

DEPARTMENT of HUMAN SERVICES

STATE OF MINNESOTA

Office Memorandum

TO : Frank Giberson

DATE: Sept. 25, 1984

FROM: David Doth and Maria Gomez

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SUBJECT: Next Steps in Addressing the State Hospital Cost Reduction Problem

As you requested we have met and reviewed the admittedly confusing discussion of Friday's meeting

We have identified a number of next steps and recommend that you proceed quickly. These are preliminary recommendations to the Commissioner.

Recommendation 1:

The Commissioner should immediately designate a person with full authority to represent the Commissioner and implement the needed changes. The respective state hospital CEOs must be explicitly accountable to this person. This person must be given adequate staff and support.

Recommendation 2:

The Commissioner should immediately put together a Fiscal Review Team to:

- a) Review all existing state hospital contracts and identify the potential for savings and contract amendments.
- b) Draft guidelines that allow us to identify services now provided by staff employees that could justifiably be let to private sector contractors.
- c) Develop procedures for tracking the savings that may accrue as a result of managerial efficiencies that we identify and implement at individual campuses, we need to be able to aggressively scale down expenditures and tie them to savings in the Mental Retardation units.
- d) Identify resources in the Department that can perform internal audits on these facilities. Auditors in the Reimbursements Division, for example, while not the formal internal audits group may be pressed into temporary service.

Recommendation 3:

Reopen negotiations with Luther Grandquist on staffings ratio definitions and guidelines. Managerial flexibility is the issue.

Recommendation 4:

A temporary position control and review function should be developed. The redefined staffing ratios should be carefully monitored and possible employee savings be identified. This position should report to the person identified in Recommendation 1 above. Direct care positions cannot be routinely transferred between program functions.

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Recommendation 5:

Implement an immediate hiring freeze on all management positions at State facilities. The managerial staff is the one area that is apparently least subject to turnover. When vacancies do occur they should not be routinely filled. This recommendation follows closely from recommendation 4 above.

Recommendation 6:

Plans for capital improvements, repairs and betterments and facility upgrading should be revised. We'd suggest that except for life and safety code violations and licensure requirements no capital improvement projects be undertaken until after the Department of Human Services has responded to the State Planning Agency report.

Recommendation 7:

The resident population served by the state hospital and the programs we offer should be re-evaluated. We suggest that the following actions be taken immediately:

- i) Aggressively follow up on current MRPD evaluation of all state hospital residents, use the QAR data or well. We should start to think in terms of an optimal resident target and not simply Welsh compliance.
- ii) Immediately take steps on reducing C.D. referrals to the state facilities. Cindy Turnure has suggested that 10 percent of all state hospitals referrals could be diverted to community settings. We should issue immediate policy bulletins to help counties make the transition.
- iii) Immediately identify all persons 65 years of age and older, following a programmatic review as many of these residents as possible should be transferred to community nursing homes or state geriatric facilities.
- iv) Identify those functions that could be done on a part-time basis and move to change the position classification.

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Recommendation 8:

Employees eligible for the Rule of 85 should be immediately identified and plans put in place to encourage them to take advantage of this opportunity. The Rule of 85 is an option that must be effectively used to reduce cost.

Recommendation 9:

Vacant and half-filled buildings are a luxury that the State can no longer afford. The CEOs have not been particularly aggressive in either buildings or capital assets or in consolidating units. Preliminary State Planning Agency data point to a great many half-filled buildings and treatment units needing consolidation.

This should be a priority item.

Recommendation 10:

The CEOs should review and take appropriate action on the preliminary energy utilization data published by the State Planning Agency.

The range of energy consumption in these facilities is enormous. Positive managerial steps are necessary.

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