

State of Nevada  
Department of Administration  
Division of Internal Audits

**Audit Report**

**Department of Health and Human Services  
Division of Public and Behavioral Health**

Report No. 14-02  
September 2013

**EXECUTIVE SUMMARY**  
**Division of Public and Behavioral Health**

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**Objective 1: Can the Division More Efficiently Provide Mental Health Care  
by Redesigning Lakes Crossing Center?**

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**Jail-based Competency Programs May Help Lakes Crossing  
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The Division of Public and Behavioral Health (Division) should evaluate implementing jail-based competency programs in Nevada’s urban counties. This could benefit the State by \$1.2 million annually from reduced costs to Lakes Crossing Center. Competency treatment programs in local jails could reduce the number of beds needed each day at Lakes Crossing by up to 17. Lakes Crossing estimates that as many as 30 percent of its patients could be treated in jail-based competency programs in urban counties. Treating these patients in the local jails would help reduce State spending without additional costs to the urban counties.

**The Stein Hospital in Las Vegas May Allow Lakes Crossing  
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The Division should evaluate closing the Lakes Crossing annex secure units in Dini Townsend Hospital when Stein Hospital is opened in Las Vegas. This could benefit the State by \$3 million annually from reduced costs at Lakes Crossing because of a decreased requirement for forensic hospital beds in northern Nevada. The Stein Hospital’s planned opening in 2016 will expand the Division’s forensic psychiatric bed capacity to southern Nevada and may reduce Lakes Crossing’s bed requirements in northern Nevada by as many as 23 beds per day. Including the 17 beds saved from jail-based competency programs, Lakes Crossing’s bed requirement may be between 36 – 53 beds per day. The Lakes Crossing facility houses 56 patients. The Division could close the 20-bed annex secure units in Dini-Townsend Hospital and still meet estimated bed requirements in northern Nevada.

**State Staff Conducting Pre-Commitment Assessments in Clark County  
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The Division should evaluate implementing policies and procedures for State staff to conduct pre-commitment assessments in Clark County for forensic psychiatric patients who may require treatment at Lakes Crossing. This could benefit the State by \$88,000 and help standardize the process for forensic psychiatric assessments and care. Lakes Crossing staff are acknowledged experts in forensic mental health treatment. They conduct pre-commitment assessments in northern Nevada; private contractors working for Clark County Courts conduct assessments in southern Nevada. Policies and procedures that require expert State staff, some already located in southern Nevada, to conduct assessments that may lead to State-provided treatment, will increase revenue and may better identify patients requiring forensic hospital care.

**A Lakes Crossing Satellite Unit at the Prison Regional Medical Facility  
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The Division should evaluate coordinating with the Nevada Department of Corrections to establish a Lakes Crossing satellite unit at the prison regional medical facility to bill for psychiatric services and better manage all forensic mental health patients. This could benefit the State by almost \$10 million annually (\$323,000 in new billings and \$9.6 million savings from reduced recidivism).

Nevada could meet unique criteria to bill for additional federal revenues for Medicare-eligible prison mental health patients because there is a state law allowing prisoners to be billed for medical services. The Division identified as many as 42 patients in the prison regional medical facility's mental health unit in 2012 who would be Medicare eligible, which is about \$323,000 in annual federal billings. Lakes Crossing will be able to bill once it is certified by the Centers for Medicare and Medicaid Services and clarifies questions about the Division's billing process fulfilling federal requirements to bill every patient and pursue collection against all insurance or other payers, including the patient, with the same vigor.

Better continuity of care for prison patients under the Division's management could save the State over \$9.6 million annually by reducing recidivism and overall costs to the State for forensic mental health care. Division data shows 16 percent of prison mental health patients may have been previously treated by a State mental health agency. The Division can provide better continuity of care between prison-based treatment by Lakes Crossing to services provided through Northern and Southern Nevada Adult Mental Health Services and other agencies of the Department of Health and Human Services. Continuity of care should also help with medical compliance and a patient's well-being.

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**Objective 2: Can the Division More Effectively Provide Mental Health Care  
by Redesigning Dini Townsend Hospital?**

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**Privatizing the Hospital Caseload Will Open Beds for Other Uses that  
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The Division should evaluate pursuing a Statute change to privatize and relocate the patient caseload to a community provider to reduce state spending and open Dini Townsend Hospital for other uses. This could benefit the State by \$4.1 million annually. Community capacity may exist to help the State reduce spending because it may cost about 3 times as much to provide psychiatric care at Dini Townsend Hospital. Additionally, Dini Townsend is unable to bill Medicaid for services. Current federal guidelines do not allow a free-standing psychiatric hospital of more than 16 beds to bill Medicaid for services; Dini Townsend is licensed for 70 beds but is only using one 20-bed hospital unit for inpatient services. Medicaid-eligible patients are about 15 percent of the caseload and cannot be billed; the State General Fund pays for services.

**In-State Long-Term Care for Nevadans Receiving Care Out-of-State  
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The Division should evaluate providing long-term care for Nevadans currently receiving care out-of-state to retain State dollars, keep families close, and help sustain Dini Townsend as a viable mental health care facility. This could benefit the State by \$8.3 million. The Division is developing regulations for licensing a psychiatric residential treatment facility in Nevada, which will have a lower level of licensing requirements, costs, and associated billing rates than a psychiatric hospital. In fiscal year 2012, the State spent \$31.5 million for out-of-state care, including psychiatric residential treatment facilities, for 263 patients; many are younger Nevadans separated from their families, which can create additional issues. We estimate the State could return up to \$3.6 million of annual spending back in state for 30 patients treated in Dini Townsend by using three of four units in the hospital. We identified potential billings of \$4.7 million for these patients.

**An Inpatient Co-Occurring Substance Abuse Program  
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The Division should evaluate implementing an inpatient co-occurring mental health/substance abuse treatment program to help fill a community service gap and reduce overall State spending for mental health services. Division officials report there is no public facility in northern Nevada focused on treating co-occurring disorders. Patients may not get proper treatment, resulting in more expensive hospitalizations or involvement with law enforcement and the court system. As many as 50 percent of people with a co-occurring diagnoses may be actively abusing substances. Dini Townsend may have available capacity to provide inpatient services focused on co-occurring disorders. The facility would likely need to be re-licensed as a 16-bed hospital for federal funding purposes.

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Division of Public and Behavioral Health's Response and Implementation Plan

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Timetable for Implementing Audit Recommendations

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## INTRODUCTION

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At the direction of the Executive Branch Audit Committee, we conducted an audit of the Department of Health and Human Services, Division of Mental Health and Developmental Services (Division).<sup>1</sup> Our audit addressed the following four questions:

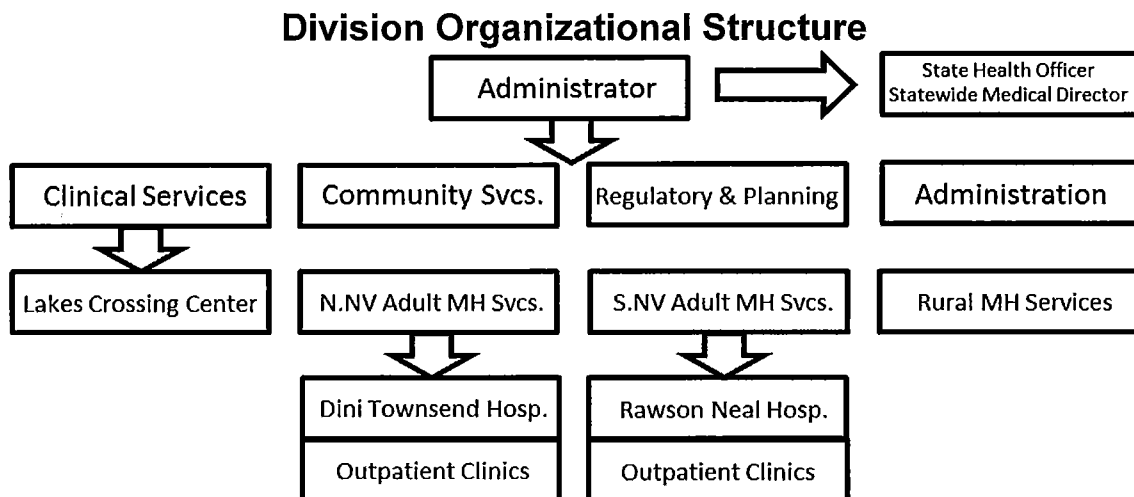
- ✓ What is the Division's role?
- ✓ What services must the Division provide?
- ✓ Is the State the proper level of government to provide these services?
- ✓ If State government is the appropriate level of government, is the Division carrying out its duties efficiently and effectively?

Our audit focused on redesigning State mental health services to reduce spending, provide better services, and help sustain State psychiatric facilities.

### Division's Role and Public Purpose

The new Division of Public and Behavioral Health is organized as follows as it relates to the audit, see Exhibit I:

#### Exhibit I



<sup>1</sup>In fiscal year 2014, the Department of Health and Human Services reorganized. The Health Division integrated with Mental Health to form the Division of Public and Behavioral Health; Developmental Services integrated into the Aging and Disabilities Services Division.

The Division delivers mental health services to people in Nevada and administers three State psychiatric hospitals as part of its responsibilities:

- **Rawson Neal Hospital** opened in 2006 in Las Vegas and is administered by Southern Nevada Adult Mental Health Services.
- **Dini Townsend Hospital** opened in 2001 in Sparks and is administered by Northern Nevada Adult Mental Health Services.
- **Lakes Crossing Center** opened in 1976 in Sparks and is administered as a separate agency with support from Northern Nevada Adult Mental Health Services. Lakes Crossing is the State’s forensic psychiatric hospital. Forensic psychiatry specializes in criminal behavior.

See Exhibit II for a comparison of the three psychiatric hospitals.

## Exhibit II

### State Psychiatric Hospitals

	2013 Budget (\$ million)	Budgeted Hospital Beds	Daily Census	Average Length of Stay (days)
<b>Rawson Neal Hospital</b> Las Vegas	\$40.0	160	147	18
<b>Dini Townsend Hospital</b> Sparks	\$ 9.4	30	16	11
<b>Lakes Crossing Center</b> Sparks	\$ 8.7	66	62	90

State statute<sup>2</sup> stipulates the Division will administer hospitals to serve Nevadans with mental illness, addiction disorders, developmental disabilities, and related conditions. In general, patients are poor, uninsured, and/or transient.

State agencies, in general, and the Division of Public and Behavioral Health should assess how services are delivered to maximize Medicare and Medicaid revenues and sustain facilities and resources deemed important and necessary. Changes to federal law will allow states to recover more revenue for the mental health services they provide. The implementation of the Affordable Care Act (ACA) in January 2014 will increase the number of mental health patients receiving State care who are eligible for coverage from Medicaid and insurance exchanges. The Division projects 56 percent of its clients will be Medicaid-eligible in 2015; up from 27 percent in 2012. Additional changes in federal guidelines for how states may deliver services and will be reimbursed for health care, in general, and mental health care, specifically, remain uncertain. The Division is

<sup>2</sup>Nevada Revised Statutes 433.A, 433.233 and 178.400.

planning for this uncertainty as best as it can with the information available. The federal Medicare program remains, essentially, unchanged.

Sustaining State psychiatric facilities and resources is consistent with State law and policies. We reviewed alternatives for redesigning, altering, and expanding the Division's role to enhance its public purpose to provide efficient and effective mental health services in State psychiatric facilities in northern Nevada.

## **Scope and Objectives**

We began the audit in August 2012. Our audit addressed whether the State can more efficiently and effectively provide mental health care in State hospitals in northern Nevada. During the audit, we reviewed and discussed the Division's policies and procedures with management and staff. We reviewed Division budget data and operational information. We also surveyed other states and private providers to determine best practices. In addition, we interviewed staff of the State's Department of Corrections. We concluded field work and testing in July 2013.

Our audit focused on the following two objectives:

- ✓ Can the Division more efficiently provide mental health care by redesigning Lakes Crossing Center?
- ✓ Can the Division more effectively provide mental health care by redesigning Dini Townsend Hospital?

We performed our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

The Division of Internal Audits expresses appreciation to the Division's management and staff for their cooperation and assistance throughout the audit. In addition, we express appreciation to the management and staff of the Nevada Department of Corrections for their cooperation and assistance.

Contributors to this report included:

Warren Lowman  
Executive Branch Audit Manager

Ashwini Prasad, CPA, CIA  
Executive Branch Auditor III

## **Division of Public and Behavior Health Response and Implementation Plan**

We provided draft copies of this report to Division officials for their review and comments. Their comments have been considered in the preparation of this report and are included in Appendix A. In its response, the Division accepted each of the recommendations we made. Appendix B includes a timetable to implement our recommendations.

NRS 353A.090 specifies that within six months after the Executive Branch Audit Committee releases the final audit report, the Administrator of the Division of Internal Audits shall evaluate the steps the Division has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The Administrator shall report the six-month follow-up results to the Committee and Division officials.

The following report contains our findings, conclusions, and recommendations.



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## **Can the Division More Efficiently Provide Mental Health Care by Redesigning Lakes Crossing Center?**

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The Division can more efficiently provide mental health care to the State's forensic psychiatric population by redesigning Lakes Crossing Center operations in four areas:

- jail-based competency programs;
- annex secure units;
- pre-commitment assessments in Clark County;
- billing revenues and continuity of care for prison patients.

State statute<sup>3</sup> designates Lakes Crossing Center as the facility where Nevada courts send individuals to be restored to competency in order to stand trial for their alleged crimes. These individuals have been arrested and deemed incompetent to participate in their legal defense. Lakes Crossing staff evaluates the patient's progress and recommends when and if someone is mentally competent to participate in their legal defense. This is a restoration to competency.

Lakes Crossing patients come from throughout the State. Nevada's urban counties account for about 90 percent of its patients. On average, 60 percent come from Clark County/Las Vegas and are flown to Sparks every two weeks; 20 percent come from Washoe County/Reno; and 20 percent come from the remaining counties, with about half that number from Carson City.

Redesigning State forensic mental health care services may reduce overall spending, provide better outcomes, and help sustain State psychiatric facilities. This could benefit the State by over \$14 million annually.

### **Jail-Based Competency Programs May Help Lakes Crossing Operate More Efficiently**

Implementing jail-based competency programs in Nevada's urban counties may increase available beds at Lakes Crossing to accommodate the caseload and consolidate patients treated in the annex secure units in Dini Townsend Hospital. The Division could save about \$1.2 million annually from implementing urban jail-based competency programs.

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<sup>3</sup>Nevada Revised Statutes 433.227, 433.233 and 178.400.

## **Some Forensic Psychiatry at the Local Jails May Be More Efficient**

Jail-based competency programs seek to deliver needed mental health services for patients found incompetent to participate in their own defense at trial. Several other states use or plan to use jail-based programs in their competency restoration processes.<sup>4</sup> Currently, in Nevada, all competency restoration treatment occurs at Lakes Crossing; however, many patients could be treated in local jails as well. Patients receiving treatment in local jails would be those assessed as needing a less intensive treatment regimen over a shorter period of time than patients transferred to Lakes Crossing for competency restoration treatment and determination.

Lakes Crossing officials estimate as many as 30 percent of its patients could be treated in jail-based competency programs in urban counties.<sup>5</sup> These are patients who meet four criteria in the Lakes Crossing analysis:

- 1) competency restored in 60 days or less;
- 2) involuntary medication not required;
- 3) the patient not found incompetent Without Probability (i.e. patient was determined to be incompetent to stand trial) within the 60-day window;
- 4) the patient not charged with murder or sexual assault.

Treating these patients in the local jails would save up to \$1.2 million for Lakes Crossing without additional costs to the urban counties. See Exhibit III, page 7. Additionally, we estimate the Las Vegas Metropolitan Police Department could save about \$36,000<sup>6</sup> annually in transportation costs for not flying some patients from Las Vegas to Sparks for competency restoration treatment and determination.

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<sup>4</sup>California has existing programs; Colorado plans to open a program for nine counties in and around Denver; and Texas passed legislation to operate a pilot program.

<sup>5</sup>Lakes Crossing officials estimate that in fiscal years 2011 – 2012, 36 percent of admissions from Clark County (93 of 261 patients) and 15 percent of admissions from Washoe County (12 of 79 patients) would have met its criteria for restoration in jail-based competency programs (105 of 340 patients = 30.8 percent).

<sup>6</sup>\$36,000 savings for the Las Vegas Metropolitan Police Department from reducing its \$100,000 air transport contract by 36 percent.

## Exhibit III

### Jail-based Competency Program Estimated Savings

<b><u>Current State Costs</u></b>				
Lakes Crossing Daily Cost	\$455	x	60 Treatment Days to Competency	= \$27,300
Cost to Restore Competency	\$27,300	x	102 Patients Meeting Criteria/2016	= <b>\$2,784,600</b>
<b><u>Estimated Jail-based Competency Program Costs</u></b>				
Program Cost per Patient (based on CA cost, including daily rate to the local jail)	\$15,895	x	102 Patients Meeting Criteria/2016	= <b>\$1,621,290</b>
<b><u>Estimated Savings to Nevada</u></b>				
Current State Costs	-		Estimated Program Costs	= <b><u>\$1,163,310</u></b>

### Lakes Crossing May Be Able to Reduce Bed Days and Spending

Urban jail-based competency programs could help alleviate the unexpected surge in forensic patients on the wait list that occurred in southern Nevada during the fourth quarter of fiscal year 2013. In response to the surge, the Division plans to increase Lakes Crossing's capacity to 76 beds in fiscal year 2014. However, jail-based competency programs could open, on average, 17 beds at Lakes Crossing per day in fiscal year 2016, the earliest point a new jail-based competency program could likely begin because of the program development and contracting process, and legislative interest. See Exhibit IV.

## Exhibit IV

### Lakes Crossing Beds Reduced by Jail-based Competency Programs

Patients Meeting Criteria/2016	102	x	60 Treatment Days to Competency	= 6,120
Lakes Crossing Beds	76	x	365 Annual Bed Days	= 27,740
Jail-based Competency Days	6,120	÷	27,740 Annual Bed Days	= 22%
Percent Jail-Based Competency Days Reduced	22%	x	76 Lakes Crossings Beds in 2016	= 17
<b><u>Beds Reduced Each Day by Jail-based Competency Programs</u></b>				<b><u>17</u></b>

The Division should evaluate implementing jail-based competency programs in Nevada's urban counties to reduce spending and make the competency restoration process more efficient.

## **The Stein Hospital in Las Vegas May Allow Lakes Crossing to Reduce Beds**

Opening a new forensic hospital in southern Nevada may increase available beds at Lakes Crossing to accommodate the caseload and consolidate patients treated in the annex secure units in Dini Town send. The Division could save about \$3 million annually from closing the secure units in Dini Townsend because those beds may exceed the requirement to accommodate forensic psychiatric patients in northern Nevada when the Stein Hospital opens in Las Vegas.

In July 2013 there was a wait list of 36 patients in Clark County who needed State forensic psychiatric treatment. The Division implemented several initiatives to address the wait list, including triage teams going to hospital emergency rooms and working with local law enforcement personnel to reduce the number of psychiatric patients arrested. The initiative is to better treat patients in the State's psychiatric urgent care center or provide other State services and avoid more expensive hospital and legal system costs. These initiatives could reduce the number of forensic psychiatric patients on the wait list by 9 per day.<sup>7</sup>

Division plans call for expanding the current capacity from 10 to 20 beds in the Lakes Crossing annex secure units in Dini Townsend. Lakes Crossing will expand into a second and vacant 20-bed hospital unit in Dini Townsend. As in the original annex secure unit, there will only be one patient per two-person room. There are 10 rooms in the unit. The expansion is meant to address near term needs in southern Nevada and reduce the number of patients waiting for State forensic psychiatric services. The Division plans to spend approximately \$1.5 million annually to operate the new secure unit. The current 10-bed annex costs about \$1.5 million annually to operate.

The number of beds required in northern Nevada by fiscal year 2016 will be affected by the new forensic facility in Las Vegas. By the next biennium, the Division plans to open Stein Hospital on the Southern Nevada Adult Mental Health campus. The Stein Hospital was the former State psychiatric hospital in southern Nevada before Rawson Neal. The Stein Hospital will add up to 42 new forensic psychiatric beds for the Division.

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<sup>7</sup>Calculation based on assuming a 25 percent treatment success rate of the Division's Wait List management initiatives for 36 patients; equals 9 patients who would not need beds in a State forensic psychiatric facility.

**Fewer Forensic Beds May Be Required in Northern Nevada**

Opening Stein Hospital may reduce Lakes Crossing bed requirements by as many as 23 beds per day. See Exhibit V.

**Exhibit V**

**Lakes Crossing Beds Reduced  
by Opening Stein Hospital**

<b><u>Available Beds per Day</u></b>						
FY 2014				Lakes Crossing	=	76 Beds per day
FY 2016	+	42		New Stein Hospital beds per day	=	118 Total forensic beds
<b><u>Required Beds per Day</u></b>						
Current caseload					=	66 Beds per day
Wait List	36	-	9	Adjustment for 25% success rate of the Division's Wait List management initiatives	=	27 Additional beds per day
Current caseload	66	+	27	Wait List	=	93 Beds per day
<b><u>Required Beds per Day in FY 2016</u></b>						
Estimated forensic patients	340	x	60%	from So. NV	=	204 Patients
		x	40%	from No. NV	=	136 Patients
Patients from So. NV	204	x	102	Days avg. stay	=	20,808 Bed days
Patients from No. NV	136	x	102	Days avg. stay	=	13,872 Bed days
<b><u>Stein Hospital Capacity in FY 2016</u></b>						
Available beds	42	x	365	Days	=	15,330 Available bed days
Available bed days	15,330	-	20,808	Required bed days	=	-5,478 Bed days needed at Lakes Crossing
Bed days needed at Lakes Crossing	5,478	÷	365	Days	=	<b>15 Lakes Crossing Beds needed per day</b>
<b><u>Lakes Crossing Capacity in FY 2016</u></b>						
Available beds	76	x	365	Days	=	27,740 Available bed days
Available bed days	27,740	-	13,872	Required bed days	=	13,868 Excess bed days
Excess bed days	13,868	÷	365	Days	=	<b>38 Lakes Crossing excess beds per day</b>
Lakes Crossing excess beds per day	38	-	15	Beds needed at Lakes Crossing per Day	=	<b>23 Net Lakes Crossing excess beds per day</b>

In addition to the excess 23 beds from opening Stein Hospital, jail-based competency programs may save as many as 17 beds. The requirement at Lakes Crossing in fiscal year 2016 could be between 36 and 53 beds per day. The Lakes Crossing facility houses 56 patients. As a result, managing daily bed requirements will remain as important in the long term as in the short term. However, Lakes Crossing may be able to close the two annex secure units in Dini Townsend when the Stein Hospital opens for forensic psychiatric patients. This could save the Division \$3 million annually. Consequently, more efficiently using Lakes Crossing may lead to an opportunity to more effectively use Dini Townsend.

The Division should evaluate closing the Lakes Crossing annex secure units in Dini Townsend when Stein Hospital is opened in Las Vegas.

### **State Staff Conducting Pre-Commitment Assessments in Clark County Assures Standardization and Some Revenue**

Implementing policies and procedures for State staff to conduct pre-commitment assessments in Clark County will assure standardization in the State's forensic psychiatric assessment practices and could increase revenues for the State. Entrusting experienced experts from Lakes Crossing to accomplish pre-commitment assessments statewide may benefit the State by approximately \$88,000 annually. Other benefits could not be measured.

Nevada court-ordered pre-commitment assessments to determine a person's competency to stand trial occur routinely. Lakes Crossing staff conducts pre-commitment assessments in the north and most rural counties and are acknowledged experts in forensic mental health treatment. Lakes Crossing has negotiated payment contracts with these counties for the assessments. Pre-commitment assessments in Clark County are conducted by private contractors. These private contractors are certified by Lakes Crossing and compensated by Clark County courts.

### **Pre-Commitment Assessment Data is Not Readily Available**

We attempted to determine the rate at which patients from the north and south are referred to Lakes Crossing for competency restoration treatment and determination but were unable to obtain sufficient information to compare.<sup>8</sup> The State may be able to benefit by avoiding treatment costs for Lakes Crossing

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<sup>8</sup>Procedures and authorities to audit data from the Nevada Administrative Offices of the Court were outside the scope of this audit. Consequently, we did not estimate the benefit for the State from more effective pre-confinement assessments conducted by expert, and theoretically more effective, State staff. Benefits would include treatment and other costs avoided because of a lower rate of patients transported to Lakes Crossing from Clark County.

patients flown from Las Vegas to Sparks as a result of more expert assessments by the State staff.

### **Pre-Commitment Assessments are Not Standardized Statewide**

Under current practice, the assessment process to qualify for Lakes Crossing treatment is not standardized throughout the State. The process could be standardized. The Division reports that Southern Nevada Adult Mental Health Services (Rawson Neal Hospital and SNAMHS Outpatient clinics) has psychiatrists and other professionals certified by Lakes Crossing in forensic mental health that are able to conduct pre-commitment assessments. State staff could conduct assessments in southern Nevada without additional cost to the Division while also eliminating costs incurred for certifying Clark County contract psychiatrists. Additionally, Lakes Crossing's expertise, resources, and procedures would be available for Division staff conducting pre-commitment assessments in southern Nevada. Moreover, State forensic psychiatric staff will be available in Stein Hospital in Las Vegas beginning in 2016. State staff conducting all pre-commitment assessments of patients who may require treatment by the State will assure standardization of policies and procedures for measuring and determining treatment requirements.

Standardizing the State's role in assessing Lakes Crossing patients should increase some revenue. Clark County pays \$350 for a pre-commitment assessment. Each patient receives two assessments. Approximately 60 percent of Lakes Crossings' patients come from Clark County or about 125 patients annually. Lakes Crossing could generate about \$88,000 by negotiating with Clark County for State staff to conduct pre-commitment assessments as is done throughout the rest of Nevada.

The Division should evaluate implementing policies and procedures for State staff to conduct pre-commitment assessments in Clark County to standardize forensic psychiatric assessments. This may also allow greater efficiency through increased revenues and reduced spending.

## **A Lakes Crossing Satellite Unit at the Prison Regional Medical Facility May Increase Billing Revenues and Cut Red Tape**

Establishing a Lakes Crossing satellite forensic psychiatric unit at the prison regional medical facility in Northern Nevada Correctional Facility in Carson City could benefit the State and patients. There may be additional revenues from mental health services not being billed (\$323,000) and reduced spending by providing better continuity of care for patients leaving prison and transitioning to outpatient services provided by the Division (\$9.6 million). These actions could benefit the State by almost \$10 million annually.

### **CMS Certification is Necessary to Bill for Services**

Lakes Crossing may be able to establish a satellite unit at the prison regional medical facility once it is certified by the federal Centers for Medicare and Medicaid Services (CMS). Lakes Crossing began the certification process in 2008 as a result of our audit recommending the Division bill for mental health services provided at State hospitals.<sup>9</sup> CMS identified several capital improvement projects necessary for Lakes Crossing to achieve certification and the ability to bill Medicare for eligible patients. The Legislature approved the Division's request of approximately \$2.7 million in the 2014-2015 Capital Improvement Program.

### **Nevada Could Meet Unique Criteria to Bill for Additional Federal Revenues**

Lakes Crossing may be able to bill Medicare for eligible prison patients and those receiving Supplemental Social Security Income (SSI) because the State could meet three unique CMS claims requirements:

- state or local law requiring individuals or groups of individuals to repay the cost of medical services they receive while in custody;
  - ✓ (NRS 209.246.)
- state or local government enforces the requirement to pay by billing all such individuals, whether or not covered by Medicare or any other health insurance;
  - X (Department of Corrections performed a cost benefit analysis and decided not to bill all prison patients.)
  - ✓ (NNAMHS Policies and Procedures.)

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<sup>9</sup>Division of Internal Audits Report No. 10-01, Department of Health and Human Services – Division of Mental Health and Developmental Services – Lakes Crossing Center and Substance Abuse Prevention and Treatment Agency.



- pursuing the collection of the amounts they owe in the same way and with the same *vigor* that it pursues the collection of other debts.
  - X (Department of Corrections performed a cost benefit analysis and decided not to pursue collection.)
  - ✓ (NNAMHS Policies and Procedures.)

The Department of Corrections' regional medical facility in Northern Nevada Correctional Facility contains a 52-bed unit for mental health patients. The State Health Officer assessed that in fiscal year 2012, approximately 42 prison patients may have been eligible for Medicare billing based on their diagnoses codes. This amounts to about \$323,000 annually<sup>10</sup> in potential revenues to the State from Medicare billings for mental health services provided in the prison.

The Department of Corrections collects a co-payment for medical services prisoners' request. It does not, however, collect for services the Department may determine necessary for prisoners' well-being, to include services prisoners may receive in the mental health unit at the regional medical facility in Northern Nevada Correctional Facility.

The Department of Corrections expressed concerns about the ability of Lakes Crossing to bill for services to prisoners and that the billing process may not meet the *vigor* standard outlined by CMS. Our review shows the Division has successfully billed Medicare and collected for mental health services at the northern Nevada psychiatric hospital.

The Division has an established billing process administered by Northern Nevada Adult Mental Health Services (NNAMHS), which supports Lakes Crossing. This group also administers billing services for Dini Townsend Hospital, a CMS-certified, State psychiatric hospital.

Lakes Crossing and the Department of Corrections will need to work with CMS to determine if the billing procedures NNAMHS will apply to prison mental health services meet the *vigor* standard and other criteria. If the process cannot be applied to prison-delivered mental health services separately, the Department of Corrections may need to reassess its cost benefit analysis for a vigorous billing policy that meets CMS standards. In fact, a Department policy that meets CMS vigor standards for collections would also allow billing for the full range of medical services available to Medicare and SSI eligible prisoners.

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<sup>10</sup>\$323,400 in potential revenues = 42 patients x \$700 (daily Medicare base rate) x 11 days (average length of stay at Dini Townsend Hospital for psychiatric care).

## The Division May Better Manage All Forensic Mental Health Patients

Division management of all forensic mental health care may benefit the State and patients. Continuity of care should help with medical compliance and a patient's well-being. If the Division were responsible for mental health services in prisons, it could better manage the transition of patients from care provided by Lakes Crossing to services provided through Northern and Southern Nevada Adult Mental Health Services and other agencies of the Department of Health and Human Services. This would allow greater continuity between State services that are necessary for the patient and more efficient for the State to provide.

Division data shows the State may benefit by better managing this group of prisoners because they require, in general, long-term State support. Approximately 16 percent of prisoners in Nevada correctional facilities may have been previously treated by a State mental health agency. Providing better continuity between prison-based and community-based services through treatment managed by the Division could reduce State spending by over \$9.6 million annually for recidivism that may be avoidable.<sup>11</sup> See Exhibit VI.

### Exhibit VI

#### **Avoided State Incarcerations Estimated Savings**

State Prison Population	13,000	x	16%	Mental Health Patients	=	2,080
Mental Health Patients	2,080	x	25%	Treatment Success Rate	=	520
Prisoners Treated	520	x	\$50.85	Daily Cost of Prison	=	\$26,442
Daily Cost of Prison	\$26,442	x	365	Days (1 year)	=	<u>\$9,651,330</u>

The Division should evaluate coordinating with the Nevada Department of Corrections to establish a Lakes Crossing satellite psychiatric unit at the prison regional hospital at Northern Nevada Correctional Facility in Carson City. A more comprehensive approach should allow the Division to better coordinate services for a predictable at-risk population. This could, in turn, reduce recidivism and overall costs to the State for forensic mental health care.

<sup>11</sup>The estimate does not include costs avoided in the legal system prior to a mental health patient beginning a prison sentence.

## Recommendations

1. Evaluate implementing jail-based competency programs.
2. Evaluate closing the Lakes Crossing annex secure units in Dini Townsend Hospital when Stein Hospital is opened.
3. Evaluate implementing policy and procedures for State staff to conduct pre-confinement assessments in Clark County.
4. Evaluate coordinating with the Nevada Department of Corrections to establish a Lakes Crossing satellite psychiatric unit at the prison regional hospital.

## Exhibit VII

### Redesigning Lakes Crossing Center Estimated Benefits

Recommendation	Benefit
1. Jail-Based Competency Programs	\$ 1,200,000
2. Closing the Annex Secure Units	\$ 3,000,000
3. State Staff Assessments in Clark County	\$ 88,000
4. Prison Satellite Unit	\$ 9,974,000
<b>Total</b>	<b>\$14,262,000</b>

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## Can the Division More Effectively Provide Mental Health Care by Redesigning Dini Townsend Hospital?

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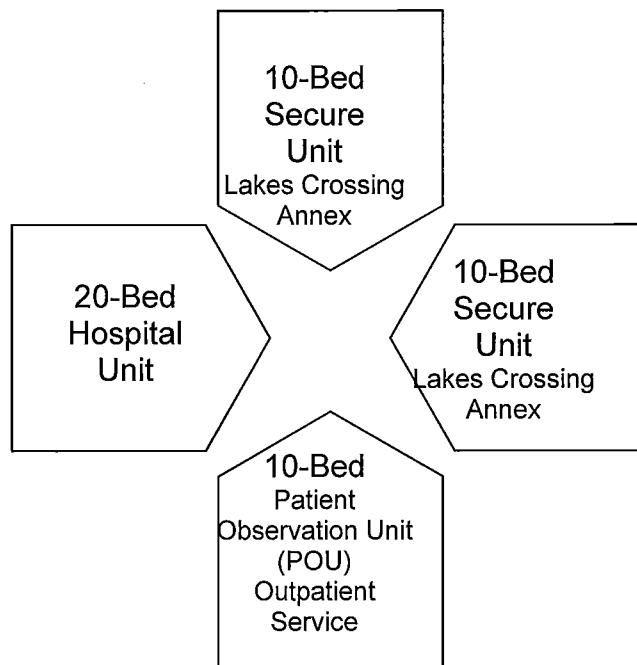
The Division can more effectively provide mental health care to the State's vulnerable populations by redesigning Dini Townsend Hospital operations in three areas:

- hospital caseload;
- long-term mental health care for Nevadans receiving care out-of-state;
- inpatient substance abuse treatment services.

Exhibit VIII shows the planned capacity of Dini Townsend Hospital in fiscal year 2016.

### Exhibit VIII

#### Dini Townsend Hospital Capacity



Redesigning State mental health services may reduce overall spending, provide better services, and help sustain State psychiatric facilities. This could benefit the State by \$12.4 million.

## Privatizing the Hospital Caseload Will Open Beds for Other Uses that May Help the State More Effectively Provide Services

Nevada Revised Statutes stipulate the State will administer psychiatric hospitals.<sup>12</sup> Changing State statute to allow the Division to privatize and relocate mental health care services at Dini Townsend Hospital to a community provider would open the hospital for other uses.

Division information shows community providers may provide inpatient care at a lower cost than the State. Our review shows the State could save over \$4.1 million by privatizing inpatient mental health care services currently provided at Dini Townsend. Dini Townsend cost about \$16,500 per patient in fiscal year 2013; the private provider cost estimate is \$5,060 per patient. There would also be additional federal revenues to cover costs currently incurred by the State General Fund. See Exhibit IX for a summary of estimated benefits.

### Exhibit IX

#### Privatizing Dini Townsend Caseload Estimated Benefits

<b><u>Savings for State</u></b>					
<b><u>State Cost per Patient</u></b>					
State Cost per Bed Day	\$1,500	x	11 Days Avg. Length of Stay	=	\$16,500
<b><u>Cost to Privatize</u></b>					
Estimate Based on Medicaid Daily Rate	\$460	x	11 Days Avg. Length of Stay	=	<u>\$5,060</u>
State Cost per Patient	\$16,500	-	\$5,060 Savings per Patient	=	\$11,440
Savings per Patient	\$11,440	x	350 Annual Patients	=	<u><u>\$4,004,000</u></u>
<b><u>Additional Federal Revenues by using a Medicaid-Eligible Facility (Currently Paid by the State General Fund because Dini Townsend Hospital cannot bill Medicaid)</u></b>					
Medicaid Daily Rate	\$460	x	58.89% Federal Medicaid Match	=	\$270.89
Federal Medicaid Match	\$270.89	x	11 Days Avg. Length of Stay	=	\$2,980
Annual Patients	350	x	15% Medicaid Patients	=	52.5
Medicaid Patients	52	x	\$2,980 Federal Medicaid Match	=	<u><u>\$154,951</u></u>
<b><u>Estimated Benefit to Nevada</u></b>					<u><u>\$4,158,951</u></u>

<sup>12</sup>Nevada Revised Statutes 433A and 433.233.

The average daily census at the hospital is 16 patients. Dini Townsend is using one, 20-bed unit in the hospital to meet its inpatient requirement; however, the hospital is budgeted for 30 beds. This is vacant capacity and staff resources the State could better use for other purposes. Additionally, Dini Townsend is unable to bill Medicaid for approximately 15 percent of its patients. Federal regulations preclude Medicaid reimbursing stand-alone psychiatric hospitals that are larger than 16 beds, such as Dini Townsend or Rawson Neal Hospital in Las Vegas.<sup>13</sup>

### **Community Capacity May Exist to Help the State Reduce Spending**

We found there is community capacity to absorb Dini Townsend's inpatient caseload. Moreover, our discussions with Division officials and community providers revealed additional providers may be willing to participate once a fully vetted and detailed contract request for proposal (RFP) is available.

There are several options which will reduce State spending or allow increased revenues from new federal Medicaid reimbursements that have not been available. These include partnering with:

- community providers in stand-alone psychiatric facilities of 16 or fewer beds;
- psychiatric units in a community hospital; and
- negotiating payment with private stand-alone psychiatric hospitals.

An alternative for the State to retain a psychiatric hospital in northern Nevada is:

- change Dini Townsend's license from a 70-bed to a 16-bed hospital.

Reducing the licensed bed capacity would allow new billing revenues from Medicaid under federal guidelines and support the current daily census of 16 patients. This alternative would help reduce State spending and maximize the federal match for Medicaid patients.

The Division should evaluate pursuing a change to statute to privatize and relocate the existing patient caseload at Dini Townsend to a community provider to reduce spending and more effectively use State-owned facilities.

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<sup>13</sup>Federal Medicaid funding is available to free-standing psychiatric facilities of 16 or fewer beds.

## **In-State Long-Term Care for Nevadans Receiving Care Out-of-State May Benefit Everyone and Help Retain State Dollars**

Providing long-term care facilities for Nevadans currently receiving care out-of-state may provide benefits for the State and families. Nevadans would also benefit by having State dollars spent locally and sustaining a public facility and resources. This could benefit the State by about \$8.3 million. Additionally, Nevada families could remain close and the State could fill a community service gap for mental health patients.

In fiscal year 2012, the State spent \$31.5 million for out-of-state facilities to provide mental health care for 263 Nevadans. Many of these are younger Nevadans separated from their families, which can create additional issues for patients being treated out-of-state. The Division notes these are patients that may require intense one-on-one care because of violent or sexually abusive behavior.

Patients receive care out-of-state because an appropriate facility has not been available in Nevada. These out-of-state facilities are not licensed as hospitals; they are licensed at a lower level as a psychiatric residential treatment facility. As such, licensing requirements, costs, and associated billing rates are generally lower than for a hospital.

The State does not have licensing regulations in place for a facility other than a hospital. However, the Division is developing regulations for licensing a psychiatric residential treatment facility in Nevada under its statutory authority to license all health care facilities in the State.<sup>14</sup>

Redesigning Dini Townsend to provide the appropriate facility and services for some patients, particularly younger Nevadans, could return spending of up to \$3.6 million<sup>15</sup> back in state with potential revenues of about \$4.7 million. This change would also help fill a gap in existing community service capabilities, keep Nevada families close, and provide for better services. See Exhibit X.

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<sup>14</sup>Nevada Revised Statute 449.0303.

<sup>15</sup>\$3.6 million = average spending for each out-of-state patient at \$120,000 (\$31.5 million divided by 263 patients) x 30 (one patient per two-bed room available at Dini Townsend).

## Exhibit X

### In-State Care Estimated Federal Revenue

<b><u>Annual Revenue (90 Days)</u></b>					
Days	60	x	\$700	Medicare Daily Basic Rate	= \$42,000
Days	30	x	\$411	Medicare Daily Adjusted Rate	= \$12,330
					<u>\$54,330</u>
Annual Revenue	\$54,330	x	30	Patients (1 per 2-Bed Room)	= <u>\$1,629,900</u>
Lifetime Benefit Days	190	÷	90	Billable Days per Year	= 2.11
Billable Years	2.11	x	\$1,629,900	Estimated Patient Revenue	= <u>\$3,440,900</u>
<b><u>One-Time Additional Benefit (60 Days) Authorized by Medicare</u></b>					
Days	60	x	\$700	Medicare Daily Basic Rate	= \$42,000
Annual Revenue	\$42,000	x	30	Patients (1 per 2-Bed Room)	= <u>\$1,260,000</u>
<b><u>Estimated Benefit to Nevada</u></b>					<u>\$4,700,900</u>

The Division should evaluate providing long-term care for some Nevadans currently receiving care out-of-state to retain State dollars in Nevada, keep families close, and help sustain Dini Townsend as a viable mental health care facility.

### An Inpatient Co-Occurring Substance Abuse Program Will Help Fill a Community Service Gap

Implementing an inpatient substance abuse program for co-occurring disorders would fill an ongoing community service gap and benefit the State by reducing costs for more expensive hospitalizations and incarceration costs.

The rate of active substance abuse among people who have a co-occurring disorder diagnoses, such as alcoholism and schizophrenia or drug addiction and depression, may be as high as 50 percent.<sup>16</sup> Division officials report there is no public facility in northern Nevada focused on treating both conditions simultaneously. As a result, patients may not get the proper treatment to address the full scope of their condition to help with a successful recovery. Consequently, some patients' conditions progress and require hospitalization or involvement with law enforcement and the court system. Properly treating patients with co-occurring disorders should reduce the number of more expensive interactions with other governmental entities.

<sup>16</sup>According to the National Alliance on Mental Illness, most of the people who fall into the group of people with a co-occurring disorder are males between the ages of 18 and 44, although younger teens and older adults can also be affected. The most commonly abused drugs among those with co-occurring disorders include: alcohol, marijuana, cocaine, tranquilizers, and other prescription drugs.



The Division could use potentially available capacity in Dini Townsend to provide inpatient services focused on co-occurring disorders. The facility would likely need to be re-licensed as a 16-bed hospital for federal funding purposes.

The Division should evaluate implementing an inpatient substance abuse program for patients with co-occurring mental health illnesses to help fill a community service gap and benefit the State.

### **Recommendations**

5. Evaluate pursuing a Nevada Revised Statute change to privatize and relocate the existing patient caseload to a community provider.
6. Evaluate providing long-term care for Nevadans currently receiving care out-of-state.
7. Evaluate implementing an inpatient co-occurring mental health/substance abuse treatment program.

### **Exhibit XI**

#### **Redesigning Dini Townsend Hospital Estimated Benefits**

<b>Recommendation</b>	<b>Benefit</b>
5. Privatize Hospital Caseload	\$ 4,100,000
6. In-State Care for Some Nevadans	\$ 8,300,000
7. Inpatient Co-Occurring Treatment	Address Community Service Gap
<b>Total</b>	<b>\$12,400,000</b>

# Appendix A

## Division of Public and Behavioral Health Response and Implementation Plan

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BRIAN SANDOVAL  
*Governor*

MICHAEL J. WILLDEN  
*Director*

STATE OF NEVADA



RICHARD WHITLEY, MS  
*Administrator*

TRACEY D. GREEN, MD  
*Chief Medical Officer*

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH  
4150 Technology Way, Suite 300  
Carson City, Nevada 89706  
Telephone: (775) 684-4200 · Fax: (775) 684-4211

September 5, 2013

TO: Warren Lowman  
Executive Branch Auditor IV

FROM: Richard Whitley  
Division of Public and Behavioral Health Administrator

SUBJECT: Audit for the Department of Health and Human Services, Division of Public and Behavioral Health (formerly known as the Division of Mental Health and Developmental Services)

We appreciate the work on this audit and the findings. Please find the agency response below. Thank you for the opportunity to articulate our planned actions.

Recommendations:

### Appendix A Division of Mental Health and Developmental Services Response and Implementation Plan

#### Category 1: Recommendations with an anticipated implementation period of less than six months:

1. Evaluate implementing jail-based competency programs: Lake's Crossing has already completed much of the evaluation toward instituting a jail-based competency program. Information regarding this process was already gathered for testimony during the 2013 legislature. This evaluation process can be formalized and a report generated by January 2014.
3. Evaluate implementing policy and procedures for State staff to conduct pre-commitment assessments in Clark County: Lake's Crossing is able to assess this recommendation and provide a response by January of 2014. It should be noted that implementing such policies and procedures would require Clark County to concur with the proposal that the state do these evaluations and that the county would be willing to negotiate a contract with the state to do so, since it is the District Courts in Clark County that appoint the evaluators.

**Category 2: Recommendations with an anticipated implementation period exceeding six months.**

2. Evaluate closing the Lake's Crossing annex secure units in Dini Townsend Hospital when Stein Hospital is opened: This evaluation process would be able to be completed by January of 2015 subsequent to collecting data on the population at the annex for a year and assessing the progress of the Stein Public Works Project.
4. Evaluate coordinating with the Nevada Department of Corrections to establish a Lake's Crossing satellite psychiatric unit at the Regional Medical Center at Northern Nevada Correctional Center: The Division of Public and Behavioral Health will contact the prison officials and set up a dialogue regarding the feasibility of this plan. A report can be generated by January of 2015.
5. Evaluate pursuing a NRS change to privatize and relocate the existing patient caseload to a community provider.  
This evaluation can certainly be accomplished within the timeframe that would be necessary to propose a BDR for the 2015 session. A report can be generated by January 2015. NPBH will work with the attorney general's office and other appropriate partners to evaluate the needed changes in statute.
6. Evaluate providing long term care for Nevadans currently receiving care out-of state.  
This evaluation can be accomplished by January 2015. There is clearly a need for appropriate long term care resources for Nevadans with serious mental illness and this may be a reasonable use of resources/
7. Evaluate implementing an inpatient co-occurring mental health/substance abuse treatment program.  
This evaluation can be completed for budget development for the 2015 session.

**Appendix B  
Timetable for Implementing  
Audit Recommendations**

In consultation with the Division, the Division of Internal Audits categorized the 8 recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The Division should begin taking steps to implement all recommendations as soon as possible. The Division's target completion dates are incorporated from Appendix A.

**Category 1: Recommendations with an anticipated implementation period of less than six months.**

1. Evaluate implementing jail-based competency programs. This evaluation can be completed by January 2014.
3. Evaluate implementing policy and procedures for State staff to conduct pre-confinement assessments in Clark County. This evaluation can be completed by January 2014.

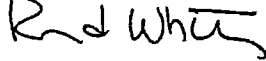
**Category 2: Recommendations with an anticipated implementation period exceeding six months.**

2. Evaluate closing the Lakes Crossing annex secure units in Dini Townsend Hospital when Stein Hospital is opened. The completion date for this evaluation is yet to be determined.
4. Evaluate coordinating with the Nevada Department of Corrections to establish a Lakes Crossing satellite psychiatric unit at the prison regional hospital. The completion date for this evaluation is yet to be determined.

5. Evaluate pursuing a Nevada Revised Statute change to privatize and relocate the existing patient caseload at Dini Townsend hospital to a community provider. The completion date for this evaluation is yet to be determined.
6. Evaluate providing long-term care for Nevadans currently receiving care out-of-state. The completion date for this evaluation is yet to be determined.
7. Evaluate implementing an inpatient co-occurring mental health/substance abuse treatment program. The completion date for this evaluation is yet to be determined.

The Division of Internal Audits shall evaluate the action taken by the Division concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Committee and the Division.

Sincerely,



Richard Whitley  
Administrator

Cc: Mike Willden, Director, Department of Health and Human Services  
Ellen Crecelius, Deputy Director, Fiscal Services, Department of Health and Human Services  
Steve Weinberger, Administrator, Internal Audits Division  
Mary Wherry, Deputy Administrator for Clinical Services  
Elizabeth Neighbors, Agency Director, Lake's Crossing  
Cody Phinney, Agency Director, Northern Nevada Adult Mental Health Services

## Appendix B Timetable for Implementing Audit Recommendations

In consultation with the Division, the Division of Internal Audits categorized the 8 recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The Division should begin taking steps to implement all recommendations as soon as possible. The Division's target completion dates are incorporated from Appendix A.

### **Category 1: Recommendations with an anticipated implementation period of less than six months.**

<u>Recommendations</u>	<u>Time Frame</u>
1. Evaluate implementing jail-based competency programs. (page 15)	Jan 2014
3. Evaluate implementing policy and procedures for State staff to conduct pre-confinement assessments in Clark County. (page 15)	Jan 2014

### **Category 2: Recommendations with an anticipated implementation period exceeding six months.**

<u>Recommendations</u>	<u>Time Frame</u>
2. Evaluate closing the Lakes Crossing annex secure units in Dini Townsend Hospital when Stein Hospital is opened. (page 15)	Jan 2015
4. Evaluate coordinating with the Nevada Department of Corrections to establish a Lakes Crossing satellite psychiatric unit at the prison regional hospital. (page 15)	Jan 2015
5. Evaluate pursuing a Nevada Revised Statute change to privatize and relocate the existing patient caseload at Dini Townsend hospital to a community provider. (page 21)	Jan 2015

6. Evaluate providing long-term care for Nevadans currently receiving care out-of-state. (page 21) Jan 2015
7. Evaluate implementing an inpatient co-occurring mental health/substance abuse treatment program. (page 21) Jan 2015



The Division of Internal Audits shall evaluate the action taken by the Division concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Committee and the Division.