 percent salary increase for state employees who did not receive salary adjustments as part of the 24/7 Pay Plan.

2023 SESSION

The 2023 Legislature added \$2.6 million, including \$2.5 million SGF, for a salary adjustment at LSH based on the Department of Administration Market Survey, as well as an additional 5.0 percent salary adjustment for FY 2024.

FIGURE 15 LARNED STATE HOSPITAL CENSUS STATISTICS					
	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Projected FY 2025
PSYCHIATRIC SERVICES PROGRAM					
Bed Capacity	90	90	90	90	90
Average Daily Census	71	73	72	72	72
Average Length of Stay	19	42	49	45	45
STATE SECURITY PROGRAM					
Bed Capacity	140	140	140	140	140
Average Daily Census	86	90	90	90	90
Average Length of Stay	103	129	89	90	90
SEXUAL PREDATOR TREATMENT PROGRAM					
Bed Capacity	274	274	274	274	274
Average Daily Census	245	243	235	241	241

FIGURE 16

LARNED STATE HOSPITAL FINANCING, FY 2023 – FY 2025

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ 92,446,379	\$ 91,115,999	\$ 91,050,828	\$ 100,022,755	\$ 68,454,753
Federal Funds	-	-	-	-	-
All Other Funds	17,417,264	25,558,608	25,558,608	9,750,014	9,750,014
TOTAL	\$ 109,863,643	\$ 116,674,607	\$ 116,609,436	\$ 109,772,769	\$ 78,204,767
Percent Change:					
SGF	23.2 %	(1.4) %	(0.1) %	9.8 %	(31.6) %
All Funds	16.9 %	6.2 %	(0.1) %	(5.9) %	(28.8) %
FTE Positions	920.5	920.5	887.5	920.5	887.5

BUDGET ANALYSIS

FY 2024 REVISED ESTIMATE

LSH estimates revised expenditures of \$116.7 million, including \$91.1 million SGF, in FY 2024. This is an increase of \$40.1 million, including \$23.3 million SGF, above the amount approved by the 2023 Legislature. This increase is due to LSH's supplemental requests (\$16.4 million SGF), the 24/7 Pay Plan Transfer from KDADS (\$6.8 million SGF), and the Title XIX Funds Transfer from KDADS (\$16.0 million).

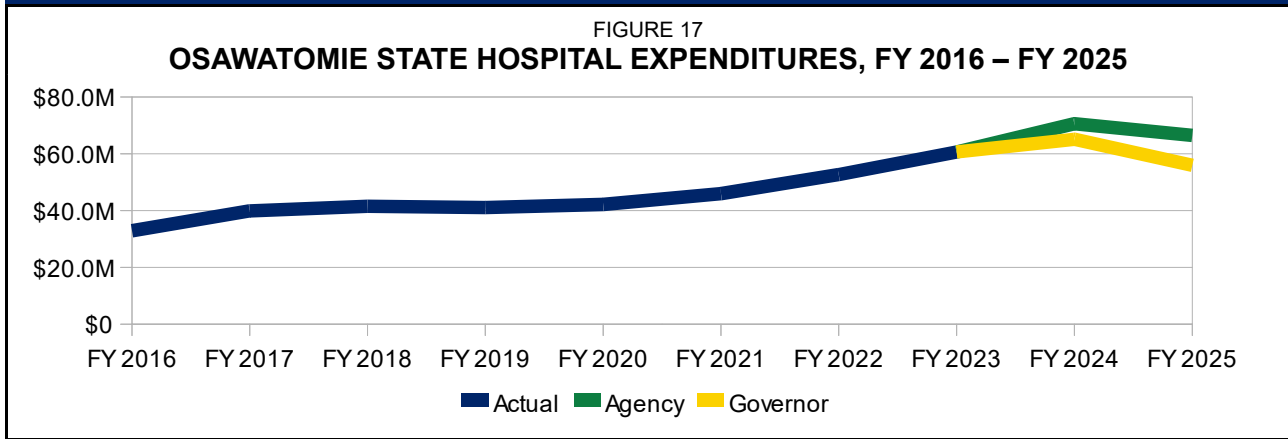
The **Governor** recommends expenditures totaling \$116.6 million, including \$91.1 million SGF, in FY 2024. This is a decrease of \$65,171 SGF below the revised estimate. The decrease is due to the Governor not recommending adoption of the request to employ a Due Process Manager.

FY 2025 REQUEST

LSH requests expenditures of \$109.8 million, including \$100.0 million SGF, for FY 2025. This is a decrease of \$6.9 million, including an SGF increase of \$8.9 million, from the agency's revised estimate in FY 2024. The overall decrease is primarily due to the 24/7 Pay Plan Transfer (\$6.8 million SGF) and Title XIX Funds Transfer (\$16.0 million) not reoccurring in FY 2025. The overall decrease is partially offset by the agency's enhancement requests, totaling \$15.6 million SGF.

The **Governor** recommends expenditures totaling \$78.2 million, including \$68.5 million SGF, for FY 2025. This is a decrease of \$31.6 million SGF below the agency's request for FY 2025. This is due to the Governor not recommending several agency enhancement requests. For more information, see the "Supplemental and Enhancement Requests" section above.

OSAWATOMIE STATE HOSPITAL



STATUTORY BASIS: • KSA 76-1201 *et seq.*; KSA 59-2901 through 59-2941; and KSA 59-2968

PROGRAM GOALS:

- At Least 95 percent of patients discharged will have a Discharge Summary Completed within 30 days of discharge.
- A comprehensive discharge plan will be developed and implemented, and 95 percent of patients will have discharge criteria that is realistic, attainable, and individualized to their treatment on their Master Treatment Plan, with a Psychosocial Assessment being completed within 72 hours of admission.
- Track and trend percentage of discharged patient readmitted within 30 days.

Osawatomie State Hospital (OSH) is an acute mental health care bed facility serving individuals 18 years and older from 46 eastern and central Kansas counties who require inpatient psychiatric treatment or non-medical detoxification for substance abuse. OSH campus includes two separate units, OSH and Adair Acute Care (AAC). Patients at OSH typically have a longer stay on the campus, while AAC patients are typically short-term (up to 14 days). For the purpose of this program, OSH expenditures, funding, and FTE positions include both AAC and OSH proper.

MORATORIUM AND DECERTIFICATION

In June 2015, a moratorium on voluntary admissions was imposed by KDADS, which oversees OSH. The moratorium was in response to concerns that OSH did not have sufficient space and staff to treat both involuntarily and voluntarily admitted patients.

In December 2015, OSH was decertified by the federal Centers for Medicare and Medicaid Services (CMS). Beginning in January 2016, OSH was able to obtain limited federal revenue through Medicare and Medicaid reimbursements and Disproportionate Share Hospital payments. OSH responded to the

decertification by making structural changes to improve patient safety, increase staffing levels, and institute new operating practices.

In August 2016, two living units were functionally separated from the rest of OSH to form AAC. AAC is considered a functionally free-standing unit on the OSH campus, though it is included in the overall number of licensed OSH beds. In December 2017, CMS certified the 60 AAC beds for federal reimbursement.

OSH is undergoing several renovations to increase capacity. The 2019 Legislature approved \$5.0 million to renovate the Biddle building, with an anticipated occupation date of April 2024. Additionally, the 2021 Legislature added \$500,000 SGF to renovate the B2 building, which was completed in May 2022.

In January 2021, the moratorium on voluntary admissions was lifted and OSH will begin to accept voluntary admissions if bed capacity is below 80.0 percent; however, to date, OSH has remained over 80.0 percent capacity and no individuals have been voluntarily admitted.

HISTORICAL STAFFING ISSUES

OSH has historically faced issues retaining direct support employees. According to the agency, these issues are related to the tension between low starting salaries and the high demands of these positions.

2021 INTERIM

The Governor issued Executive Directive Nos. 21-537 and 21- 538, which increased the starting salaries for Mental Health/Developmental Disability Technician positions. At the time, the starting salary for this position across all hospitals was approximately \$12.35 an hour. These directives increased the starting salaries to approximately \$16.00 an hour.

2022 SESSION

The Governor and the Legislature implemented the 24/7 Pay Plan, which included a permanent increase to the base pay of several nursing positions at all state hospitals, and a pay differential that provides an increased hourly rate in certain circumstances and a bonus to salaried positions. KDADS received these funds and distributed them to the state hospitals. Additionally, the Legislature added and the Governor approved \$44,449 SGF for a 5.0 percent salary increase for state employees who did not receive salary adjustments as part of the 24/7 Pay Plan.

2023 SESSION

The 2023 Legislature added \$2.0 million, including \$1.8 million SGF, for a salary adjustment at OSH based on the Department of Administration Market Survey, as well as an additional 5.0 percent salary adjustment for FY 2024.

FIGURE 18
**OSAWATOMIE STATE HOSPITAL
CENSUS STATISTICS**

	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Projected FY 2025
Osawatomie State Hospital					
Bed Capacity	106	106	106	N/A	N/A
Average Daily Census	97	98	108	N/A	N/A
Average Length of Stay	237	244	177	N/A	N/A
Adair Acute Care					
Bed Capacity	60	60	60	N/A	N/A
Average Daily Census	37	30	33	N/A	N/A
Average Length of Stay	15	11	11	N/A	N/A

FIGURE 19

OSAWATOMIE STATE HOSPITAL FINANCING, FY 2023 – FY 2025

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ 46,596,891	\$ 59,124,478	\$ 53,624,478	\$ 55,153,882	\$ 44,160,996
Federal Funds	-	-	-	-	-
All Other Funds	14,019,825	11,450,958	11,450,958	11,284,538	11,777,424
TOTAL	\$ 60,616,716	\$ 70,575,436	\$ 65,075,436	\$ 66,438,420	\$ 55,938,420
Percent Change:					
SGF	34.0 %	26.9 %	(9.3) %	(6.7) %	(19.9) %
All Funds	15.1 %	16.4 %	(7.8) %	(5.9) %	(15.8) %
FTE Positions	535.0	534.4	518.1	534.4	518.1

BUDGET ANALYSIS

FY 2024 REVISED ESTIMATE

OSH estimates revised expenditures of \$70.6 million, including \$59.1 million SGF, in FY 2024. This is an increase of \$16.1 million, including \$15.7 million SGF, above the amount approved by the 2023 Legislature. This increase is primarily due to OSH supplemental requests (\$10.9 million SGF) and the 24/7 Pay Plan transfer (\$4.1 million SGF).

The **Governor** recommends expenditures totaling \$65.1 million, including \$53.6 million SGF, in FY 2024. This is a decrease of \$5.5 million SGF below the agency's revised estimate in FY 2024. This decrease is due to the Governor recommending \$5.0 million SGF for OSH Contract Nursing, while the agency requested \$10.5 million SGF.

FY 2025 REQUEST

OSH requests expenditures of \$66.4 million, including \$55.2 million SGF, for FY 2025. This is a decrease of \$4.2 million, including \$4.0 million SGF, below the agency's request in FY 2024. The decrease is primarily due to the 24/7 Pay Plan transfer (\$4.1 million SGF) not reoccurring in FY 2025.

The **Governor** recommends expenditures totaling \$56.0 million, including \$44.2 million SGF, for FY 2025. This is a decrease of \$10.5 million, including \$11.0 million SGF, below the agency's request for FY 2025. The decrease is primarily due to the Governor not recommending the agency's enhancement request for contract nursing (\$10.5 million SGF). The SGF decrease is also attributable to the Governor recommending funding the OSH Biddle Courtyard request with SIBF moneys instead of SGF.