

# STATE INSTITUTIONS FOR MENTAL HEALTH

FY 2021 – FY 2023 BUDGET ANALYSIS

FIGURE 1  
**BUDGET OVERVIEW, FY 2021 – FY 2023**

|                                | Actual<br>FY 2021            | Agency<br>FY 2022            | Governor<br>FY 2022          | Agency<br>FY 2023            | Governor<br>FY 2023          |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <b>Operating Expenditures:</b> |                              |                              |                              |                              |                              |
| State General Fund             | \$ 101,848,350               | \$ 109,974,312               | \$ 95,820,489                | \$ 123,455,077               | \$ 103,266,310               |
| Federal Funds                  | 4,877,047                    | 1,791,136                    | 1,791,136                    | -                            | -                            |
| All Other Funds                | 15,056,647                   | 22,471,547                   | 22,471,547                   | 21,416,665                   | 21,497,591                   |
| <i>Subtotal</i>                | <u>\$ 121,782,044</u>        | <u>\$ 134,236,995</u>        | <u>\$ 120,083,172</u>        | <u>\$ 144,871,742</u>        | <u>\$ 124,763,901</u>        |
| <b>Capital Improvements:</b>   |                              |                              |                              |                              |                              |
| State General Fund             | \$ 28,164                    | \$ -                         | \$ -                         | \$ 8,884                     | \$ 8,884                     |
| Federal Funds                  | -                            | -                            | -                            | -                            | -                            |
| All Other Funds                | 1,063,136                    | 53,783                       | 53,783                       | 55,934                       | 55,934                       |
| <i>Subtotal</i>                | <u>\$ 1,091,300</u>          | <u>\$ 53,783</u>             | <u>\$ 53,783</u>             | <u>\$ 64,818</u>             | <u>\$ 64,818</u>             |
| <b>TOTAL</b>                   | <u><b>\$ 122,873,344</b></u> | <u><b>\$ 134,290,778</b></u> | <u><b>\$ 120,136,955</b></u> | <u><b>\$ 144,936,560</b></u> | <u><b>\$ 124,828,719</b></u> |
| <b>Percentage Change:</b>      |                              |                              |                              |                              |                              |
| State General Fund             | (1.2) %                      | 7.9 %                        | (5.9) %                      | 12.3 %                       | 7.8 %                        |
| All Funds                      | 14.6 %                       | 9.3 %                        | (2.2) %                      | 7.9 %                        | 3.9 %                        |
| FTE Positions                  | 1,436.9                      | 1,425.0                      | 1,407.0                      | 1,572.0                      | 1,459.0                      |

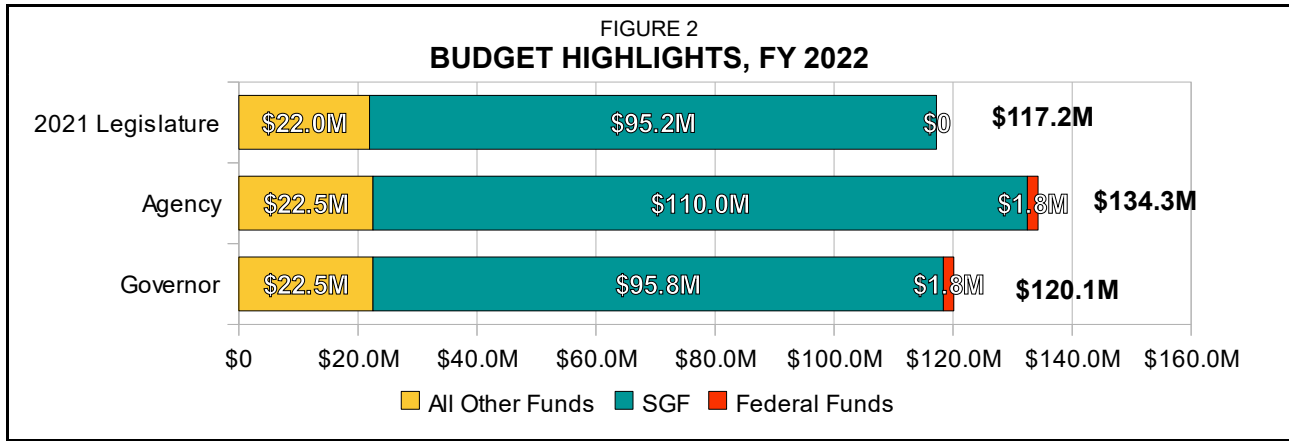
For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

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: Osawatomie 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 2021 Legislature approved a budget of \$116.4 million, including \$94.4 million from the State General Fund (SGF), for the State Institutions for Mental Health for FY 2022. One adjustment has been made subsequently to that amount, which changes the current year approved amount without any legislative action required:

- **SGF REAPPROPRIATIONS.** The MH Institutions received \$810,916 SGF, which was not expended in FY 2021 and then reappropriated into FY 2022. LSH received approximately \$249,533 SGF, while OSH received \$561,383 in reappropriations in FY 2022.



The **agencies** request a revised estimate of \$134.3 million, including \$110.0 million SGF, for expenditures in FY 2022. For LSH, the revised estimate was \$86.6 million including, \$75.1 million SGF, while OSH's revised estimate was \$47.7 million, including \$34.8 million SGF.

Overall, the expenditures increased by \$17.1 million, or 14.6 percent, above the amount approved by the 2021 Legislature. Significant items in the agencies' revised estimate includes the following:

- FUNDING FOR OPERATIONS COST AT LSH.** LSH had several supplemental requests that pertained to additional costs associated with staffing coverage and food service at the hospital. As part of its revised estimate, LSH included a request for \$13.0 million SGF for anticipated contractual staffing expenditures to ensure adequate coverage at the hospital. As the agency has historically indicated, it continually relies on contractual staff and has found that the COVID-19 pandemic has created more of a need for these services. Additionally, the estimate included an increase associated for LSH's food service contract. The agency relies on a third-party to provide meals to its patients and received a revised estimate for the contract, which increased by 62.0 percent. This would result in a total increase of \$15.0 million SGF for operational costs at LSH in FY 2022.
- SHIFT IN CATEGORY OF EXPENDITURE FOR OSH STAFFING.** Overall, OSH's revised estimate does not increase significantly. However, there is a \$2.4 million swap between salaries and wages expenditures and contractual services. As with LSH, OSH relies on contractual nursing staff to provide direct support coverage for the hospital when there is a shortage in FTE positions. The agency revised its budget to include additional funding for contractual staff as it anticipates an increased vacancy rate in FY 2022. This does not result in an overall expenditure increase for OSH in FY 2022, but causes decreases in certain categories of expenditure.

The agency estimate also includes 1,425.0 FTE positions, which is a decrease of 4.0 FTE positions below the number approved by the 2021 Legislature.

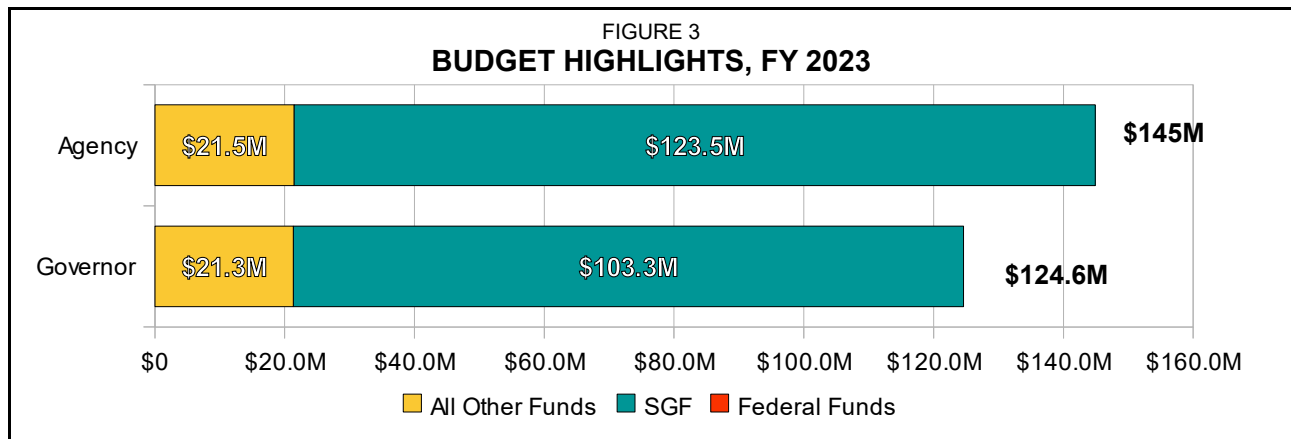
The **Governor** recommends \$120.1 million, including \$95.8 million SGF, for expenditures in FY 2022. This is a decrease of \$14.2 million SGF below the agencies' FY 2022 revised estimate. Decreases in the recommendation are primarily related to the Governor not including several of the agencies' supplemental requests, including the following:

- OPERATIONAL COSTS AT LSH.** The Governor's recommendation does not include the additional \$13.0 million SGF for LSH to fund additional contractual nursing staff. Additionally, subsequent to its budget submission, LSH revised its food contract estimate to

\$893,000 SGF. As such, the Governor's recommendation adopts this new estimate for LSH's anticipated increase for its food service contract. This would result in a total decrease of \$13.5 million SGF below LSH's revised estimate in FY 2022.

- **SPTP SAFETY AND SECURITY FTEs.** The Governor does not recommend LSH's request for \$552,271 for 18.0 Safety and Security FTE positions for the SPTP program. The request was originally to fund these positions for half of FY 2022 and into FY 2023. However, while the Governor's recommendation does not include funding for FY 2022, it does include partial funding for FY 2023. This would result in a total decrease of \$552,241 SGF, and 18.0 FTE positions, below LSH's revised estimate in FY 2022.
- **OSH MICO HOUSE REAPPROPRIATION.** The Governor's recommendation does not include an additional \$53,759 that was inadvertently lapsed from the appropriation for OSH's SPTP reintegration unit. This would result in a total decrease of \$53,759 SGF below OSH's revised estimate in FY 2022.

The recommendation also includes 1,407.0 FTE positions, which is a decrease of 18.0 FTE positions below the agencies' FY 2022 revised number. The decrease is due to the Governor not recommending LSH's supplemental request for additional safety and security positions in FY 2022.



The **agencies** requests \$144.9 million, including \$123.5 million SGF, for expenditures for FY 2023. For LSH, the revised estimate is \$93.2 million including, \$83.8 million SGF, while OSH's request is \$51.8 million, including \$39.7 million SGF. Overall, the expenditures increased by \$10.6 million, or 7.9 percent, above the FY 2022 revised estimate. Significant items in the agency request include the following:

- **ADDITIONAL SPTP FUNDING.** LSH's request includes several enhancement requests related to increased services through the Sexual Predator Treatment Program (SPTP). These requests include funding for an additional SPTP unit as well as funding for addition staff to assist in the growing population of the SPTP. The hospital has indicated that the SPTP population is continuing to grow, and that the new participants appear to be increasingly aggressive. As such, the agency would like to increase its SPTP staff and services to account for this increasing population. This would result in a total increase of \$6.3 million SGF for the SPTP program for FY 2023.
- **ADDITIONAL STAFF FOR PSP AT LSH.** The request that LSH submitted includes \$1.4 million and 17.0 FTE positions for FY 2023 to add additional staff to the Psychiatric Services Program (PSP). The hospital reports that it had a waitlist for 96 days during FY 2021. The agency indicates that these positions are necessary to appropriately assess,

treat and supervise, and discharge patients. The hospital's goal in increasing staff is to provide quicker services to individuals civilly committed, in an attempt to reduce the wait time for services at LSH. This would result in a total increase of \$1.4 million SGF for the PSP program for FY 2023.

- **MORATORIUM-RELATED INCREASES.** OSH's request includes two enhancement requests to assist in lifting the moratorium on voluntary admissions. The requests primarily relate to adding FTE positions and funding to staff the Biddle Building once the remodel has concluded and the addition of funding dedicated to a social detox program to assist individuals with substance use disorders who are admitted to the hospital. This would result in a total increase of \$2.4 million SGF for moratorium-related expenditures for FY 2023.

The **agency** request also includes 1,572.0 FTE positions, which is an increase of 147.0 FTE positions above the FY 2022 revised estimate amount. This increase is due to the agencies' enhancement requests for additional staffing at the hospitals.

The **Governor** recommends \$124.8 million, including \$103.3 million SGF, for FY 2023 expenditures. This is a decrease of \$20.2 million SGF below the agencies' FY 2023 request. Decreases in the Governor's recommendation are primarily related to the Governor not including several of the agencies' enhancement requests including the following:

- **LSH ENHANCEMENT REQUESTS.** As with FY 2022, the Governor's recommendation does not include the addition of \$13.0 million SGF for LSH to fund additional contractual nursing staff, nor the agency's enhancement request for additional FTE positions for the Psychiatric Services Program. This results in a total decrease of \$15.0 million SGF, and 17.0 FTE positions, below LSH's request for FY 2023.
- **ADDITIONAL SPTP FUNDING.** The Governor's recommendation does not include additional funding to expand the SPTP program. LSH's request includes several enhancements to expand the SPTP program by adding an additional SPTP unit as well as adding additional FTE positions for the current units. This would result in a total decrease of \$6.3 million SGF, and 96.0 FTE positions, below LSH's request for FY 2023.

Significant items in the Governor's recommendation that partially offset the decreases discussed above include the following:

- **MORATORIUM-RELATED INCREASES.** The Governor's recommendation adopts OSH's two enhancement requests to assist in lifting the moratorium on voluntary admissions. These requests were to add FTE positions and funding to staff the Biddle Building and the addition of a social detox program to assist individuals with substance use disorders who are admitted to the hospital. This would result in a total increase of \$3,018 SGF, due to a technical correction to OSH's request for FY 2023.
- **OPERATIONAL AND UPGRADE COSTS AT LSH.** The recommendation adopts several enhancements for operational costs and upgrades at the state hospital. This includes \$893,000 for anticipated increases to its food services contract. LSH's request was originally \$1.4 million, but subsequent to its budget submission, LSH revised its food contract estimate to \$893,000 SGF. The recommendation also includes LSH's requests to upgrade the phone systems at the hospital as well as upgrades and FTE positions for the State Security Program. This does not result in an increase in expenditures above LSH's request for FY 2023, but causes a shift in the source of funding.

- **SALARY INCREASES.** The recommendation also includes funding associated with the Governor's Executive Directives (EDs) Nos. 21-537 and 21-538 to increase salaries for direct care staff in order to assist in staff retention issues. The recommendation includes a total of \$1.5 million SGF. Originally, only LSH included an enhancement request to fund the increases. This would result in a total increase of \$1.2 million SGF above OSH's request for FY 2023.

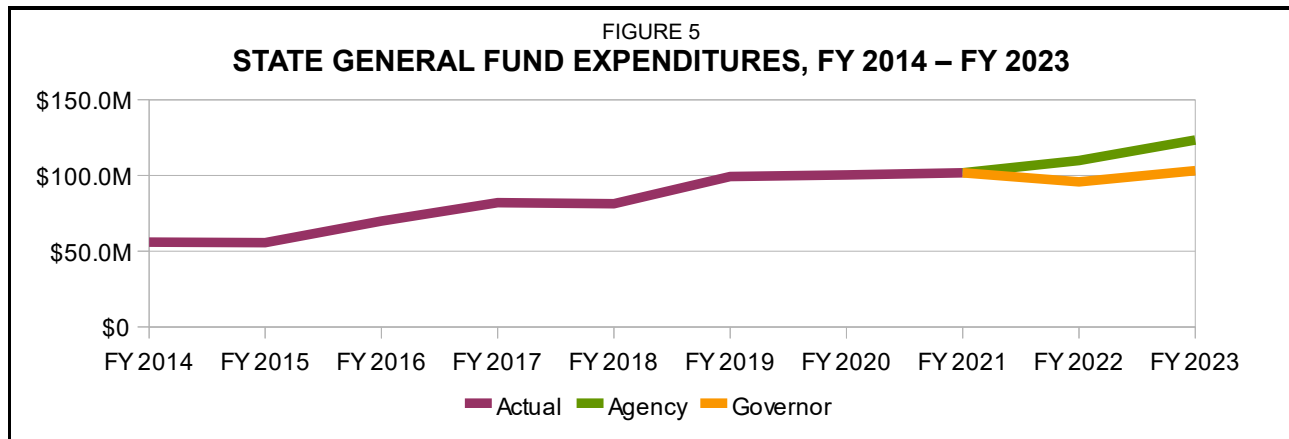
The recommendation also includes 1,459.0 FTE positions, which is a decrease of 113.0 FTE positions below the agencies' FY 2023 request. The decrease is due to the Governor not recommending a majority LSH's enhancement requests for additional positions for the SPTP and PSP Programs for FY 2023.

## EXPENDITURES AND FINANCING

FIGURE 4  
**BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2021 – FY 2023**

| Category of Expenditure:  | Actual<br>FY 2021     | Agency<br>FY 2022     | Governor<br>FY 2022   | Agency<br>FY 2023     | Governor<br>FY 2023   |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Salaries and Wages        | \$ 81,321,663         | \$ 78,982,384         | \$ 78,376,354         | \$ 90,352,568         | \$ 83,998,440         |
| Contractual Services      | 31,975,920            | 48,246,692            | 34,698,899            | 47,959,593            | 34,205,880            |
| Commodities               | 6,133,292             | 5,822,259             | 5,822,259             | 5,393,885             | 5,393,885             |
| Capital Outlay            | 2,117,850             | 1,171,250             | 1,171,250             | 1,148,515             | 1,148,515             |
| Debt Service Interest     | -                     | -                     | -                     | -                     | -                     |
| <i>Subtotal</i>           | <i>\$ 121,548,725</i> | <i>\$ 134,222,585</i> | <i>\$ 120,068,762</i> | <i>\$ 144,854,561</i> | <i>\$ 124,746,720</i> |
| Aid to Local Units        | -                     | -                     | -                     | -                     | -                     |
| Other Assistance          | 233,319               | 14,410                | 14,410                | 17,181                | 17,181                |
| <i>Subtotal—Operating</i> | <i>\$ 121,782,044</i> | <i>\$ 134,236,995</i> | <i>\$ 120,083,172</i> | <i>\$ 144,871,742</i> | <i>\$ 124,763,901</i> |
| Capital Improvements      | 1,091,300             | 53,783                | 53,783                | 64,818                | 64,818                |
| Debt Service<br>Principal | -                     | -                     | -                     | -                     | -                     |
| <b>TOTAL</b>              | <b>\$ 122,873,344</b> | <b>\$ 134,290,778</b> | <b>\$ 120,136,955</b> | <b>\$ 144,936,560</b> | <b>\$ 124,828,719</b> |
| <b>Financing:</b>         |                       |                       |                       |                       |                       |
| State General Fund        | \$ 101,876,514        | \$ 109,974,312        | \$ 95,820,489         | \$ 123,463,961        | \$ 103,275,194        |
| Federal Funds             | 4,877,047             | 1,791,136             | 1,791,136             | -                     | -                     |
| All Other Funds           | 16,119,783            | 22,525,330            | 22,525,330            | 21,472,599            | 21,553,525            |
| <b>TOTAL</b>              | <b>\$ 122,873,344</b> | <b>\$ 134,290,778</b> | <b>\$ 120,136,955</b> | <b>\$ 144,936,560</b> | <b>\$ 124,828,719</b> |
| FTE Positions             | 1,436.9               | 1,425.0               | 1,407.0               | 1,572.0               | 1,459.0               |

## STATE GENERAL FUND

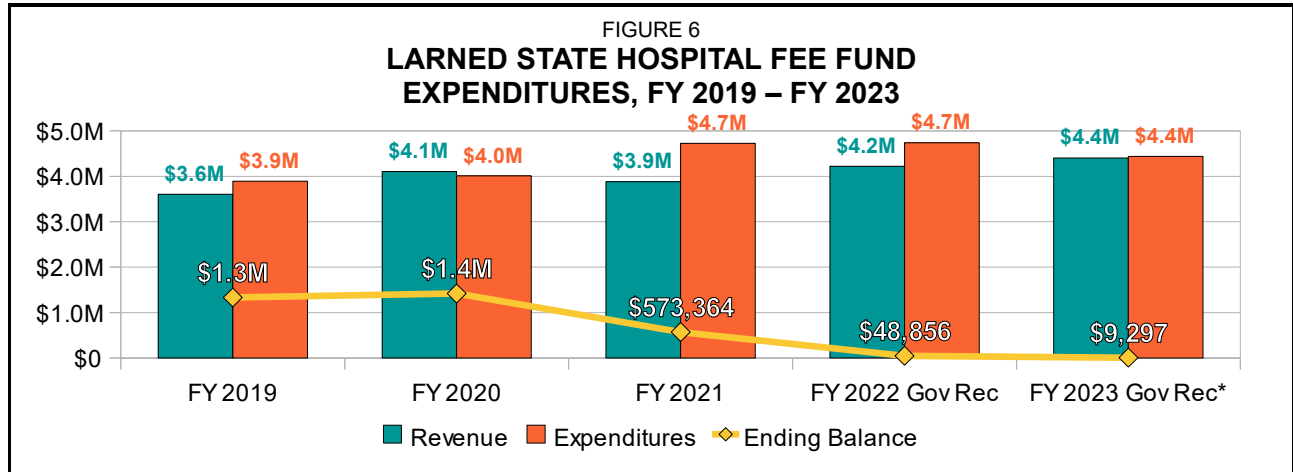


For the State Institutions for Mental Health, SGF expenditures comprise a majority of the institutions' budget. The MH Institutions are considered by the federal Centers for Medicare and Medicaid Services (CMS) to be institutions for mental disease. Under Medicaid statutes, institutions for mental disease 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.

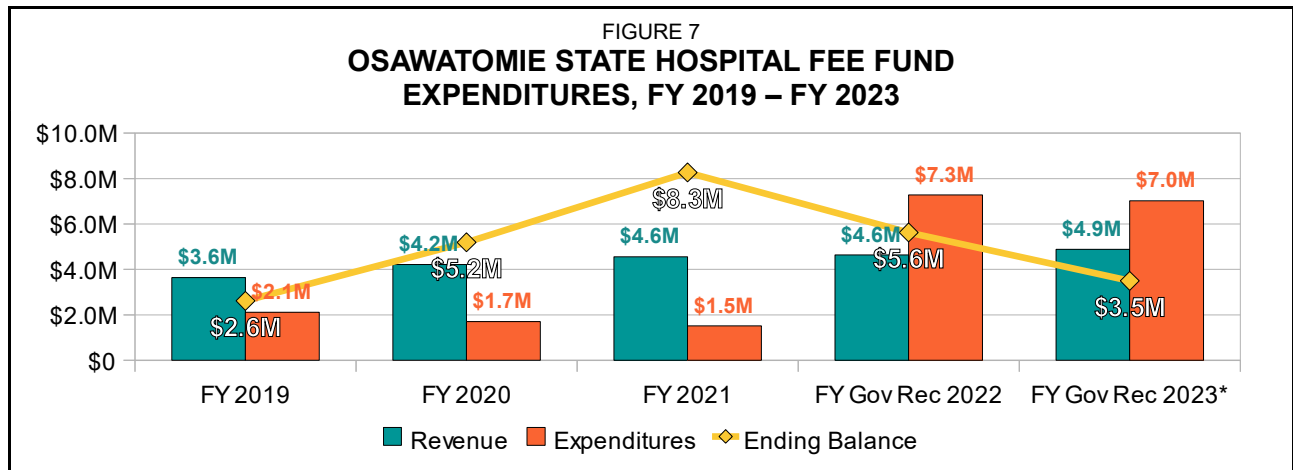
Therefore, unlike the State Institutions for Intellectual/Developmental Disabilities, the MH Institutions are not eligible for Medicaid reimbursements, which results in SGF moneys being the major funding source for these institutions. The institutions do receive a small amount of Medicaid funding from the Medicaid Disproportionate Share Hospital payments the State receives. These are payments made to hospitals who 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 2023, the lowest month ending balance for the Larned State Hospital Fee Fund will occur in June, with a balance of \$0.



\* For FY 2023, the lowest month ending balance for the Osawatomie State Hospital Fee Fund will occur in July, with a balance of \$3.1 million.

Both hospitals maintain fee fund accounts, however these are not traditional fee funds where the agencies collect various fees or licenses. The bulk of these fee funds are private insurance or Medicare recoupments the hospitals may receive in the course of its care of residents. Both agencies have indicated that these funds are generally not stable sources of revenue as they can not consistently anticipate when the hospital may receive recoupments or exactly how much those recoupments might be. During the 2021 Session, the Governor's Budget Recommendation recommended that the agencies utilize their fee funds for several operations related expenditures. At the time, both agencies expressed concern over whether those expenditures could be funded with fee funds as apposed to an SGF appropriation.

## FY 2022 ANALYSIS

FIGURE 8  
SUMMARY OF BUDGET REQUEST, FY 2022

|  | SGF                   | Special<br>Revenue Funds | All Funds             | FTE            |
|--|-----------------------|--------------------------|-----------------------|----------------|
| <b>Legislative Approved:</b>   |                       |                          |                       |                |
| Amount Approved by 2021 Legislature                                    | \$ 94,427,054         | \$ 21,959,661            | \$ 116,386,715        | 1,429.0        |
| 1. SGF Reappropriation   | 810,916               | -                        | 810,916               | --             |
| <i>Subtotal—Legislative Approved</i>                                   | <i>\$ 95,237,970</i>  | <i>\$ 21,959,661</i>     | <i>\$ 117,197,631</i> | <i>1,429.0</i> |
| <b>Agency Revised Estimate:</b>  |                       |                          |                       |                |
| 2. OSH Supplemental - MiCo<br>Reappropriation Restoration              | \$ 53,759             | \$ -                     | \$ 53,759             | --             |
| 3. LSH Supplemental - Additional<br>Funding for Contract Nursing Staff | 13,000,000            | -                        | 13,000,000            | --             |
| 4. LSH Supplemental - Increased Food<br>Services Contract              | 1,440,793             | -                        | 1,440,793             | --             |
| 5. LSH Supplemental - Security<br>Upgrades                             | 552,271               | -                        | 552,271               | 18.0           |
| 6. Additional COVID-19 Funding   | -                     | 1,791,136                | 1,791,136             | --             |
| 7. All Other Adjustments   | (310,481)             | 565,669                  | 255,188               | (22.0)         |
| <i>Subtotal—Agency Revised Estimate</i>                                | <i>\$ 109,974,312</i> | <i>\$ 24,316,466</i>     | <i>\$ 134,290,778</i> | <i>1,425.0</i> |
| <b>Governor's Recommendation:</b>                                      |                       |                          |                       |                |
| 8. OSH Supplemental - MiCo<br>Reappropriation Restoration              | \$ (53,759)           | \$ -                     | \$ (53,759)           | --             |
| 9. LSH Supplemental - Additional<br>Funding for Contract Nursing Staff | (13,000,000)          | -                        | (13,000,000)          | --             |
| 10. LSH Supplemental - Increased Food<br>Services Contract             | (547,793)             | -                        | (547,793)             | --             |
| 11. LSH Supplemental - Security<br>Upgrades                            | (552,271)             | -                        | (552,271)             | (18.0)         |
| <b>TOTAL</b>   | <b>\$ 95,820,489</b>  | <b>\$ 24,316,466</b>     | <b>\$ 120,136,955</b> | <b>1,407.0</b> |

### LEGISLATIVE APPROVED

Subsequent to the 2021 Session, one adjustment was made to the \$116.4 million appropriated to the State Institutions for Mental Health for FY 2022. This adjustment changes the current year approved amount without any legislative action required:

1. **SGF REAPPROPRIATIONS.** The MH Institutions received \$810,916 SGF in funds that were not expended in FY 2021 and then reappropriated into FY 2022. LSH received approximately \$249,533 SGF, while OSH received \$561,383 in reappropriations in FY 2022.

### AGENCY ESTIMATE

The **agencies** request a revised estimate of \$134.3 million, including \$110.0 million SGF, in FY 2022. For LSH, the revised estimate was \$86.6 million, including \$75.1 million SGF, while OSH's revised estimate was \$47.7 million, including \$34.8 million SGF. Overall, the expenditures increased by \$17.1 million, or 14.6 percent, above the amount approved by the 2021 Legislature. The **agency** estimate includes the following adjustments:

2. **MICO HOUSE REAPPROPRIATION.** OSH's revised estimate includes \$53,759 SGF in FY 2022 to restore funding that was unspent in FY 2021 and that the agency anticipated would reappropriate into FY 2022. These funds were inadvertently lapsed. Restoration



of the funding would bring the SGF appropriation for the MiCo House in line with the appropriations for LSH and Parsons State Hospital and Training Center.

3. **LSH SUPPLEMENTAL—ADDITIONAL FUNDING FOR CONTRACT NURSING STAFF.** Included in LSH's revised estimate is \$13.0 million SGF to fund additional contract nursing staff. LSH has historically faced staffing shortages, and as a result have had to utilize contractual nursing staff to provide coverage for the hospital. As the direct care workforce is currently facing a shortage, the agency reports that it has noticed an increase in the rates it pays for contracts.
4. **LSH SUPPLEMENTAL—INCREASED FOOD SERVICES CONTRACT.** Also included in LSH's revised estimate is an increase of \$1.4 million SGF to provide food for residents. The hospital received a revised estimate for the food contract, which increased by approximately 62.0 percent in FY 2022.
5. **LSH SUPPLEMENTAL—SECURITY UPGRADES.** LSH's revised estimate also includes \$552,271 SGF and 2.0 FTE positions for upgrades related to security measures at the hospital. This request includes two upgrades. One for ligature-resistant furniture, which the agency has requested in previous years, and 2.0 FTE security officer positions to assist in protecting staff and residents.
6. **ADDITIONAL COVID-19 FUNDING.** The revised estimate for LSH also includes additional funding from COVID-19 relief funding that the agency anticipates to spend on COVID-19-related expenditures. These expenditures would include costs to provide nursing coverage for the hospital when there are pandemic-related shortages as well as sanitation supplies and personal protective equipment.
7. **ALL OTHER ADJUSTMENTS.** The revised estimates for the MH institutions also include slight increases related to the increasing cost of supplies due to the supply chain issues caused by the COVID-19 pandemic.

The **agency** estimate also includes 1,425.0 FTE positions, which is a decrease of 4.0 FTE positions below the number approved by the 2021 Legislature.

## **GOVERNOR'S RECOMMENDATION**

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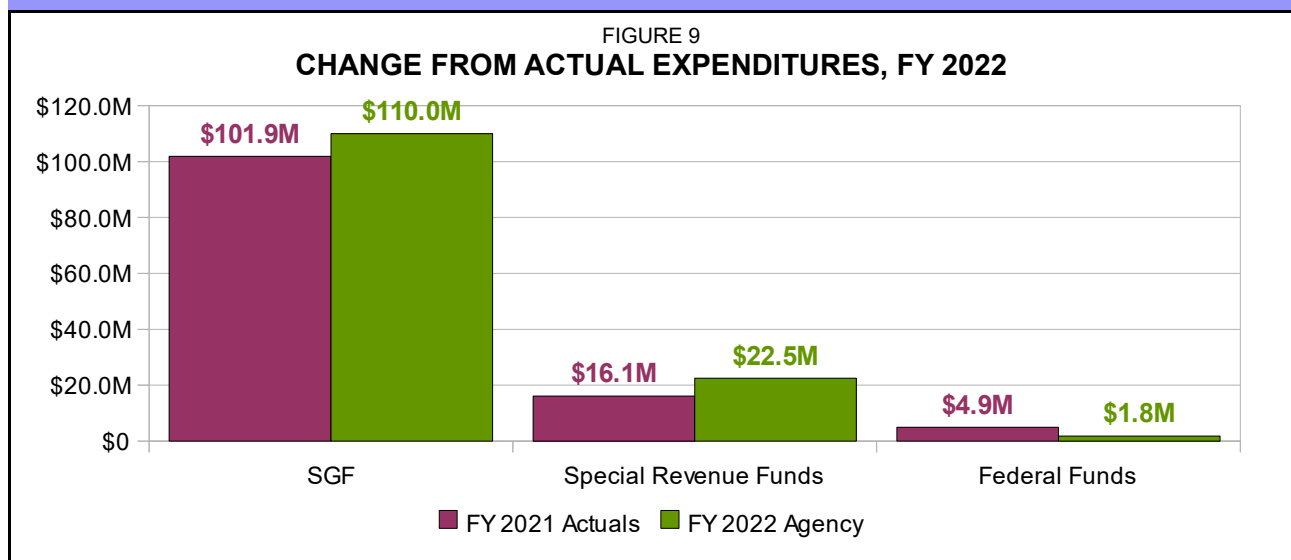
The **Governor** recommends \$120.1 million, including \$95.8 million SGF, for FY 2023 expenditures. This is a decrease of \$14.2 million SGF below the agencies' FY 2023 request. Decreases in the recommendation are primarily related to the Governor not including several of the agencies' supplemental requests, including the following:

8. **MICO HOUSE REAPPROPRIATION.** The Governor does not recommend OSH's supplemental request for \$53,759 SGF to restore funding that was unspent in FY 2021.
9. **LSH SUPPLEMENTAL—ADDITIONAL FUNDING FOR CONTRACT NURSING STAFF.** The Governor does not recommend LSH's supplemental request for \$13.0 million SGF to fund additional contract nursing staff.
10. **LSH SUPPLEMENTAL—INCREASED FOOD SERVICES CONTRACT.** The Governor's recommendation adopts a revised estimate for LSH's supplemental request of \$893,000 SGF to provide food for residents. This is a decrease of \$547,793 SGF below LSH's request. This decrease is due to a revised estimate for the food contract, which the hospital provided subsequent to its budget submission.

11. **LSH SUPPLEMENTAL—SECURITY UPGRADES.** The Governor does not recommend LSH's request of \$552,271 SGF and 18.0 FTE positions for Safety and Security Officers for the SPTP program in FY 2022.

The **Governor's** recommendation also includes 1,407.0 FTE positions, which is a decrease of 18.0 FTE positions below the agencies' FY 2022 revised number. The decrease is due to the Governor not recommending LSH's supplemental request for additional safety and security positions in FY 2022.

## FY 2022 CHANGE FROM ACTUAL EXPENDITURES



The **agencies'** revised estimate is \$134.3 million, including \$110.0 million SGF, for expenditures in FY 2022. This is an all funds increase of \$11.4 million, or 9.3 percent, and an SGF increase of \$8.1 million, or 7.9 percent, above the FY 2021 actual expenditures. The increase is primarily due to the costs associated with contractual staffing needs. As indicated above, both hospitals utilize contract nursing and other direct support staff to provide adequate coverage when there are high staff vacancies.

As a majority of each agency budget is SGF funded, any increase primarily affects SGF appropriations. While there is an increase in special revenue fund utilization, those increase are associated with the Governor's recommendation from the 2021 Session to replace SGF expenditures with special revenue funds. As both agencies receive limited Title XIX funding, these special revenue funds are primarily agency fee funds. As described above, the agencies have expressed some reservations over utilizing their fee funds for ongoing operating expenditures, indicating that their fee funds will eventually not be able maintain an ongoing level of spending, given the source of those funds are not consistent from year to year. Additionally, the federal funds decrease is related to the anticipated end of COVID-19 pandemic relief funding.

# FY 2023 ANALYSIS

FIGURE 10  
SUMMARY OF BUDGET REQUEST, FY 2023

|   | SGF                   | Special Revenue Funds | All Funds             | FTE            |
|---|-----------------------|-----------------------|-----------------------|----------------|
| <b>Agency Revised Estimate, FY 2022</b>                             | \$ 109,974,312        | \$ 24,316,466         | \$ 134,290,778        | 1,425.0        |
| <b>Agency Request:</b>  |                       |                       |                       |                |
| 1. OSH Enhancements - Moratorium Related Requests                   | \$ 2,399,000          | \$ -                  | \$ 2,399,000          | 41.0           |
| 2. LSH Enhancements - SPTP Related Requests                         | 6,268,485             | -                     | 6,268,485             | 87.0           |
| 3. LSH Enhancements - Continuation of FY 2022 Supplementals         | -                     | -                     | -                     | --             |
| 4. LSH Enhancements - PSP Staffing                                  | 1,439,484             | -                     | 1,439,484             | 17.0           |
| 5. LSH Enhancements - Additional Operating Related Requests         | 1,142,876             | -                     | 1,142,876             | 2.0            |
| 6. Decreased COVID-19 Relief Funds                                  | -                     | (1,791,136)           | (1,791,136)           | --             |
| 7. All Other Adjustments  | 2,239,804             | (1,052,731)           | 1,187,073             | --             |
| <b>Subtotal—Agency Estimate</b>                                     | <b>\$ 123,463,961</b> | <b>\$ 21,472,599</b>  | <b>\$ 144,936,560</b> | <b>1,572.0</b> |
| <b>Governor's Recommendation:</b>                                   |                       |                       |                       |                |
| 8. LSH Enhancements - SPTP Related Requests                         | (6,270,756)           | -                     | (6,270,756)           | (96.0)         |
| 9. LSH Supplemental - Additional Funding for Contract Nursing Staff | (13,000,000)          | -                     | (13,000,000)          | --             |
| 10. LSH Supplemental - Increased Food Services Contract             | (547,793)             | -                     | (547,793)             | --             |
| 11. LSH Enhancements - PSP Staffing                                 | (1,439,484)           | -                     | (1,439,484)           | (17.0)         |
| 12. SSP Security Enhancement Funding Shift                          | (80,926)              | 80,926                | -                     | --             |
| 13. OSH Enhancements - Moratorium Related Requests                  | 3,018                 | -                     | 3,018                 | --             |
| 14. ED 21-537 & ED 21-538 Salary Increases                          | \$ 1,147,174          | \$ -                  | \$ 1,147,174          | --             |
| <b>TOTAL</b>  | <b>\$ 103,275,194</b> | <b>\$ 21,553,525</b>  | <b>\$ 124,828,719</b> | <b>1,459.0</b> |

## AGENCY REQUEST

The **agencies** request \$144.9 million, including \$123.5 million SGF, for expenditures for FY 2023. For LSH, the revised estimate is \$93.2 million including, \$83.8 million SGF, while OSH's request is \$51.8 million, including \$39.7 million SGF. Overall, the expenditures increased by \$10.6 million, or 7.9 percent, above the FY 2022 revised estimate. The **agency** request includes the following adjustments:

- 1. OSH ENHANCEMENTS—MORATORIUM RELATED REQUESTS.** OSH's request includes two enhancement requests to assist in lifting the moratorium on voluntary admissions. The requests primarily relates to adding FTE positions and funding to staff the Biddle building once the remodel has concluded, and the addition of funding dedicated to a social detox program to assist individuals with substance use disorders who are admitted to the hospital.
- 2. LSH ENHANCEMENTS—SPTP-RELATED REQUESTS.** LSH's request includes several enhancement requests related to increased services through the Sexual Predator Treatment Program (SPTP). These requests include funding for an additional SPTP unit as well as funding for addition staff to assist in the growing population of the SPTP.

3. **LSH ENHANCEMENTS TO CONTINUE FY 2022 SUPPLEMENTALS.** The request for LSH also includes additional funding to continue the supplemental for contractual nursing staff to ensure adequate nursing coverage of the hospital and for additional security personal.
4. **LSH ENHANCEMENTS—PSP STAFFING.** LSH requests \$1.4 million and 17.0 FTE positions for FY 2023 to add additional staff to the Psychiatric Services Program (PSP). The hospital reports that it had a waitlist for 96 days during FY 2021. The agency indicates that these positions are necessary to appropriately assess, treat and supervise, and discharge patients. The agency anticipates that the increased staff would assist the agency in treating patients quickly so that hospital beds are not utilized any longer than necessary.
5. **LSH ENHANCEMENTS—ADDITIONAL OPERATING RELATED REQUESTS.** LSH requests several additional enhancements related to fund the Governor's Executive Directives to increase the salaries for direct support positions and funding to replace the agency's phone system.
6. **DECREASED COVID-19 FUNDING.** The request for LSH decreases by \$1.8 million to account for the federal COVID-19 relief funding ending in FY 2022. Currently, the agency anticipates the COVID-19 relief funding will end in FY 2022, however the agency anticipates a continued need for COVID-19-related expenditures despite the ending of federal relief funding.
7. **ALL OTHER ADJUSTMENTS.** The MH Institutions requests also include additional adjustments to account for increased costs for supplies at the hospitals. There is a slight shift in funding sources in FY 2023 to reflect the agencies resuming the use of SGF moneys for certain expenditures that utilized fee funds in FY 2022 due to the reduced resources budget.

The **agency** request also includes 1,572.0 FTE positions, which is an increase of 147.0 FTE positions above the FY 2022 revised estimate number. This increase is due to the agencies' enhancement requests for additional staffing at the hospitals.

## **GOVERNOR'S RECOMMENDATION**

The **Governor** recommends \$124.8 million, including \$103.3 million SGF, for FY 2023 expenditures. This is a decrease of \$20.2 million SGF below the agencies' FY 2023 request. Decreases in the recommendation are primarily related to the Governor not including several of the agencies' enhancement requests, including the following:

8. **LSH ENHANCEMENTS—SPTP-RELATED REQUESTS.** The Governor's recommendation does not includes several of LSH's enhancement requests related to increased services through the Sexual Predator Treatment Program (SPTP). This represents a decrease of 87.0 FTE positions associated with LSH's enhancements for a new SPTP unit and SPTP staff. Additionally, the Governor partially recommends the agency's enhancement request for safety and security positions, which is an additional decrease of 9.0 FTE positions. This results in a total decrease of 96.0 FTE positions below the agency's request for FY 2023. *Staff Note:* Please see Request 1 for more information on the SPTP-related requests.

9. **LSH ENHANCEMENT—ADDITIONAL FUNDING FOR CONTRACT NURSING STAFF.** The Governor does not recommend LSH's enhancement request for \$13.0 million SGF to fund additional contract nursing staff.
10. **LSH ENHANCEMENT—INCREASED FOOD SERVICES CONTRACT.** The Governor's recommendation adopts a revised estimate for LSH's enhancement request of \$893,000 SGF to provide food for residents. This is a decrease of \$547,793 SGF below LSH's request. This decrease is due to a revised estimate for the food contract, which the hospital provided subsequent to its budget submission.
11. **LSH ENHANCEMENTS—PSP STAFFING.** The Governor's recommendation does not include LSH's enhancement request for \$1.4 million and 17.0 FTE positions for FY 2023 to add additional staff to the Psychiatric Services Program (PSP).
12. **LIGATURE-RESISTANT FURNITURE FUNDING SHIFT.** The Governor's recommendation adopts LSH's request for funding to purchase ligature resistant furniture for the security hospital, however the recommendation shifts the source of the funding from SGF to the State Institutions Building Fund.

Partially offsetting the decreases in the **Governor's** recommendation are the following adjustments:

13. **OSH ENHANCEMENTS—MORATORIUM RELATED REQUESTS.** The Governor's recommendation adopts OSH's requests for staffing and a social detox unit related to lifting the moratorium on voluntary admissions to the hospitals. The Governor's recommendation includes an increase of \$3,018 SGF above the agency's request, which represents a technical correction to the agency's enhancement.
14. **ED NOS. 21-537 and 21-538 SALARY INCREASES.** The recommendation also includes funding associated with the Governor's Executive Directives (EDs) Nos. 21-537 and 21-538 to increase salaries for direct care staff in order to assist in staff retention issues. Originally, only LSH included an enhancement request to fund the increases, however the \$1.1 million for OSH was inadvertently left out. The recommendation includes a total of \$1.5 million SGF for both LSH and OSH for FY 2023.

The **Governor's** recommendation also includes 1,459.0 FTE positions, which is a decrease of 113.0 FTE positions below the agencies' FY 2023 request. The decrease is due to the Governor not recommending the majority of LSH's enhancement requests for additional positions for the SPTP and PSP for FY 2023.

# SUPPLEMENTAL AND ENHANCEMENT REQUESTS

## REQUEST 1

### LARNED STATE HOSPITAL REQUEST—SPTP-RELATED REQUESTS

The Sexual Predator Treatment Program (SPTP) provides treatment to individuals deemed by the court to be sexually violent predators. The SPTP is designed to be a progressive improvement program, in which participants receive treatment as they work towards less restrictive supervision. In June 2021, the hospital had a resident escape from custody. While the individual was eventually retrieved, he was at large for approximately two months.

| Item   | SPTP-Related Requests |             |                     |                   |
|--|-----------------------|-------------|---------------------|-------------------|
|  | FY 2022               |             | FY 2023             |                   |
|  | Agency                | Gov. Rec.   | Agency              | Gov. Rec.         |
| Additional Funding for SPTP Safety and Security FTEs | \$ 552,271            | \$ -        | \$ 1,104,545        | \$ 550,000        |
| Additional Funding and FTEs for SPTP                 | -                     | -           | 3,119,319           | -                 |
| Funding for an Additional Secure SPTP Unit           | -                     | -           | 2,596,892           | -                 |
| <b>TOTAL</b>   | <b>\$ 552,271</b>     | <b>\$ -</b> | <b>\$ 6,820,756</b> | <b>\$ 550,000</b> |

**ADDITIONAL FUNDING FOR SPTP SAFETY AND SECURITY FTES.** Larned State Hospital requests \$552,271 SGF in FY 2022 and \$1.1 million SGF for FY 2023 for an additional 18.0 FTE positions for 18 Safety and Security Officers for the SPTP program. The request for additional officers would assist in maintaining safety and security for all of its residents, particularly those transported outside of secure buildings. The request is the result of security practices following the escape of a resident in June 2021.

**The Governor partially recommends this request.**

**ADDITIONAL FUNDING AND FTES FOR SPTP.** The hospital requests \$3.1 million SGF and 47.0 FTE positions for increased staff for the SPTP. Currently, there are approximately 287 residents in the SPTP. The agency has indicated that the SPTP is expanding and indicates this expansion has experienced limited resources while the SPTP population has reportedly become more aggressive, resistive, and older. As indicated by the agency, this expanding population has created issues in the program's ability to respond to inadequate staffing and insecure housing.

**The Governor does not recommend this request.**

**FUNDING FOR AN ADDITIONAL SECURE SPTP UNIT.** The hospital requests \$2.6 million SGF and 40.0 FTE positions to open an additional unit for the SPTP in its secure building. The secure building can house additional residents who display incidents of aggression and posing risks to other and of escape.

**The Governor does not recommend this request.**

REQUEST 2

**LARNED STATE HOSPITAL REQUEST—OPERATIONS RELATED REQUESTS**

LSH has approximately six requests that are related to general operations of the state hospital. The requests are largely related to staffing, however there are several related to supplies and upgrades at the hospital.

| <b>Larned State Hospital Request—Operations Related Requests</b> |                      |                   |                      |                     |
|--|----------------------|-------------------|----------------------|---------------------|
| Item   | FY 2022              |                   | FY 2023              |                     |
|  | Agency               | Gov. Rec.         | Agency               | Gov. Rec.           |
| ED Nos. 21-537 and 21-538 Salary Increases                       | \$ -                 | \$ -              | \$ 349,922           | \$ 349,922          |
| Funding for Agency Nursing Staff                                 | 13,000,000           | -                 | 13,000,000           | -                   |
| Additional Food Services Increases                               | 1,440,793            | 893,000           | 1,440,793            | 893,000             |
| Campus Phone System Upgrade                                      | -                    | -                 | 600,000              | 600,000             |
| PSP Clinical and Support Staffing                                | -                    | -                 | 1,439,484            | -                   |
| SSP Security Upgrades  | -                    | -                 | 192,954              | 112,028             |
| <b>TOTAL</b>   | <b>\$ 14,440,793</b> | <b>\$ 893,000</b> | <b>\$ 17,023,153</b> | <b>\$ 1,954,950</b> |

**ED NOS. 21-537 & 21-538 SALARY INCREASES.** The agency requests \$349,922 SGF for FY 2023 for funding associated with the Governor's Executive Directives (EDs) Nos. 21-537 and 21-538. LSH has historically faced issues with staffing at the hospital. The agency has reported that the starting salaries of its positions are a contributing factor to the staffing issues. The Governor issued executive directives aimed at increasing these starting salaries with the goal of improving the hospital's retention rate.

**The Governor recommends adoption of this request.**

**FUNDING FOR AGENCY NURSING STAFF.** The agency requests \$13.0 million SGF in FY 2022 and for FY 2023 for the cost of agency nursing staff to provide nursing coverage for the hospital. The agency reports that its nursing department experiences high vacancy rates for direct care positions, and due to these vacancy rates, the agency utilizes agency nursing staff to perform critical duties such as passing medications, supervising activities of daily living, supervising patients in crisis, as well as taking vital signs.

**The Governor does not recommend this request.**

**INCREASED FOOD SERVICES CONTRACT.** The agency requests \$1.4 million SGF in FY 2022 and for FY 2023 for increased costs associated with its food services contract. The hospital received an increased contract amendment for its food services contract. The request is to cover the increased contract costs.

**The Governor recommends partial adoption of this request.**



**LARNED STATE HOSPITAL REQUEST—OPERATIONS RELATED REQUESTS  
(CONTINUED)**

**CAMPUS PHONE SYSTEM UPGRADE.** The agency requests \$600,000 SGF for FY 2023 to upgrade the LSH phone system. The agency reports that the current system is over 20 years old, and is no longer supported by any vendor or manufacturer. The proposed replacement would include contractual support with a vendor and would include new and warrantied components.

**The Governor recommends adoption of this request.**

**FUNDING AND FTE POSITIONS FOR CLINICAL AND SUPPORT STAFF FOR THE PSYCHIATRIC SERVICES PROGRAM (PSP).** The agency requests \$1.4 million SGF and 17.0 FTE positions for FY 2023 to add additional staff to the PSP. During the COVID-19 pandemic, the hospital temporarily reduced its bed capacity to allow for COVID-19 mitigation measures. As such, the hospital had a waitlist for 96 days during FY 2021. The agency indicates that these positions are necessary to appropriately assess, treat and supervise, and discharge patients. The agency anticipates that the increased staff would assist the agency in treating patients quickly so that hospital beds are not utilized any longer than necessary.

**The Governor does not recommend this request.**

**STATE SECURITY PROGRAM (SSP) UPGRADES.** The agency requests \$192,954 SGF for FY 2023 to provide funding for security upgrades and staff. The request includes \$80,926 SGF for ligature-resistant furniture, specifically beds and shelving units for rooms designed for patients who are identified as at higher risk for suicide. The request also includes \$112,028 SGF and 2.0 FTE positions for additional safety and security officers, which the agency anticipates will assist in keeping staff and patients safe from aggressive patients.

**The Governor recommends partial adoption of this request.**

REQUEST 4

**OSAWATOMIE STATE HOSPITAL REQUESTS**

OSH has three supplemental and enhancement requests. The majority of the requests are related to staffing at the state hospital, both in general and as it relates to the plan to lift the moratorium on admissions.

| <b>Osawatomie State hospital Requests</b> |                  |             |                     |                     |
|---|------------------|-------------|---------------------|---------------------|
| Item                                      | FY 2022          |             | FY 2023             |                     |
|   | Agency           | Gov. Rec.   | Agency              | Gov. Rec.           |
| MiCo House                                | \$ 53,759        | \$ -        | \$ -                | \$ -                |
| Reappropriation                           |                  |             |                     |                     |
| Social Detox Program                      | -                | -           | 990,000             | 993,018             |
| Biddle Staffing Increase                  | -                | -           | 1,409,000           | 1,409,000           |
| <b>TOTAL</b>                              | <b>\$ 53,759</b> | <b>\$ -</b> | <b>\$ 2,399,000</b> | <b>\$ 2,402,018</b> |

OSH requests \$53,759 SGF in FY 2022, and \$2.4 million SGF for FY 2023, for supplemental and enhancement requests. The enhancement requests include 2.0 FTE positions for FY 2022 and 41.0 FTE positions for FY 2023. These increases are described in more detail below:

**MICO HOUSE REAPPROPRIATION.** The agency requests \$53,759 SGF in FY 2022 to restore funding that was unspent in FY 2021 and that the agency anticipated would reappropriate into FY 2022. MiCo House is the SPTP reintegration unit that is housed on the OSH campus. The reintegration unit was originally part of the LSH budget unit FY 2020, when it was shifted to the OSH budget. Now that the unit is included in the OSH budget, the agency required a new fund associated with the unit. As this fund was relatively new, reappropriation language was inadvertently left out of the bill. When this unit was budgeted out of the LSH budget, the fund associated with its operation included reappropriation language. Parsons State Hospital and Training Center also has a reintegration unit, and the fund associated with its operation also includes reappropriation language.

**The Governor does not recommend this request.**

**SOCIAL DETOX PROGRAM.** OSH requests \$990,000 SGF for FY 2023 to create a social detox program. The program is designed to allow patients with substance abuse needs to be observed during their detox period upon admission to the hospital. Currently, the agency reports that it utilizes nurses and doctors at the hospital to meet this need. However, the agency indicates that when other staff is utilized to assist during this detox period, it decreases the staff available for other patients' care. The agency seeks to create this program with the funding and additional FTE positions to have dedicated staff to observe patients during detox.

**The Governor recommends adoption of this request.**

**BIDDLE STAFFING INCREASE.** The hospital requests \$1.4 million SGF and 36.0 FTE positions for staffing needed at the Biddle building. During the 2021 Session, OSH included approximately \$3.0 million in its base budget for salaries and wages expenditures for staffing needs at the Biddle building once renovations are complete. At the time, the agency did not include the FTE positions in its budget. As the agency moves closer to the lifting the moratorium on voluntary admissions, it revised the estimate for staffing to reflect the cost it currently pays for contractual staffing. The agency anticipates utilizing FTE positions and recognizes that it will likely need to utilize contract staffing in come capacity until those FTE positions have been hired.

**The Governor recommends adoption of this request.**

## PROGRAM AND PERFORMANCE MEASURES OVERVIEW

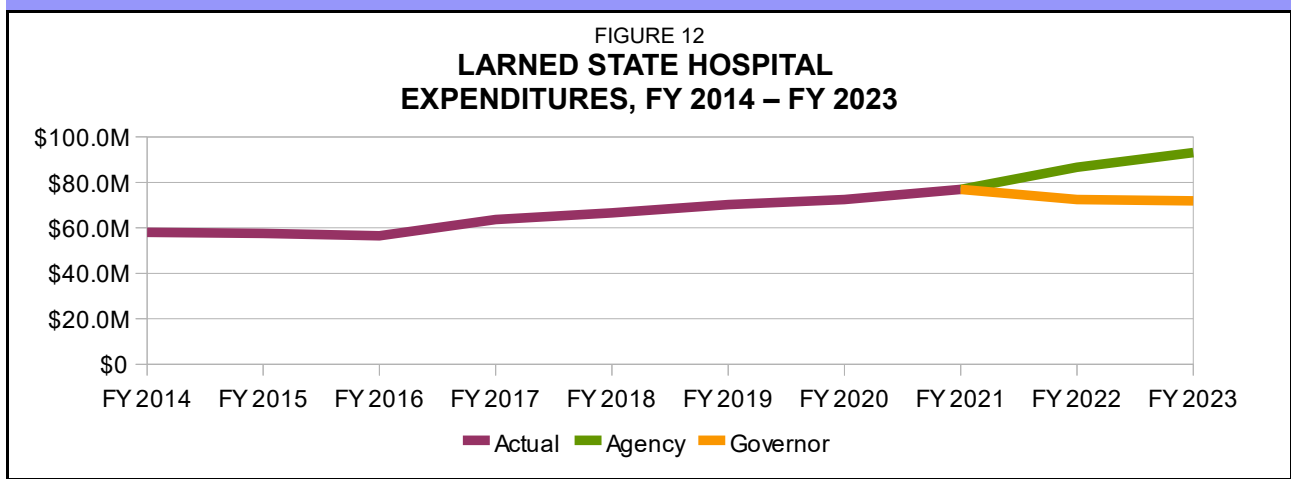
FIGURE 11  
**EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2021 – FY 2023**

| Programs                     | Actual<br>FY 2021     | Agency<br>FY 2022     | Governor<br>FY 2022   | Agency<br>FY 2023     | Governor<br>FY 2023   |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenditures:</b>         |                       |                       |                       |                       |                       |
| Larned State Hospital        | \$ 76,913,053         | \$ 86,615,556         | \$ 72,515,492         | \$ 93,171,040         | \$ 71,913,007         |
| Osawatomie State<br>Hospital | 45,960,291            | 47,675,222            | 47,621,463            | 51,765,520            | 52,915,712            |
| <b>TOTAL</b>                 | <b>\$ 122,873,344</b> | <b>\$ 134,290,778</b> | <b>\$ 120,136,955</b> | <b>\$ 144,936,560</b> | <b>\$ 124,828,719</b> |
| <b>FTE Positions:</b>        |                       |                       |                       |                       |                       |
| Larned State Hospital        | 936.5                 | 927.5                 | 909.5                 | 1,033.5               | 920.5                 |
| Osawatomie State<br>Hospital | 500.4                 | 497.5                 | 497.5                 | 538.5                 | 538.5                 |
| <b>TOTAL</b>                 | <b>1,436.9</b>        | <b>1,425.0</b>        | <b>1,407.0</b>        | <b>1,572.0</b>        | <b>1,459.0</b>        |

### PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness.

# 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 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 SSP.
- Provide a safe and secure environment for the treatment of sexually violent predators committed by the courts to the SPTP.

Larned State Hospital (LSH) provides psychiatric treatment and limited detox facilities to adults from the 61 western counties of the state through collaborative efforts with consumers, community-based mental health providers, the judicial system, and the Kansas Department of Corrections. LSH was established in 1911. The State Security Program (SSP), which opened in 1937, serves the entire state as a secure setting for criminal forensic patients during evaluation and treatment and non-forensic patients with severe behavioral problems who may be transferred from other hospitals. Since 1994, the Sexual

Predator Treatment Program (SPTP) has provided treatment for convicted sex offenders who have completed their prison sentences and have been civilly committed under the Kansas Sexual Predator Law because of their ongoing danger to the community. Used in the last phase of treatment, the SPTP Reintegration units are located at LSH, Osawatomie State Hospital, and Parsons State Hospital and Training Center. These units are used to treat patients who have been deemed ready for transition and reintegration from the treatment program.

FIGURE 13  
**LARNED STATE HOSPITAL,  
PERFORMANCE MEASURES**

|  | Actual<br>FY 2020 | Actual<br>FY 2021 | Actual<br>3-Year Avg. | Target<br>FY 2022 | Target<br>FY 2023 |
|--|-------------------|-------------------|-----------------------|-------------------|-------------------|
| <b>Outcome Measure:</b>  |                   |                   |                       |                   |                   |
| 1. Offer a minimum of 4 hours of active treatment per week to all patients.* | 90.0 %            | 89.0 %            | 83.0 %                | 90.0 %            | 90.0 %            |

FIGURE 13  
**LARNED STATE HOSPITAL,  
PERFORMANCE MEASURES**

|  | Actual<br>FY 2020 | Actual<br>FY 2021 | Actual<br>3-Year Avg. | Target<br>FY 2022   | Target<br>FY 2023   |
|--|-------------------|-------------------|-----------------------|---------------------|---------------------|
| 2. Provide a minimum of 2 active treatment hours per week for individuals ordered to SSP on treatment statutes.* | 52.0 %            | 90.0 %            | 70.0 %                | 90.0 %              | 90.0 %              |
| 3. Percent of time that Activity Therapy is offered 5 hours per week for SPTP residents.*                        | 90.0 %            | 100.0 %           | 84.0 %                | 90.0 %              | 90.0 %              |
| <b>Financing (In Thousands)</b>  | Actual<br>FY 2020 | Actual<br>FY 2021 |                       | Governor<br>FY 2022 | Governor<br>FY 2023 |
| SGF  | \$ 64,195         | \$ 64,428         |                       | \$ 61,024           | \$ 62,415           |
| Federal Funds  | 285               | 3,843             |                       | 1,791               | -                   |
| All Other Funds  | 7,980             | 8,642             |                       | 9,700               | 9,498               |
| <b>TOTAL</b>   | <b>\$ 72,460</b>  | <b>\$ 76,913</b>  |                       | <b>\$ 72,515</b>    | <b>\$ 71,913</b>    |
| <b>Percentage Change:</b>  |                   |                   |                       |                     |                     |
| SGF  | 2.4 %             | 0.4 %             |                       | (5.3) %             | 2.3 %               |
| All Funds  | 3.1 %             | 6.1 %             |                       | (5.7) %             | (0.8) %             |
| FTE Positions  | 936.5             | 936.5             |                       | 909.5               | 920.5               |
| *The Governor's Office does not utilize this measure for evaluation purposes.                                    |                   |                   |                       |                     |                     |

**PERFORMANCE AND BUDGET ANALYSIS**

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

- **The Psychiatric Services Program (PSP)**, which provides mental health services to civilly committed individuals;
- **The State Security Program (SSP)**, which provide mental health services to individual referred to the hospital by the District Courts; and
- **The Sexual Predator Treatment Program (SPTP)**, which provides services to individuals determined by a Court to be Sexually Violent Predators.

The hospital is located in Larned, Kansas, in close proximity to Larned Correctional Mental Health Facility. Due to this proximity, both facilities have historically maintained a close relationship.

**HISTORICAL STAFFING ISSUES.**

Similar to the other state hospital, LSH has historically faced issues maintaining direct

support positions. These issues are partially related to the tension between low starting salaries and the high demands of these positions. However, unlike the other hospitals, LSH faces unique issues due to its proximity to the Larned Correctional Mental Health Facility. As such, the two facilities have frequently reported that they face competition with each other for similar positions, with a small workforce to hire from. As such, when there have been salary increases at the correctional facilities, the hospital has experienced a loss of staff.

**ATTEMPTS TO RESOLVE STAFFING ISSUES**

During the 2021 Session, the House Committee on Appropriations recommended a proviso that the Legislature add funding to bring salaries at the hospital to the same level as similar positions at the correctional facility. The Governor vetoed this proviso, due to the fact that funding was not provided to increase salaries.

However, the Governor subsequently issued Executive Directive Nos. 21-537 and 21-538, which increased the starting salaries for Mental Health/Developmental Disability Technicians (MHDDT) positions. At the time, the

starting salary for MHDDTs across all hospitals was approximately \$12.35 an hour. These directives increased the starting salaries to approximately \$16.00 an hour.

FIGURE 14  
**LARNED STATE HOSPITAL  
CENSUS STATISTICS**

|  | Actual<br>FY 2019 | Actual<br>FY 2020 | Actual<br>FY 2021 | Projected<br>FY 2022 | Projected<br>FY 2023 |
|--|-------------------|-------------------|-------------------|----------------------|----------------------|
| <b>PSYCHIATRIC SERVICES PROGRAM</b>      |                   |                   |                   |                      |                      |
| Bed Capacity                             | 90                | 90                | 90                | 90                   | 90                   |
| Average Daily Census                     | 67                | 72                | 71                | 65                   | 65                   |
| Admissions                               | 1108              | 984               | 856               | N/A                  | N/A                  |
| Average Length of Stay                   | 22                | 50                | 19                | 30                   | 30                   |
| <b>STATE SECURITY PROGRAM</b>            |                   |                   |                   |                      |                      |
| Bed Capacity                             | 220               | 140               | 140               | 140                  | 140                  |
| Average Daily Census                     | 119               | 96                | 86                | 154                  | 154                  |
| Admissions                               | 304               | 247               | 210               | N/A                  | N/A                  |
| Average Length of Stay                   | 116               | 103               | 129               | 140                  | 140                  |
| <b>SEXUAL PREDATOR TREATMENT PROGRAM</b> |                   |                   |                   |                      |                      |
| Bed Capacity                             | 270               | 274               | 274               | 274                  | 274                  |
| Average Daily Census                     | 244               | 242               | 245               | 253                  | 253                  |
| Admissions                               | 8                 | 8                 | 7                 | N/A                  | N/A                  |

As indicated above, LSH is divided into three distinct programs: the Psychiatric Services Program (PSP), the State Security Program (SSP), and the Sexual Predator Treatment Program (SPTP). The patients who are part of the PSP are civilly committed and generally have a shorter length of stay as they are admitted to the hospital, receive services, and are discharged. In comparison, individuals treated through the SSP have had some interaction with the court system or are aggressive/violent.

As such, individuals served through SSP have a longer stay due to circumstances surrounding their admission to the hospital.

Similar to the SSP, individuals who are treated through the SPTP are committed due to a court determining that the individual is a sexually violent predator. These individuals are required to progress through the program, which gradually decreases levels of supervision. Due to the structure of the program, the length of stay for SPTP participants is longer than those in the PSP receiving traditional mental health services.

FIGURE 15  
**LARNED STATE HOSPITAL**  
**SUMMARY OF EXPENDITURES FY 2021 – FY 2023**

| Item                        | Actual<br>FY 2021           | Agency Est.<br>FY 2022      | Gov. Rec.<br>FY 2022        | Agency Req.<br>FY 2023      | Gov. Rec.<br>FY 2023        |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Expenditures:</b>        |                             |                             |                             |                             |                             |
| Salaries and Wages          | \$ 50,014,368               | \$ 46,893,737               | \$ 46,341,466               | \$ 54,365,604               | \$ 46,861,284               |
| Contractual Services        | 22,000,238                  | 35,370,518                  | 21,822,725                  | 35,148,838                  | 21,395,125                  |
| Commodities                 | 3,763,219                   | 3,347,663                   | 3,347,663                   | 2,817,655                   | 2,817,655                   |
| Capital Outlay              | 882,788                     | 1,001,152                   | 1,001,152                   | 836,407                     | 836,407                     |
| Debt Service                | -                           | -                           | -                           | -                           | -                           |
| <i>Subtotal - State Ops</i> | <u>\$ 76,660,613</u>        | <u>\$ 86,613,070</u>        | <u>\$ 72,513,006</u>        | <u>\$ 93,168,504</u>        | <u>\$ 71,910,471</u>        |
| Aid to Local Units          | -                           | -                           | -                           | -                           | -                           |
| Other Assistance            | 2,440                       | 2,486                       | 2,486                       | 2,536                       | 2,536                       |
| <i>Subtotal - Operating</i> | <u>\$ 76,663,053</u>        | <u>\$ 86,615,556</u>        | <u>\$ 72,515,492</u>        | <u>\$ 93,171,040</u>        | <u>\$ 71,913,007</u>        |
| Capital Improvements        | 250,000                     | -                           | -                           | -                           | -                           |
| Debt Service (Principal)    | -                           | -                           | -                           | -                           | -                           |
| <b>TOTAL</b>                | <u><b>\$ 76,913,053</b></u> | <u><b>\$ 86,615,556</b></u> | <u><b>\$ 72,515,492</b></u> | <u><b>\$ 93,171,040</b></u> | <u><b>\$ 71,913,007</b></u> |
| <b>Financing:</b>           |                             |                             |                             |                             |                             |
| State General Fund          | \$ 64,428,443               | \$ 75,124,431               | \$ 61,024,367               | \$ 83,753,944               | \$ 62,414,985               |
| Federal Funds               | 3,842,950                   | 1,791,136                   | 1,791,136                   | -                           | -                           |
| All Other Funds             | 8,641,660                   | 9,699,989                   | 9,699,989                   | 9,417,096                   | 9,498,022                   |
| <b>TOTAL</b>                | <u><b>\$ 76,913,053</b></u> | <u><b>\$ 86,615,556</b></u> | <u><b>\$ 72,515,492</b></u> | <u><b>\$ 93,171,040</b></u> | <u><b>\$ 71,913,007</b></u> |
| FTE Positions               | 936.5                       | 927.5                       | 909.5                       | 1,033.5                     | 920.5                       |

**FY 2022 REVISED ESTIMATE**

Larned State Hospital requests a revised estimate of \$86.6 million, including \$75.1 million SGF, in FY 2022. This is an increase of \$16.6 million, or 23.7 percent, above the amount approved by the 2021 Legislature. The increase can primarily be attributed to the agency's supplemental request for additional funding for contractual nursing staff to provide coverage for the hospital, as well as the funding increase related to the LSH food services contract. The increase also includes approximately \$1.8 million for COVID-19-related transactions, which are primarily related to funding for staff coverage related to quarantines as well as cleaning supplies and personal protective equipment.

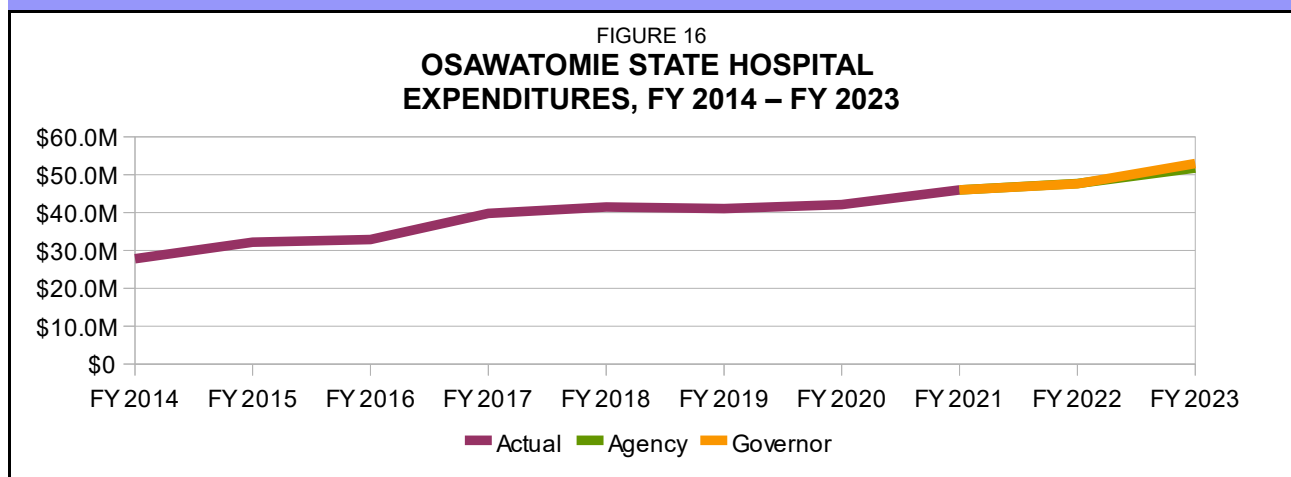
The **Governor** recommends \$72.5 million, including \$61.0 million SGF, for expenditures at LSH in FY 2022. This is a decrease of \$14.1 million SGF below the agency's request. This is due to the Governor not recommending LSH's supplemental requests.

**FY 2023 AGENCY REQUEST**

Larned State Hospital requests a revised estimate of \$93.2 million, including \$83.8 million SGF, in FY 2022. This is an increase of \$6.6 million, or 7.6 percent, above the FY 2022 revised request. The increase is primarily related the agency's enhancement requests for additional staffing for the SPTP as well as an additional SPTP unit. The request also includes funding for additional staffing for the PSP, with the goal of providing care quickly while maintaining the hospital's standard of care. Additionally, the request continues the agency's supplemental requests for increased funding for contractual nursing services and increased food services costs.

The **Governor** recommends \$71.9 million, including \$62.4 million SGF, for expenditures at LSH in FY 2023. This is a decrease of \$21.3 million, including \$21.3 million SGF, below the agency's request. This is due to the Governor not recommending LSH's enhancement requests for additional SPTP expansion and additional funding for the PSP .

# 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) was founded in 1866, originally called the “Kansas Insane Asylum.” The name was changed to OSH in 1901. OSH is an acute mental health care bed facility that serves people 18 years of age and older from 46 eastern and central Kansas counties who require inpatient psychiatric treatment or non-medical detoxification for substance abuse. It is operated and managed by the Kansas Department for Aging and Disability Services (KDADS) and is licensed by the Kansas Department of Health and Environment. In 2014, operations at Rainbow Mental Health Facility, in Kansas City, Kansas, were merged with OSH. The hospital is licensed for 206 patient beds, but currently operates at 166 beds due to a self-imposed moratorium on admissions above 166 since April 2015.

In December 2015, OSH was decertified by the federal Centers for Medicare and Medicaid Services (CMS). Beginning in January 2016, the hospital was unable to obtain federal

revenue through Medicare and Medicaid reimbursements and federal Disproportionate Share Hospital (DSH) payments. OSH responded by making structural changes to improve patient safety, increasing staffing levels, and instituting new operating practices. In August 2016, two living units were functionally separated from OSH to form Adair Acute Care (AAC). AAC is considered a functionally free-standing unit, though it is included in the overall total of licensed OSH beds. AAC passed its initial CMS certification survey in August 2017 and a second survey in November 2017. In December 2017, OSH was informed by CMS that the 60 beds of AAC were recertified for federal reimbursements and the hospital would begin to receive partial DSH payments.

A Sexual Predator Treatment Program (SPTP) reintegration unit is located on the grounds of OSH; however, this program is administered and funded by Larned State Hospital.



FIGURE 17  
**OSAWATOMIE STATE HOSPITAL,  
PERFORMANCE MEASURES**

|   | Actual<br>FY 2020 | Actual<br>FY 2021 | Actual<br>3-Year Avg. | Target<br>FY 2022   | Target<br>FY 2023   |
|---|-------------------|-------------------|-----------------------|---------------------|---------------------|
| <b>Outcome Measure:</b>   |                   |                   |                       |                     |                     |
| 1.Number of employees that turnover recorded every month and then a yearly average is obtained.*                | 28.0 %            | 29.0 %            | 23.9 %                | 25.0 %              | 20.0 %              |
| 2.Percentage of AAC patients readmitted within 30 days of discharge.*   | 20.2 %            | 8.0 %             | 12.1 %                | 8.0 %               | 7.0 %               |
| 3.Percentage of Non-AAC patients readmitted within 30 days reported monthly then averaged for yearly outcomes.* | 2.6 %             | 1.0 %             | 3.2 %                 | 1.0 %               | 1.0 %               |
| <b>Financing (In Thousands)</b>   | Actual<br>FY 2020 | Actual<br>FY 2021 |                       | Governor<br>FY 2022 | Governor<br>FY 2023 |
| SGF   | \$ 36,161         | \$ 37,448         |                       | \$ 34,796           | \$ 40,860           |
| Federal Funds   | 309               | 1,034             |                       | -                   | -                   |
| All Other Funds   | 5,670             | 7,478             |                       | 12,825              | 12,056              |
| <b>TOTAL</b>  | <b>\$ 42,140</b>  | <b>\$ 45,960</b>  |                       | <b>\$ 47,621</b>    | <b>\$ 52,916</b>    |
| <b>Percentage Change:</b>   |                   |                   |                       |                     |                     |
| SGF   | (1.4) %           | 3.6 %             |                       | (7.1) %             | 17.4 %              |
| All Funds   | 2.6 %             | 9.1 %             |                       | 3.6 %               | 11.1 %              |
| FTE Positions   | 486.5             | 500.4             |                       | 497.5               | 538.5               |
| *The Governor's Office does not utilize this measure for evaluation purposes.                                   |                   |                   |                       |                     |                     |

## PERFORMANCE AND BUDGET ANALYSIS

The campus at Osawatomi State Hospital is comprised of two separate units: Osawatomi State Hospital (OSH) and Adair Acute Care (AAC). The patients at OSH typically have a longer stay at the hospital, while patients at AAC are typically short term (up to 14 days). The distinction between the two is largely necessitated by the fact that AAC is eligible to receive Medicaid funding for the care of its' patients through the Medicaid Disproportionate Share Hospital payments passed through KDADS. However, for the purposes of this analysis, the expenditures for both OSH and AAC are combined and considered as one entity.

### CMS DECERTIFICATION OF OSH

During FY 2015, the hospital underwent several surveys by CMS. Several concerns of overcrowding and patient safety were raised during these surveys, which led to CMS terminating the federal certification of the hospital. Due to this decertification, the hospital lost its ability to receive federal funds for its operation. As a result, the hospital began

utilizing more SGF moneys starting FY 2017 to staff the hospital and correct some of the concerns brought up during the CMS surveys.

Part of this increase was due to the establishment of AAC to provide several units to be subsequently recertified by CMS. Therefore, as it stands today the hospital is divided between the OSH main campus and AAC, and only the beds in AAC are eligible for federal funds.

### MORATORIUM ON ADMISSIONS

In June 2015, prior to the decertification by CMS, a moratorium on voluntary admissions was imposed by KDADS. This moratorium was in response to the concerns of whether the hospital had sufficient space to treat both involuntary and voluntary admissions. In January 2020, KDADS presented a plan to the House Committee on Social Services Budget to lift the moratorium on voluntary admissions. This plan included funding and development of the State Institutional Alternative program at KDADS, to provide more opportunities for

individuals to be treated in the community. The plan additionally proposed additional funding to remodel the Biddle Building at OSH in accordance with CMS guidelines, which would allow for more beds to be certified for federal funding. *Staff note:* Funding for the State Institutional Alternative program and the Biddle Building remodel are included in the KDADS budget.

**STAFFING CHALLENGES AT THE HOSPITAL**

As with the other state hospitals, long-term care settings, and community services

providers, staffing is continually reported as a major issue at OSH. Similar to those related fields, the staffing issues are generally described as being caused by a tension between the stressful nature of the jobs and what are generally considered to be low salaries. Similar to the other state hospitals, when OSH determines that it doesn't have adequate FTE positions to provide coverage for the hospital, it utilizes contractual staffing measures, which the agency indicates are generally more costly.

FIGURE 18  
**OSAWATOMIE STATE HOSPITAL  
CENSUS STATISTICS**

|                                  | Actual<br>FY 2019 | Actual<br>FY 2020 | Actual<br>FY 2021 | Projected<br>FY 2022 | Projected<br>FY 2023 |
|----------------------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| <b>Osawatomie State Hospital</b> |                   |                   |                   |                      |                      |
| Bed Capacity                     | 106               | 106               | 106               | 106                  | 106                  |
| Average Daily Census             | 100               | 106               | 97                | 106                  | 106                  |
| Admissions                       | 250               | 165               | 181               | 206                  | 228                  |
| Average Length of Stay           | 140               | 237               | 237               | N/A                  | N/A                  |
| <b>Adair Acute Care</b>          |                   |                   |                   |                      |                      |
| Bed Capacity                     | 52                | 60                | 60                | 60                   | 60                   |
| Average Daily Census             | 43                | 38                | 37                | 38                   | 38                   |
| Admissions                       | 1,107             | 965               | 907               | 1,000                | 1,000                |
| Average Length of Stay           | 14                | 14                | 15                | N/A                  | N/A                  |

As indicated above, OSH is divided into two campuses: OSH and AAC. The patients who are housed at OSH may traditionally have more intensive needs with a longer length of stay. However, the patients treated in AAC are

generally individuals who can be treated quickly. As such, the patients' length of stay at AAC is traditionally less than 14 days. Therefore, AAC, by design, serves more individuals throughout the year.

FIGURE 19  
**OSAWATOMIE STATE HOSPITAL**  
**SUMMARY OF EXPENDITURES FY 2021 – FY 2023**

| Item                         | Actual<br>FY 2021           | Agency Est.<br>FY 2022      | Gov. Rec.<br>FY 2022        | Agency Req.<br>FY 2023      | Gov. Rec.<br>FY 2023        |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Expenditures:</b>         |                             |                             |                             |                             |                             |
| Salaries and Wages           | \$ 31,307,295               | \$ 32,088,647               | \$ 32,034,888               | \$ 35,986,964               | \$ 37,137,156               |
| Contractual Services         | 9,975,682                   | 12,876,174                  | 12,876,174                  | 12,810,755                  | 12,810,755                  |
| Commodities                  | 2,370,073                   | 2,474,596                   | 2,474,596                   | 2,576,230                   | 2,576,230                   |
| Capital Outlay               | 1,235,062                   | 170,098                     | 170,098                     | 312,108                     | 312,108                     |
| Debt Service                 | -                           | -                           | -                           | -                           | -                           |
| <i>Subtotal - Operations</i> | <u>\$ 44,888,112</u>        | <u>\$ 47,609,515</u>        | <u>\$ 47,555,756</u>        | <u>\$ 51,686,057</u>        | <u>\$ 52,836,249</u>        |
| Aid to Local Units           | -                           | -                           | -                           | -                           | -                           |
| Other Assistance             | 230,879                     | 11,924                      | 11,924                      | 14,645                      | 14,645                      |
| <i>Subtotal - Operating</i>  | <u>\$ 45,118,991</u>        | <u>\$ 47,621,439</u>        | <u>\$ 47,567,680</u>        | <u>\$ 51,700,702</u>        | <u>\$ 52,850,894</u>        |
| Capital Improvements         | 841,300                     | 53,783                      | 53,783                      | 64,818                      | 64,818                      |
| Debt Service (Principal)     | -                           | -                           | -                           | -                           | -                           |
| <b>TOTAL</b>                 | <u><b>\$ 45,960,291</b></u> | <u><b>\$ 47,675,222</b></u> | <u><b>\$ 47,621,463</b></u> | <u><b>\$ 51,765,520</b></u> | <u><b>\$ 52,915,712</b></u> |
| <b>Financing:</b>            |                             |                             |                             |                             |                             |
| State General Fund           | \$ 37,448,071               | \$ 34,849,881               | \$ 34,796,122               | \$ 39,710,017               | \$ 40,860,209               |
| Federal Funds                | 1,034,097                   | -                           | -                           | -                           | -                           |
| All Other Funds              | 7,478,123                   | 12,825,341                  | 12,825,341                  | 12,055,503                  | 12,055,503                  |
| <b>TOTAL</b>                 | <u><b>\$ 45,960,291</b></u> | <u><b>\$ 47,675,222</b></u> | <u><b>\$ 47,621,463</b></u> | <u><b>\$ 51,765,520</b></u> | <u><b>\$ 52,915,712</b></u> |
| FTE Positions                | 500.4                       | 497.5                       | 497.5                       | 538.5                       | 538.5                       |

**FY 2022 REVISED ESTIMATE**

Osawatomi State Hospital requests a revised estimate of \$47.7 million, including \$34.8 SGF, in FY 2022. This is an increase of \$488,463, or 1.0 percent, above the amount approved by the 2021 Legislature. The increase can primarily be attributed to the agency adjusting its budget to reflect increases in expenditures for its food contract and other supplies for the hospital. As the COVID-19 pandemic continues, the hospital has seen a general increase in the costs associated with supplying the hospital.

**STAFFING CATEGORY SWAP**

The agency's revised request includes a swap of approximately \$2.4 million in expenditures between salaries and wages and contractual services expenditures. As detailed above, the agency has historically faced challenges with maintaining coverage for the hospital. When the agency does not have the filled FTE positions to maintain coverage for the hospital, it turns to staffing agencies to provide nursing and other direct support workers.

The **Governor** recommends \$47.7 million, including \$34.8 million SGF, for expenditures in

FY 2022. This is a decrease of \$53,759 SGF, which is due to the Governor not recommending the agency's request for funding associated with the SPTP reintegration unit that lapsed.

**FY 2023 AGENCY REQUEST**

Osawatomi State Hospital requests a revised estimate of \$51.8 million, including \$39.7 SGF, in FY 2022. This is an increase of \$4.1 million, or 8.6 percent, above the FY 2022 revised request. The increase is primarily related the agency's enhancement requests for staff at the Biddle Building and for its proposed social detox program. The increase also includes an adjustment in the agency's shrinkage rate to reflect the agency planning to fill currently vacant positions.

The **Governor** recommends \$52.9 million, including \$40.9 million SGF, for FY 2023 expenditures. This is an increase of \$1.2 million SGF above the agency's request. The increase provides funding for several of the Governor's Executive Directives designed to assist with staff retention.

## CAPITAL IMPROVEMENTS

The State Institutions for Mental Health (MH Institutions) are state-owned buildings and require ongoing rehabilitation and repair projects. For the MH Institutions, these are relatively small projects. Small projects include patchwork repair as well as installation of

equipment like security cameras or secured doors. Traditionally, all capital improvement projects are included in the budget for the Kansas Department for Aging and Disability Services (KDADS).

FIGURE 20  
**CAPITAL IMPROVEMENTS, FY 2021 – FY 2023**

|                                   | Actual<br>FY 2021          | Agency<br>FY 2022       | Governor<br>FY 2022     | Agency<br>FY 2023       | Governor<br>FY 2023     |
|-----------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Capital Projects:</b>          |                            |                         |                         |                         |                         |
| Security Cameras at LSH           | \$ 250,000                 | \$ -                    | \$ -                    | \$ -                    | \$ -                    |
| Biddle Remodel for Certified Beds | 500,000                    | -                       | -                       | -                       | -                       |
| Additional Small Projects         | 341,300                    | 53,783                  | 53,783                  | 64,818                  | 64,818                  |
| <i>Subtotal–Projects</i>          | <u>\$ 1,091,300</u>        | <u>\$ 53,783</u>        | <u>\$ 53,783</u>        | <u>\$ 64,818</u>        | <u>\$ 64,818</u>        |
| <b>Financing:</b>                 |                            |                         |                         |                         |                         |
| SGF                               | \$ 28,164                  | \$ -                    | \$ -                    | \$ 8,884                | \$ 8,884                |
| Federal Funds                     | -                          | -                       | -                       | -                       | -                       |
| All Other Funds                   | 1,063,136                  | 53,783                  | 53,783                  | 55,934                  | 55,934                  |
| <b>TOTAL</b>                      | <u><b>\$ 1,091,300</b></u> | <u><b>\$ 53,783</b></u> | <u><b>\$ 53,783</b></u> | <u><b>\$ 64,818</b></u> | <u><b>\$ 64,818</b></u> |

### FY 2022 CAPITAL IMPROVEMENTS

The **agencies** request a revised estimate of \$53,783, all from special revenue funds, for capital improvement expenditures in FY 2022. As indicated above, these are for relatively small projects at the hospitals, as the majority of the hospitals' capital improvement

expenditures are included in the budget for KDADS.

The **Governor** concurs with the agencies' revised capital improvement estimate in FY 2022

### FY 2023 CAPITAL IMPROVEMENTS

The **agencies** requests \$64,818, including \$8,884 SGF, for capital improvement expenditures for FY 2023. As indicated above, these are for relatively small projects at the hospitals, as the majority of the hospitals'

capital improvement expenditures are included in the budget for KDADS.

The **Governor** concurs with the agencies' capital improvement request for FY 2023.