Eleanor Slater Hospital: Billing Issue and Status Update

Staff Presentation to the House Finance Committee
June 4, 2020
### BHDDH: Programs & Services

<table>
<thead>
<tr>
<th>Division</th>
<th>Populations</th>
<th>Services</th>
<th># Served</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developmental Disabilities</td>
<td>Adults with intellectual and/or dev. disability</td>
<td>Residential, day &amp; employment</td>
<td>4,554</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Hospital Rehabilitation Services (ESH)</td>
<td>Medical, forensic &amp; psychiatric patients</td>
<td>Hospital level of care</td>
<td>213</td>
<td>State/ Medicaid &amp; 3rd party</td>
</tr>
<tr>
<td>Behavioral Healthcare Services</td>
<td>Adults w/ mental health and/or substance abuse issues</td>
<td>Residential, inpatient &amp; outpatient services</td>
<td>40,000</td>
<td>BHDDH – fed. funds EOHHS – Medicaid</td>
</tr>
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</table>

# served as through April 2020
# Governor’s Recommendation

<table>
<thead>
<tr>
<th>Source</th>
<th>Enacted</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>Chg to Enacted</th>
</tr>
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<tr>
<td>Gen. Rev.</td>
<td>$196.4</td>
<td>$195.3</td>
<td>$207.8</td>
<td>$11.4</td>
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<tr>
<td>Fed Funds</td>
<td>260.4</td>
<td>264.7</td>
<td>270.7</td>
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<tr>
<td>Rest Rec</td>
<td>6.1</td>
<td>7.5</td>
<td>8.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$463.2</strong></td>
<td><strong>$467.8</strong></td>
<td><strong>$487.1</strong></td>
<td><strong>$23.9</strong></td>
</tr>
<tr>
<td>FTE</td>
<td>1,189.4</td>
<td>1,189.4</td>
<td>985.4</td>
<td>(204.0)</td>
</tr>
</tbody>
</table>

$ in millions
## Governor’s Recommendation

<table>
<thead>
<tr>
<th>Program</th>
<th>Enacted</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>Chg. to enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop. Disabilities</td>
<td>$296.9</td>
<td>$292.2</td>
<td>$305.2</td>
<td>$8.3</td>
</tr>
<tr>
<td>Hospital &amp; Comm. Rehab.</td>
<td>121.9</td>
<td>119.6</td>
<td>130.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Behavioral Healthcare Services</td>
<td>37.3</td>
<td>48.1</td>
<td>41.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Hosp. &amp; Comm. Support</td>
<td>2.3</td>
<td>2.8</td>
<td>3.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Central Mgmt.</td>
<td>4.8</td>
<td>5.1</td>
<td>6.8</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$463.2</td>
<td>$467.8</td>
<td>$487.1</td>
<td>$23.9</td>
</tr>
</tbody>
</table>

$ in millions
Hospital and Community Rehabilitative Services

Eleanor Slater Hospital System
Cranston & Zambarano Campuses
Overview

- Background
- Federal Compliance and Billing Issues
- Recent History of Operational Changes
  - AMS/Other Contracts
  - Accreditation
  - Reorganization Plans
- Other Issues
Background

- ESH is a 475 bed facility licensed as an acute care hospital by Dept. of Health
  - 2 Locations, multiple buildings
  - June 2020 census of 210
  - Operates as a Long Term Acute Care Hospital (LTACH)
    - Focus on patients who stay more than 25 days
    - Transferred from intensive or critical care units
    - Services usually include rehabilitation/respiratory therapy/head trauma & pain management
<table>
<thead>
<tr>
<th>Building</th>
<th>Patient Type</th>
<th>Admission Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regan</td>
<td>Medical &amp; Psychiatric</td>
<td>Hospital level of care</td>
</tr>
<tr>
<td>Adolph Meyer</td>
<td>Psychiatric</td>
<td>Court ordered &amp; Voluntary</td>
</tr>
<tr>
<td>Benton</td>
<td>Psychiatric - Forensic</td>
<td>Court ordered</td>
</tr>
<tr>
<td>Pinel (closed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zambarano (Burrillville)</td>
<td>Medical</td>
<td>Hospital level of care</td>
</tr>
</tbody>
</table>
Background

- Applications for admission reviewed by Admission Assessment Team
  - Physician, nurse, social worker, physical therapist and psychologist
  - Must qualify for hospital level of care
  - Psychiatric and medical patients
- Application asks which location
  - ESH medical unit
  - Fatima Long-Term Behavioral Health Unit
    - Admission approved by BHDDH
Court ordered to Forensic Unit 3 ways

- Not guilty by reason of insanity
  - Commit for observation & examination as provided in RIGL 40.1-5.3-4
- Incompetent to stand trial
  - Psychiatric evaluation by ESH psychiatrist
  - Need hospital level of care (RIGL 40.1-5.3-3)
- Transferred from ACI (RIGL 40.1-5.3-6)
  - To receive specialized services
    - Not available in correctional setting
  - Evaluated by DOC psychiatrist and determined to need hospital level of care
Background

- Civil Admission
  - Committed by the court after a civil court certification
    - RIGL 40.1-5-8
  - Voluntary admission
    - RIGL 40.1-5-6
Discharges – when no longer qualify for hospital level of services

- Determined by the acute care treatment team
- Move to less restrictive setting
  - May include a nursing or group home, assisted living/ residential facility or home with family
- Current average length of stay is 3 ½ years
  - Wide range from decades to months
# Background – FY 2020 Census

<table>
<thead>
<tr>
<th>1st day of</th>
<th>Meyer</th>
<th>Regan</th>
<th>Benton</th>
<th>Zamb.</th>
<th>Total</th>
<th>Staff</th>
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<tbody>
<tr>
<td>July</td>
<td>44</td>
<td>41</td>
<td>49</td>
<td>94</td>
<td>228</td>
<td>780.1</td>
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<tr>
<td>Aug</td>
<td>43</td>
<td>41</td>
<td>48</td>
<td>91</td>
<td>223</td>
<td>770.8</td>
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<tr>
<td>Sept</td>
<td>45</td>
<td>40</td>
<td>48</td>
<td>89</td>
<td>222</td>
<td>765.0</td>
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<tr>
<td>Oct</td>
<td>45</td>
<td>37</td>
<td>46</td>
<td>92</td>
<td>220</td>
<td>759.4</td>
</tr>
<tr>
<td>Nov</td>
<td>46</td>
<td>40</td>
<td>48</td>
<td>92</td>
<td>226</td>
<td>757.0</td>
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<tr>
<td>Dec</td>
<td>49</td>
<td>36</td>
<td>52</td>
<td>92</td>
<td>229</td>
<td>751.5</td>
</tr>
<tr>
<td>Jan</td>
<td>49</td>
<td>36</td>
<td>50</td>
<td>92</td>
<td>227</td>
<td>746.0</td>
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<tr>
<td>Feb</td>
<td>49</td>
<td>38</td>
<td>47</td>
<td>92</td>
<td>226</td>
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<tr>
<td>March</td>
<td>45</td>
<td>39</td>
<td>47</td>
<td>93</td>
<td>224</td>
<td>734.1</td>
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<tr>
<td>April</td>
<td>56</td>
<td>23</td>
<td>42</td>
<td>92</td>
<td>213</td>
<td>733.1</td>
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<tr>
<td>May</td>
<td>58</td>
<td>23</td>
<td>41</td>
<td>90</td>
<td>212</td>
<td>734.5</td>
</tr>
<tr>
<td>June</td>
<td>58</td>
<td>24</td>
<td>37</td>
<td>91</td>
<td>210</td>
<td>751.6</td>
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</tbody>
</table>
### Background – Census/Cost

<table>
<thead>
<tr>
<th>Avg</th>
<th>Meyer</th>
<th>Regan</th>
<th>Benton/ Pinel</th>
<th>Zamb.</th>
<th>Total</th>
<th>Staff*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018</td>
<td>69</td>
<td>40</td>
<td>19</td>
<td>95</td>
<td>223</td>
<td>760.8</td>
</tr>
<tr>
<td>FY 2019</td>
<td>44</td>
<td>48</td>
<td>31</td>
<td>93</td>
<td>221</td>
<td>761.8</td>
</tr>
<tr>
<td>FY 2020</td>
<td>49</td>
<td>35</td>
<td>46</td>
<td>92</td>
<td>222</td>
<td>752.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020 Rev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>$120,418,583</td>
<td>$120,896,168</td>
<td>$119,618,217</td>
</tr>
<tr>
<td>Patients</td>
<td>223</td>
<td>221</td>
<td>222</td>
</tr>
<tr>
<td>Per patient</td>
<td>$539,994</td>
<td>$547,041</td>
<td>$538,821</td>
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</table>

*total staff includes those on leave
Overview

- Background
- Federal Compliance and Billing Issues
- Recent History of Operational Changes
  - AMS/Other Contracts
  - Accreditation
  - Reorganization Plans
- Other Issues
Federal Compliance and Billing Issues

- March 4 letter from OMB identified potential $20.6 million problem related to federal funds and “IMD mix”
  - More than 50% psych patients=no Medicaid
  - March 11 hearing
- Third quarter reports from BHDDH(4/30) and OMB (5/19) identified additional $15 million problem related to federal funds for forensic patients
  - May 20 hearing
Federal Compliance and Billing Issues

- **Timeline – from committee testimony**
  - **Summer 2019** - new BHDDH financial management oversight structure
    - Identified billing issues at ESH
  - **Fall 2019** - BHDDH notified EOHHS that there was a potential issue with IMD mix
    - Stopped billing feds in September
  - **Other potential big issues also identified**
    - Is billing Medicaid ok for forensic unit patients?
    - Are other billing practices in federal compliance?
  - **November 2019** – hired outside counsel
Federal Compliance and Billing Issues

- IMD Mix testimony
  - March 11 Hearing
    - State was out of compliance from Aug to Feb 11th
    - There is continuous review of these classifications
    - Hospital staff evaluating patient needs
      - Determine which patients are medical & psychiatric
      - Who can be discharged
  - May 20 Hearing
    - Hospital staff continuing to do internal review
    - 3rd quarter report maintains $20 million loss estimate but billing had not resumed
Federal Compliance and Billing Issues

- Forensic Population Testimony
  - March hearing
    - No clarity on billing Medicaid for forensic patients
    - CMS prefers states reach out for such clarity
    - No initial conclusion
  - May hearing
    - CMS guidance was that RI could not bill for forensic patients
    - 3rd quarter report assumes $15.0 million in additional cost above IMD mix issue
Billing Practices – March Testimony

- Staff restructuring also led to review of ESH billing practices
  - ESH stopped billing Medicaid while verifying that billing practices were in compliance
  - Manatt, Phelps & Phillips hired in November 2019
    - Administration noted it was “not comfortable” with documentation & Medicaid billings
    - State did not have the expertise to figure this out
    - $20 million estimate assumed full resolution and resumption of billing
Federal Compliance and Billing Issues

- Billing Practices – May Testimony
  - ESH staff doing review of all 200 patients
    - Thorough medical assessment of each patient
      - Chief medical officer, social workers & nursing staff
    - Will examine the processes for billing & coding
      - Make sure that ESH is engaged in appropriate billing

- Specific potential problems with current billing not discussed
  - Appears to go beyond identified IMD and forensic issues
Federal Compliance and Billing Issues

- Billing Practices – May Testimony
  - Plan to hire firm for external review
    - Make sure legally billing for services
  - After the external review ESH will have correct procedures in place & updated processes for billing
- Timeline for resolution not addressed
Federal Compliance and Billing Issues

- **Budget implications**
  - Governor's revised budget includes $119.6 million
    - $61.1 million from Medicaid
  - BHDDH billed $16.4 million from Medicaid
    - Through May
    - General revenue impact could be over $45 million
  - Third quarter report acknowledges only $35 million issue
Federal Compliance and Billing Issues

- FY 2021 Implications
  - Cannot bill feds for ~ 100 psychiatric patients
    - Current cost of ~$600k per patient
    - Full state funding adds over $30 million annual cost
  - Remaining 100 patients
    - Unresolved billing issues mean uncertainty for remaining ~ $30 million in federal funds
  - Medicare and commercial insurers
    - Includes Medicare Part D pharmacy
    - Are there issues with these collections?
# Federal Compliance and Billing Issues

<table>
<thead>
<tr>
<th>Revenues (collections through May)</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>Change</th>
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<tbody>
<tr>
<td>Medicaid</td>
<td>$46.6</td>
<td>$16.4</td>
<td>$(30.2)</td>
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<tr>
<td>Pharmacy Part D (Medicare)</td>
<td>2.3</td>
<td>1.2</td>
<td>(1.1)</td>
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<tr>
<td>3rd party billings</td>
<td>2.0</td>
<td>0.6</td>
<td>(1.4)</td>
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<tr>
<td>Total</td>
<td>$50.9</td>
<td>$18.2</td>
<td>$(32.7)</td>
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* $ in millions
## Federal Compliance and Billing Issues

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<th></th>
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</thead>
<tbody>
<tr>
<td>General Revenues</td>
<td>$54.7</td>
<td>$53.6</td>
<td>$59.6</td>
<td>$6.0</td>
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<td>Federal Funds</td>
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<td>61.1</td>
<td>65.2</td>
<td>4.1</td>
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<td>Restricted Rec.</td>
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<td>4.9</td>
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<td>-</td>
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<td>RICAP</td>
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<td>0.0</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$121.9</strong></td>
<td><strong>$119.6</strong></td>
<td><strong>$130.1</strong></td>
<td><strong>$10.5</strong></td>
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</table>

$ in millions
Overview

- Background
- Federal Compliance and Billing Issues
- Recent History of Operational Changes
  - AMS/Other Contracts
  - Accreditation
  - Reorganization Plans
- Other Issues
Eleanor Slater Hospital
Recent History

- New BHDDH director – January 2015
  - Applied Management Services (AMS) hired in April 2015
    - Paid $185,000 for FY 2015
  - 1-year contract effective September 2015
    - $2.3 million
  - Contract extended another year
    - Paid monthly rate of $0.2 million
    - Paid $1.7 million for FY 2016 & $1.7 million for FY 2017
    - Paid $0.3 million for FY 2018
Eleanor Slater Hospital Recent History

- **Applied Management Services (AMS)**
  - Management and consultation services
  - Review hospital structure
- **4 separate tasks in the contract**
  - Executive Management – 10 activities
  - Analytics/Metrics – 5 activities
  - Finance/Budget – 4 activities
  - Special Projects/Enhancement Activities
### Finance/Budget Task

<table>
<thead>
<tr>
<th>Task Number</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Forecast budget expenditures &amp; recommend strategies to improve cost efficiencies &amp; provide tech. assistant to implement</td>
</tr>
<tr>
<td>(2)</td>
<td>Assist with developing productivity reports &amp; staffing patterns. Identify savings opportunities and tools to track the savings</td>
</tr>
<tr>
<td>(3)</td>
<td>Identifying efforts to work with EOHHS to develop long term care alternatives</td>
</tr>
<tr>
<td>(4)</td>
<td>Contracted CFO will evaluate internal fiscal systems that reflect industry standards</td>
</tr>
</tbody>
</table>
### Eleanor Slater Hospital Recent History

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Purpose</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMS (prior to FY 2020)</td>
<td>Review hospital structure</td>
<td>$3.2 million</td>
</tr>
<tr>
<td>Alvarez &amp; Marsal</td>
<td></td>
<td>$95,000</td>
</tr>
<tr>
<td>Manatt, Philips &amp; Phelps</td>
<td>Legal Services</td>
<td>$300,000</td>
</tr>
<tr>
<td>FTI Consulting (through Manatt)</td>
<td>Review of cost reports</td>
<td></td>
</tr>
<tr>
<td>Ernst &amp; Young (noted in Q3 no contract yet)</td>
<td>Fiscal Billing Audit</td>
<td>$150,000</td>
</tr>
<tr>
<td>PCG Consulting</td>
<td>Cost Allocation Plan</td>
<td>$300,000</td>
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<tr>
<td>???</td>
<td>External Medical Review</td>
<td>???</td>
</tr>
</tbody>
</table>
Contract with Alvarez & Marsal

- Not covered in prior testimony
- 10-day hospital assessment October 15 – October 25, 2019

Scope of work included a patient census
- Primary diagnosis of either psychiatric/medical
- Length of stay/Medicaid eligibility
- Could ESH transition into an inpatient psychiatric hospital
- No formal report made available
- $95,000
AMS completed a review of medical records in February 2016

- An action plan identifying 15 opportunities for improvement was provided
- Review noted that opportunities are in the process of being addressed by BHDDH
  - No record of any such changes

Also recommended a new hospital organizational structure
- Included new positions
November 2015

- AMS provided interim management services
  - While doing a national executive search
- New organizational structure with clear lines of authority

<table>
<thead>
<tr>
<th>Current staff</th>
<th>Prior Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer (hired 2/2017)</td>
<td>Administrator</td>
</tr>
<tr>
<td>Chief Financial Officer (hired 7/2017)</td>
<td>N/A</td>
</tr>
<tr>
<td>Chief Medical Officer (hired 1/2016; 9/2018)</td>
<td>N/A</td>
</tr>
<tr>
<td>Chief Nursing Officer (hired 9/2017)</td>
<td>N/A</td>
</tr>
<tr>
<td>Quality Assurance Officer (hired 1/2018)</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Overview

- Background
- Federal Compliance and Billing Issues
- Recent History of Operational Changes
  - AMS/Other Contracts
  - Accreditation
  - Reorganization Plans
- Other issues
Accreditation

- Received an initial denial which was reinstated in November 2017
- Repairs needed to meet Jt. Commission on Accreditation of Healthcare Organizations (JCAHO) requirements
  - Included in the reorganization plan
- Accreditation until 9/2020
  - Based on plan
Reorganization Plans

Hospital System after Cranston campus reorganization
Reorganization Plans

- 2018 Assembly authorized borrowing $22.0 million for renovations to Regan
  - Part of $49.9 million reorganization plan to bring Eleanor Slater Hospital into compliance with federal requirements
  - Proposed May 2018
    - Renovate 3 units for psychiatric patients
    - Upgrade 1 medical unit
    - New IT & data systems
    - New elevators, roof, flooring, masonry, furniture
Reorganization Plans

- Section 4 of Article 4 authorizes state to borrow another $12.0 million for Regan building
  - Would bring total to $61.9 million
    - Regan component originally $42 million of the total
      - ~ 30% increase over approved plan
    - Provide services to approximately 110 patients
    - Result of formal projections developed in the summer of 2019
      - Unclear if these will change again
## Reorganization Plans

<table>
<thead>
<tr>
<th>Floor</th>
<th>Purpose</th>
<th>Original Plan</th>
<th>New</th>
<th>Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>Main entry/kitchen</td>
<td>$6.4</td>
<td>$3.5</td>
<td>$-</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>Medical /staff space</td>
<td>3.1</td>
<td>3.1</td>
<td>-</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; *</td>
<td>Psychiatric Unit</td>
<td>5.3</td>
<td>5.2</td>
<td>-</td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt;/5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Psychiatric Unit</td>
<td>10.6</td>
<td>10.4</td>
<td>-</td>
</tr>
<tr>
<td>6&lt;sup&gt;th&lt;/sup&gt;*</td>
<td>Medical Unit</td>
<td>3.0</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td>Other Major Items</td>
<td></td>
<td>6.0</td>
<td>21.2</td>
<td>-</td>
</tr>
<tr>
<td>Design &amp; Contingency</td>
<td></td>
<td>7.6</td>
<td>5.6</td>
<td>2.3</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$42.0</strong></td>
<td><strong>$53.9</strong></td>
<td><strong>$2.3</strong></td>
</tr>
</tbody>
</table>

$ in millions - 3<sup>rd</sup> floor was 27 and 6<sup>th</sup> floor was 26 in original plan
Reorganization Plans

- Timeline assumes emptying Regan building in September 2020
  - Medical & psychiatric patients to Meyer
  - Move 13 patients who are on ventilators to Landmark
    - BHDDH has not signed a contract
    - State Properties Committee approved
    - Plan is contingent upon moving these patients
    - Capital plan assumes $1.5 million to lease space
  - December 2021 reopen
# Reorganization Plans

<table>
<thead>
<tr>
<th></th>
<th>Pre-FY 2020</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>Total</th>
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<tr>
<td>RICAP</td>
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<td><strong>Subtotal</strong></td>
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<td>-</td>
<td>12.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$9.6</strong></td>
<td><strong>$11.2</strong></td>
<td><strong>$36.0</strong></td>
<td><strong>$5.0</strong></td>
<td><strong>$61.9</strong></td>
</tr>
</tbody>
</table>

$ in millions

- Annual debt service is $1.0 million on new issuance
  - Assuming 2.75% & 15 yr. term
Reorganization Plans

- Multiple versions of this project over past decade
- Different combinations of new and reused space

<table>
<thead>
<tr>
<th>5-Year Plan</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td>FY 2021 – FY 2025</td>
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<td>FY 2020 – FY 2024</td>
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<td>FY 2017 – FY 2021</td>
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<td>FY 2016 – FY 2020</td>
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<td>FY 2013 – FY 2017</td>
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<td>FY 2012 – FY 2016</td>
<td>$28.2</td>
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</table>
Overview

- Background
- Federal Compliance and Billing Issues
- Recent History of Operational Changes
  - AMS/Other Contracts
  - Accreditation
  - Reorganization Plans
- Other Issues
Other Issues

- Actions to date
  - EOHHS has submitted a Medicaid state plan amendment formalizing ESH billing (cost based payment) methodology
  - Regulation promulgated for long term care facilities related to IMD definition
    - How and when to count patients by category
    - Hospitals/nursing homes & other facilities
Other Issues

Other issues:

- How does this impact the new capital plan?
  - Operational costs considerations
- When will internal & external reviews be finished?
- Final estimate of lost federal funds for FY 2020?
- Future of federal funds available for FY 2021?
Eleanor Slater Hospital: Billing Issue and Status Update

Staff Presentation to the House Finance Committee
June 4, 2020