SUMMARY
A Human Services In-depth Budget Review conducted by the Office of the Legislative Fiscal Analyst (LFA) recommended “review the ARTC program at the State Hospital and either provide it authority or eliminate it”. The need for the 5-bed Acute Rehabilitation Treatment Center (ARTC) beds arises from four rural mental health centers being unable to place Medicaid recipients in private sector psychiatric beds due to lack of sufficient private sector beds. The situation with these four centers was viewed as an “access-to-care” issue by the state’s Medicaid agency and in response the ARTC arrangement was developed in 2004. Other local mental health authorities purchase short term acute care beds from hospitals in communities. All other civil beds at the State Hospital are provided to local mental health authorities based upon a population-based formula. The five ARTC beds are an exception to this. Other local mental health authorities pay between $900 and $1,300 per day per bed for community short term acute care beds. The current payment required for the five ARTC beds is $252 per day. The average daily cost for all beds at the State Hospital is $467 per day. The current charge for ARTC beds requires the State Hospital, and by extension all other local mental health authorities, to subsidize the cost of these five ARTC beds. The Legislature has a number of options it can choose to either provide further authority for the current arrangement or alter it to remove the financial subsidy. The Utah Association of Counties has recommended maintaining the current ARTC arrangement stating “although the ARTC does provide a subsidy to some counties, it is a subsidy that is reasonable in light of the alternative”.

ARTC BACKGROUND
The State Hospital five-bed Acute Rehabilitation Treatment Center (ARTC) program provides acute beds for rural community mental health centers that do not have inpatient psychiatric beds in their communities. Currently, a portion of the Beesley Building at the State Hospital houses these five beds. Typically psychiatric acute care takes place in regional hospitals. However, several rural counties in the state utilize the State Hospital to take on this responsibility for them. The four local mental health centers utilizing ARTC are: 1) Central Utah Counseling Services, 2) Northeastern Counseling Services, 3) Four Corners Mental Health, and 4) San Juan Mental Health. The state Medicaid agency (located in the Department of Health) pays the State Hospital directly for these ARTC beds on behalf of the four rural mental health authorities. For the Medicaid agency, it is seen as a Medicaid access-to-care issue. The need for these beds arises from rural mental health centers being unable to place Medicaid recipients in private sector psychiatric beds due to lack of sufficient private sector beds. The arrangement for these five beds at the State Hospital was developed in 2004 between the Department of Human Services, rural mental health centers, and the Medicaid agency located in the Department of Health.

According to the State Hospital, the adjacent Girls Youth unit provides the Registered Nurse (RN) and Licensed Practical Nurse (LPN) coverage for both the Girls Youth and ARTC units as well as the administrative component that would include the administrative director, the unit nursing director, and a secretary. The average daily ARTC census in FY 2009 and in FY 2010 was three. ARTC admissions were 102 in FY 2009 and 118 in FY 2010. The ARTC median discharge length of stay was eight days in FY 2009 and seven days in FY 2010. The number of acute beds has been adequate so far to meet the needs of the four rural centers.

STATUTORY AUTHORITY AND THE POPULATION-BASED FORMULA ALLOCATION OF STATE HOSPITAL BEDS
A Human Services In-depth Budget Review presented to the Executive Appropriations Committee on November 16, 2010 made the recommendation to “review the ARTC program at the State Hospital and either provide it authority or eliminate it” ([http://le.utah.gov/interim/2010/pdf/00001613.pdf p. 38](http://le.utah.gov/interim/2010/pdf/00001613.pdf p. 38)). Subsequent to this in-depth review, the Department of Human Services has discovered through its research the Legislative approval of a $570,000 supplemental request for “dedicated credits” for FY 2003 with a brief description stating “the State Hospital in Provo recently set aside five beds for use by local mental health centers as short term acute beds for treating and stabilizing patients in crisis. The Hospital bills the mental health centers for these services and the revenue is recognized as dedicated credits” [Office of the Legislative Fiscal Analyst - 2004 Budget Recommendations]. The Department of Human Services also refers to the following statutory authority it feels supports the ARTC program at the State Hospital:

1. The objectives of the State Hospital . . . shall be to care for all persons within this state who are subject to the provisions of this chapter . . . .
2. Only the following persons may be admitted to the State Hospital:
   a. persons 18 years of age and older who meet the criteria necessary for commitment under this part and who have severe mental disorders for whom no appropriate, less restrictive treatment alternative is available . . . (62A-15-610).

However, all other civil commitment beds at the State Hospital, except the five associated with the ARTC program, are allocated to local county authorities by a population-based formula (UCA 62A-15-611 and 612):

2(a) The board shall establish by rule a formula to separately allocate to local mental health authorities adult beds for persons who meet the requirements of Subsection 62A-15-610(2)(a). . . . The number of beds shall be reviewed and adjusted as necessary . . . every three years thereafter according to the state’s population . . . a differential to compensate for the additional demand for hospital beds in mental health catchment areas that are located in urban areas . . . a local mental health authority may sell or loan its allocation of beds to another local mental health authority. (62A-15-611)

2 The board shall establish by rule a formula to separately allocate to local mental health authorities pediatric beds for persons who meet the requirements of Subsection 62A-15-610(2)(b). On July 1, 1996, 72 pediatric beds shall be allocated to local mental health authorities under this section. That number shall be reviewed and adjusted as necessary every three years according to the state's population of persons under 18 years of age . . . A local mental health authority may sell or loan its allocation of beds to another local mental health authority. (62A-15-612)

In the Analyst’s opinion, the current ARTC arrangement is inconsistent with the underlying allocated bed concept established by statute.

**Statutory Authority and the Formula Allocation of Community Mental Health Funding**

Most state and federal funds used for community mental health services in Utah are distributed by formula to local authorities:

1. The formulas shall provide for allocation of funds based on need. Determination of need shall be based on population unless the division establishes, by valid and accepted data, that other defined factors are relevant and reliable indicators of need. The formulas shall include a differential to compensate for additional costs of providing services in rural areas.
2. The formulas established under Subsection (1) apply to all state and federal funds appropriated by the Legislature to the division for . . . local mental health authorities . . . (UCA 62A-15-108)

**Cost Comparisons Between ARTC Short Term Acute Care Beds and Those in the Community**
The financing structure for public mental health in Utah consists of state and federal funds passed from the Division of Substance Abuse and Mental Health through to local mental health authorities using a population-based formula. Counties are required to provide a 20 percent match to these state funds passed through by formula. A county may provide more than its required match and, as a matter of fact, some counties do. From these combined funds a local mental health authority is expected to cover an array of services mandated in Utah statute (UCA 17-43-301) including inpatient care and services. The typical pattern in Utah is for a local mental health authority to purchase short term acute care bed space from hospitals in local communities. Long term hospital bed space is provided by the State Hospital. All State Hospital civil beds are allocated by statute based upon population with the state covering all of the operating costs of the State Hospital.

As discussed above, four rural counties in the state utilize the State Hospital to take on the short term acute care bed responsibility for them. Thus, the five ARTC beds provide a unique arrangement for four rural centers not offered to other centers and thereby provide a financial subsidy for these four rural centers. The ARTC bed cost per day is $768 considering all direct and indirect costs for the unit. The cost per day for other centers using the private market is between $950 and $1,300 for short term acute care beds. The actual average cost for all services at the hospital is approximately $467 per day. $460,000 is paid to the State Hospital for all five ARTC beds for the entire year. This calculates to a payment of $252 per day.

**Utah Association of Counties Response to the ARTC Arrangement and Recommendation for the Current Arrangement**

The Utah Association of Counties (UAC), in response to inquiries from the Office of the Legislative Fiscal Analyst, states that “ARTC is still needed and the funded structure should be continued.” UAC also states “nothing has changed to make the situation more manageable for the counties. Psychiatric bed space in the state remains very limited and much of that capacity is used by other centers within the state – generally centers in a closer proximity to a facility with psychiatric beds. . . there is simply not enough space in Utah hospitals.” UAC goes on to explain “where counties are involved in providing that service, providers do so only through contracts for acute care. . . In counties where a hospital is located, the hospital’s duty to provide charity care often is relied on as a way to lower costs to the county for providing care for acute mental health needs. This provides some limited help for the parties in the negotiation – hospitals can meet an obligation and counties can manage costs. In contrast, if a county has no hospital with acute care beds in its boundaries, then that county has very little option but to pay the hospital what it asks for the beds. The hospital has little option but to charge whatever the costs of care are because it gets no benefit from providing charity care. This is exactly the situation faced by the counties that currently receive the benefit of the ARTC arrangement.”

The UAC response then quotes the director of Four Corners Behavioral Health who states:

“During the calendar year 2010, we used 482 bed days, or 1 ½ beds per day at the ARTC. At the rate of $1,000 per day (without the ARTC arrangement) our costs would be $530,200 per year (that would be an additional cost). That amount in a 5+ million dollar budget is approximately 10% and would be crippling. Essentially we would take an immediate 10% budget reduction to cover this expense—if we could even locate bed space outside of the USH. Because we could not bear this cost, the result would be that we would admit fewer clients into the hospital, and we would have unstable clients remaining in the community in an unsafe circumstance for the client and community, and would be unable to serve other clients with sub-acute needs.”

UAC concludes “although the ARTC does provide a subsidy to some counties, it is a subsidy that is reasonable in light of the alternative. . . In light of the lack of options available to those communities, a subsidy for this limited
purpose seems reasonable. The same problems and circumstances that were present when the agreement was entered into remain now” [UAC e-mail response to the Legislative Fiscal Analyst dated January 13, 2011].

**LEGISLATIVE OPTIONS**

The following options offer a range of choices the Legislature may consider to respond to the ARTC situation:

- The Legislature could take no action. This would allow the ARTC program to continue under its current arrangement but would provide no additional clarity, program authority, or consistency with the underlying formula allocation by population.
- The Legislature could provide additional authority for the ARTC program through intent language.
- The Legislature could provide additional authority for the ARTC program through clarifying changes in statute.
- The Legislature could provide temporary authority for the ARTC program through intent language specifying the ARTC program continue until a date certain and require that a different arrangement outside of the State Hospital be found following that date certain with a request that the program report back.
- The Legislature could require through intent language that the State Hospital charge an ARTC daily bed rate that would reflect either total costs or total marginal costs.
- The Legislature could direct the Division of Substance Abuse and Mental Health to adjust its funding formula to recognize this unique need of rural counties –thus increasing the amount passed through to rural counties. The Legislature could further direct the Utah State Hospital to charge the actual cost of the ARTC beds.
- The Legislature could instruct the State Hospital, through intent language, to discontinue the ARTC program by a date certain.