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TO: Milwaukee County DHHS and Health System Sponsors of the Psychiatric Crisis Redesign Fiscal Assessment
Milwaukee County Behavioral Health Division

Wipfli LLP's Healthcare Practice very much appreciated the opportunity to help support Milwaukee Health Care Partnership, Milwaukee County Behavioral Health Division, and other key stakeholders in their efforts to explore new and innovative options related to the Psychiatric Crisis Service Delivery Model to serve residents of Milwaukee County and the surrounding area.

The enclosed Executive Summary Report summarizes our work related to the Fiscal Assessment of Phase 1 Recommendations regarding the Milwaukee County Crisis Redesign Project. The Fiscal Assessment, described as Phase 2.1 of the Crisis Redesign Project, was intended to estimate the financial outcome of a new centralized psychiatric emergency department (ED) and compare that estimated financial outcome to a decentralized model of care for emergency psychiatric crisis services. The scope of Phase 2.1 also included an assessment of licensure options for the proposed centralized psychiatric ED in order to gauge reimbursement rates for a centralized approach. Finally, Phase 2.1 included an evaluation of Milwaukee County's tax levy funding that would potentially be available to the new psychiatric crisis service continuum, including the ED and expected investments in enhanced and new preventative/early intervention and restorative psychiatric crisis services identified in the Phase 1 model.

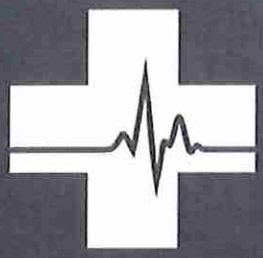
Should you have any questions related to this report please contact Jane Jerzak at 920.662.2821 or jjerzak@wipfli.com.

Sincerely,

Wipfli LLP

Wipfli LLP

Enc.



Milwaukee County Psychiatric Crisis Redesign Summary

Fiscal Assessment of Phase 1 Recommendations

Executive Summary Report

August 2019

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HEALTH CARE PRACTICE

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Background and Current Situation

Milwaukee County Department of Health & Human Services (DHHS) Behavioral Health Division (BHD) along with other Milwaukee Health Care Partnership (MHCP) members have been challenged with the question of how to shape the future service delivery model for behavioral health services provided primarily to residents of Milwaukee County. The behavioral health needs of residents have been escalating, and service funding is a continuous challenge. The planned closure of Milwaukee County's Mental Health Complex brought about a recent sense of urgency regarding how to better serve the future needs of Milwaukee County residents, including how best to organize and deliver psychiatric crisis services.

Universal Health Services ("Universal") has been secured to be the future provider for Milwaukee County's high acuity, behavioral health inpatients who are legally detained (involuntary patients). However, Universal is not planning to develop outpatient or ED services as part of its new 120-bed facility scheduled to be opened in 2021. To understand how to address future outpatient and emergency crisis services, Milwaukee County DHHS collaborated with health system members of MHCP to study this issue.

Specifically, BHD collaborated with MHCP's health system members to commission an analysis aimed at redesigning Milwaukee County's full continuum of psychiatric crisis services. This Milwaukee Psychiatric Crisis Redesign Project (the "Psychiatric Crisis Redesign Project") was facilitated by Human Services Research Institute, Technical Assistance Collaborative, and Wisconsin Policy Forum. Phase 1 of the Psychiatric Crisis Redesign Project focused on crisis services provided by private health systems and the continuum of services provided by BHD; including its psychiatric emergency department ("Psychiatric ED") and observation unit.

The Phase 1 Report concluded that despite increased investment in all other continuum components, a dedicated Psychiatric ED will be needed. The vision for a future dedicated Psychiatric ED included the following key elements:

- Would have appropriate clinical expertise, physical environment/milieu, and legal acumen.
- Would serve a narrower patient population — mainly individuals under emergency detentions with highly complex needs, assuming a broader array of community-based walk-in and urgent care options.
- BHD would retain the County's legal Treatment Director function, providing stabilization, assessment, treatment, legal and clinical disposition, and transition care management services to patients under emergency detention.

The scope of Phase 1 did not include a fiscal assessment of the proposed psychiatric crisis system nor a dedicated Psychiatric ED; thus Phase 2 was launched to understand the potential financial implications of a new dedicated Psychiatric ED to inform the Psychiatric Crisis Redesign Project planning process. Given the significant issues to be addressed in the implementation phase of the Psychiatric Crisis Redesign Project , Phase 2 was compartmentalized, with the work completed to date and summarized in this Executive Summary Report, focusing on the activities described as a Fiscal Assessment of Phase 1 recommendations or Phase 2.1 of the Psychiatric Crisis Redesign Project.

Fiscal Assessment of Phase 1 Recommendations

BHD and MHCP health system members reached out to Wipfli LLP ("Wipfli") to support their efforts to develop a set of financial model assumptions related to a "centralized Psychiatric ED model of care." Wipfli was also asked to develop an alternative financial model for a "Decentralized Psychiatric ED", which would entail four specialty psychiatric emergency centers of excellence; each affiliated with one of Milwaukee-based health system hospitals (the "Decentralized Psychiatric ED model").

This phase of work was led by a Project Management Team, which included Joy Tapper (MHCP), Richard Canter (volunteer attorney), Michael Lappen (BHD), and Steve Gorodetskiy and Mary Jo Meyers (DHHS), and a larger Steering Committee comprised of behavioral health providers and operations representatives from Milwaukee County and private health systems.

Future work related to this project may include a detailed demand assessment for community-based psychiatric crisis services and expected downstream impact on more intensive interventional services such as inpatient psychiatric care and restorative services, as well as a broader financial assessment of the overall implications to the Psychiatric Crisis Redesign Project from the view of multiple stakeholders. In addition, it is expected that a detailed business plan for Psychiatric ED services will be needed once the series of options have been narrowed to a selected option.

The fiscal assessment of Phase 1 was intended to address, at a high level, operational, clinical, and financial aspects of a potential new Psychiatric ED, as well as a high-level financial assessment of a Decentralized Psychiatric ED model of care. This phase of work also included assessing options for licensing a new Psychiatric ED in order to gauge ED revenue and operational costs and a high-level assessment of Milwaukee County tax levy funding that would potentially be available to support the Psychiatric ED and the full continuum of psychiatric crisis services described in the Phase 1 model.

Conclusion

Development of a new freestanding Psychiatric ED in Milwaukee County will require funding support over and above reimbursement expected from payors for services rendered. Staffing and other operating costs, together with an investment in a new facility, is expected to outpace the level of available service-based reimbursement by an estimated $12M to $16M per year under a Centralized Psychiatric ED model and $21M to $30M under a Decentralized Psychiatric ED model of emergency crisis care.

At current rates of state funding and payor reimbursement, it is estimated that no more than approximately $7.3M will be available from Milwaukee County tax levy to support the full continuum of psychiatric crisis services described in the Phase 1 report, including new and enhanced community-based services, as well as dedicated Psychiatric ED.

Recommendations regarding next steps in the Psychiatric Crisis Redesign Project are pending based on future discernment with key stakeholders and other key steps in the process.

Centralized Psychiatric ED

Wipfli LLP Report Scope and Limitations

The financial information provided as part of this engagement is intended solely to assist in making strategic decisions regarding the organization and should not be shown to a third party for any purpose. This financial information is not intended to present a financial position in accordance with accounting principles generally accepted in the United States and may be incomplete. Wipfli did not compile or examine the prospective information and will not express assurance on it. In addition, Wipfli did not perform procedures to verify the accuracy or completeness of the information provided by management. Future events may cause material differences between prospective financial information provided as part of our engagement and actual results, because events and circumstances frequently do not occur as expected.

The contract sponsors are responsible for assuming all management responsibilities and overseeing these services. The contract sponsors are also responsible for evaluating the adequacy and results of the services performed and accepting responsibility for them.

Overview

Phase 1 recommendations related to the Psychiatric Crisis Redesign Project in Milwaukee County included a **Centralized Psychiatric ED** to serve high-acuity patients with emergent mental health and substance abuse disorder conditions. The Centralized Psychiatric ED, as initially envisioned, would be focused on serving a narrower patient population and be augmented by a more robust set of community-based preventative, early intervention, and restorative services to serve individuals and families in need of psychiatric crisis support in the most therapeutic, patient-centered, and least restrictive environment possible.

An initial high-level financial model was developed to understand the potential reimbursement, operating costs, and capital costs required for the Centralized Psychiatric ED, as envisioned. However, given the significant uncertainties and variables surrounding the future state of Milwaukee County's psychiatric crisis system and projected increase in behavioral health needs/service demands; the financial model reflected volumes approximating the volumes currently experienced by Milwaukee County's ED.

The financial information as developed for this phase of work is considered an internal use document, not sufficient for financing or other external uses. It was developed pursuant to the following scope and limitations:

For the purpose of this Executive Summary Report, the projected income statements for the potential Psychiatric ED are reflected. More detailed information regarding balance sheets, cash flow statements, and assumptions have not been included in this document.

Centralized Psychiatric ED (Continued)

Summary of Assumptions

- **Volumes, Payor Mix, and Reimbursement:** 6,000, 8,000, and 10,000 patient encounters were assumed for the low-, moderate-, and high-volume models, respectively. Payor mix reflected the current BHD Psychiatric ED mix of patients. Reimbursement was estimated based on Medicare, Medicaid, commercial payor, and self-pay/other per-encounter estimates.
- **Staffing and Compensation:** BHD and private health system administrative and clinical leaders provided input to staffing models for the low-, moderate-, and high-volume scenarios by shift. Benchmark data was used for staffing comparisons to other similar facilities. Pay rates were assumed to be similar to current market rates with benefits at 30% for staff and 25% of salaries for physicians. A turnover factor of 7% was also considered in the model.
- **Transportation:** 50% of patients were assumed to require secure or nonsecure transportation post-ED discharge with cost estimates determined based on available transportation options.
- **Security:** Assumptions included contracting for security 24/7/265.
- **Other Operating Expenses:** Included pharmacy, food, housekeeping, etc. based on historical trends.
- **Facility:** A 12,000-square-foot facility was assumed with cost estimates provided by facilities management from a local health system. Debt financing was assumed for 90% of the project at a 4.5% interest rate for 25 years.
- **Start-up Costs:** Start-up costs, including an information technology build, training/orientation time for staff, and legal/operational start-up costs, were estimated and considered to be expensed as incurred.
- **Overhead Costs:** Overhead for this phase of work was based on 50% of facility-related expenses and 20% of professional expenses based on historical Medicare cost report estimates of MHCP health system members.
- **Initial Working Capital and Other:** A balance sheet was prepared to estimate the level of initial working capital, start-up costs, and facility-related equity required for the project.

Two scenarios were developed based on licensure of the future Psychiatric ED. The "on campus" scenario assumed the Psychiatric ED to be part of a licensed hospital and eligible to receive hospital-based reimbursement from Wisconsin Medicaid and other payors. The second scenario was developed to estimate the financial outcome of a future "off campus" Psychiatric ED from the licensing hospital; therefore, it would not be eligible to receive hospital-based reimbursement from Wisconsin Medicaid. Reimbursement rates for other payors would likely be impacted as well.

Centralized Psychiatric ED (Continued)

Summary of Assumptions (Continued)

Many key decisions are yet to be determined for the potential development of a Centralized Psychiatric ED supporting Milwaukee County, including but not limited to the following:

- Licensure (refer to next section for discussion)
- Location
- Scope of services
- Allocation of start-up costs and ongoing projected operating losses
- Governance model and organizational structure
- Operations structure and potential for purchase of services from MHCP and Milwaukee County
- Professional services model
- Timing

Projected Income Statements - "On Campus" and "Off Campus" Psychiatric ED

(based on low-, moderate-, and high-volume assumptions)

Milwaukee County Centralized Behavioral Health Model (On and Off Campus)
Projected Income Statement

	Centralized Income Statement - On Campus				Centralized Income Statement - Off Campus			
Annual Volumes - ED		*6,000*	*8,000*	*10,000*		*6,000*	*8,000*	*10,000*
Annual Volumes - Observation		*900*	*1,200*	*1,500*		*900*	*1,200*	*1,500*
(reflected in Millions)	Start-up	Low	Moderate	High	Start-up	Low	Moderate	High
Total revenue	$ 0	$ 1.7	$ 2.3	$ 2.9	$ 0	$ 1.0	$ 1.3	$ 1.6
Expenses								
Salaries and benefits	0.3	7.4	8.3	8.9	0.3	7.4	8.3	8.9
Direct expense:								
Security	0.1	1.3	1.3	1.3	0.1	1.3	1.3	1.3
Transportation	0.0	0.3	0.4	0.6	0	0.3	0.4	0.6
Food	0.0	0.1	0.1	0.1	0	0.1	0.1	0.1
Pharmacy	0.0	0.2	0.2	0.3	0	0.2	0.3	0.4
Turnover and training	0.0	0.4	0.4	0.5	0	0.0	0.4	0.5
Clothing	0.0	0.0	0.0	0.1	0	0.0	0.0	0.1
Other expense	1.7	0.1	0.1	0.2	1.7	0.1	0.1	0.2
Total direct expense	1.8	2.4	2.7	2.9	1.8	2.1	2.7	3.0
Indirect expense	1.0	3.7	4.1	4.6	1.0	3.8	4.2	4.7
Depreciation	0.0	0.4	0.4	0.4	0	0.4	0.4	0.4
Interest expense	0.0	0.5	0.5	0.5	0	0.5	0.5	0.5
Total expense	3.0	14.4	16.0	17.4	3.0	14.2	16.1	17.5
Net loss	$ (3.0)	$ (12.7)	$ (13.7)	$ (14.5)	$ (3.0)	$ (13.2)	$ (14.8)	$ (15.9)

Decentralized Psychiatric ED

Phase 1 recommendations for the Psychiatric Crisis Redesign Project in Milwaukee County included a Centralized Psychiatric ED. However, for comparison purposes only, the Project sponsors requested the development of a high-level financial model to understand the potential financial and operational impact of a **Decentralized Psychiatric ED** model.

While numerous scenarios may be possible, the initial vision for this Decentralized Psychiatric ED model included the development of four designated specialty Psychiatric EDs at one hospital at each of the following Milwaukee-based health systems:

- Advocate Aurora Health
- Ascension Wisconsin
- Children's Hospital of Wisconsin
- Froedtert Health

Each Milwaukee-based health system provided information regarding reimbursement and expenses relating to current psychiatric patients served in their respective system. This information was used as the basis for extrapolating the financial impact of a Decentralized Psychiatric ED. In addition to current expenses related to the care of these patients, a "higher staffing option" psychiatric care model (to include 24/7 psychiatric staffing of psychiatrists and other psychiatric team members) was used for to the financial impact analysis of each of the four designated sites. An alternative "lower staffing option" is also included for comparative purposes.

A high-level financial impact summary is provided in this document. The detailed financial analysis was reviewed individually with designated representatives of the health systems.

Limitations to this analysis are significant since it assumed each health system would receive a similar volume, acuity and payor mix of incremental psychiatric patients. The analysis also assumes each of the four designated sites would require an investment in 24/7 psychiatric staffing and BHD Treatment Director services to augment current ED and BHD staff and provide the same standard of care across all EDs.

Decentralized Psychiatric ED (Continued)

Incremental Impact of Decentralized Psychiatric ED Model - "Higher Staffing Option"			
		(in Millions)	
Volume Model	Combined Health System Impact	County Investment	Community Impact
Low	($22.9)	($7.0)	($29.9)
Moderate	($23.1)	($7.0)	($30.1)
High	($23.6)	($7.0)	($30.6)
Assuming 24/7 psychiatric staff in each designated hospital			

Incremental Impact of Decentralized Psychiatric ED Model - "Lower Staffing Option"			
		(in Millions)	
Volume Model	Combined Health System Impact	County Investment	Community Impact
Low	($14.3)	($7.0)	($21.3)
Moderate	($14.6)	($7.0)	($21.6)
High	($15.0)	($7.0)	($22.0)

In addition to the estimated financial outcome of the Decentralized Psychiatric ED model as reflected above, representatives from the clinician community, DHHS, BHD, Milwaukee-based health systems, and others expressed significant concern about the ability to operationalize and sustain a Decentralized Psychiatric ED model of care for patients experiencing a psychiatric crisis.

Key Issues Identified With the Decentralized Psychiatric ED Model:

Workforce	Lack of availability for specialized psychiatric personnel required to adequately staff each site (physician, nursing, social works, etc.)
Standardization of patient care	Health systems would likely provide psychiatric care in an inconsistent manner with respect to admission, stabilization, treatment, and observation practices, which may impact the overall quality of care.
Legal concerns	Concern over BHD's timely and consistent fulfillment of Treatment Director responsibilities, including assessments, legal and clinical disposition determinations, and processing of civil commitments across multiple EDs.
Patient flow	Concern with patient flow issues, primarily the risk of boarding patients while awaiting the assessment and disposition determination of the Treatment Director.

Decentralized Psychiatric ED (Continued)

Key Issues Identified With the Decentralized Psychiatric ED Model: (Continued)

Law enforcement	Law enforcement would likely transport patients to the most geographically convenient hospital ED, which could create patient risk and EMTALA issues and maldistribution of patients across hospital systems.
Distribution of patients	This financial impact analysis assumes a relatively equal distribution of patients among designated hospitals in each health system (with child/adolescent patients going to Children's Hospital of Wisconsin). It is highly likely the actual distribution of patients will be more dependent on law enforcement preference, where patients live, or other variables. Health systems may be faced with planning for high-acuity psychiatric and legal services at all hospitals within Milwaukee County rather than only the designated hospitals with a specialized Psychiatric ED. This would significantly alter the financial impact analysis.
Space	Health systems expressed concern regarding the lack of availability of 3,000 to 4,000 incremental square feet on campus for specialized Psychiatric ED services. In addition, planning for observation services would be necessary; likely in a medical unit as stabilization care and placement/other transition planning occurs.
Financial/cost efficiency	Duplication of 24/7psychiatric and support staff at each site causes the Decentralized Psychiatric ED model to be less productive and more expensive relative to volumes compared to a centralized Psychiatric ED model.
Lack of clinical support	The Decentralized Model was not widely supported by Milwaukee County or private health system ED physicians.

An assessment of licensing options was completed to develop reimbursement and other financial estimates for the potential future Psychiatric ED. Our review of licensing options included the use of an existing hospital license (on campus or off campus), as well as other possible licensing alternatives available in Wisconsin and elsewhere.

This issue is currently being discussed by the Steering Committee and other key stakeholders to determine the best course of action for a potential public/private joint venture to operate a Psychiatric ED.

As reflected in the Phase 1 Psychiatric Crisis Redesign Report, Milwaukee County will not invest additional property tax levy, above the amount currently expended, on the psychiatric crisis continuum of services (interpreted for this analysis as 2019 budget). Future use of crisis service funding is intended to support a number of enhancements to existing prevention/early intervention and restorative psychiatric crisis services, new services that can support crisis needs before they escalate to a level that an emergency level of service, as well as future Psychiatric ED services.

Wipfli was requested to review a number of documents prepared by Milwaukee County DHHS/BHD that would assist in understanding the following:

- Potential Milwaukee County tax levy funds available for future crisis services given the closure of the inpatient psychiatric facility and related outsourcing of inpatient psychiatric services to Universal.
- Potential Milwaukee County tax levy funds available for future crisis services given the closure of the BHD Psychiatric ED.
- Potential need for Milwaukee County tax levy funding to support expansion, enhance existing crisis prevention, early intervention, and restorative programs.
- Potential need for funding of new programs intended to support community members with behavioral health needs pre- and post-crisis to minimize the number of crisis-related encounters required in an emergency level of care.

As reflected on the following page, it is estimated that no more than approximately $7.3M per year in tax levy would be available from Milwaukee County BHD to support future crisis services including a potential future Psychiatric ED service, enhancements to existing crisis prevention and early treatment services, new crisis services and cross-cutting functions such as a centralized navigation system, health information exchange, telepsychiatry, and enhanced transportation services. This level of funding assumes no increase in Medicaid or Medicaid Managed Care Organization reimbursement rates, state funding share for community crisis services or other funding to support crisis services, including the provisions in the 2019-2021 state's biennial budget. The exact amount of funding available specifically for a potential future Psychiatric ED service has yet to be determined.

As part of Phase 2.1, Wipfli reviewed the key assumptions and information used to develop the analysis of estimated tax levy available to support crisis services.

Milwaukee County Behavioral Health Division
Outsourcing Analysis
Inpatient Services - Adult, Child and Adolescent and PCS ED/Observation
($ in Millions)

	Inpatient	PCS ED/ Obs	Total
2019 Budget Total Cost/Tax Levy	$ 21.0	$ 15.8	$ 36.8
[1]Less: 2020 Budget County Tax Levy Reduction (52% of $2.7M Reduction)	$ (0.5)	$ (0.9)	$ (1.4)
Tax Levy Available for Planning Purposes:	$ 20.5	$ 14.9	$ 35.4
BHD Tax Levy Funds Committed:			
Legacy costs of employees	$ 7.2	$ 3.3	$ 10.5
[2]Admin, clinical, facilities, and IT continuing costs for FTEs and expenses	2.6	2.8	5.4
[3]Psychiatry for CARS/crisis (+3.0 medical director for total of 4.0)		1.2	1.2
[3]Community provider development and training (3.0 psychology)		0.3	0.3
UHS estimated cost of contract 15 beds x $950 x 365 days	5.2		5.2
State institutes (Mendota/Winnebago)	3.7		3.7
Long-term placements/community services (8 @ $600/day, 365 days)	1.8		1.8
Total BHD Funding Committed	$ 20.5	$ 7.6	$ 28.1
[4]Potential Funding Available for Crisis Redesign	$ -	$ 7.3	$ 7.3

[1] 52% of BHD's Tax levy is allocated to these programs. Inpatient breakeven could only absorb $0.5M, remainder to PCS.

[2] Reduced admin, clinical, facilities, and IT costs by $10.7M from $16.1M to $5.4M.

[3] Initial assumption is that ALL FTE' from the inpatient units and PCS (ED/OBS) are eliminated. Leadership identified positions to add as follows with $1.5M cost:

- Medical Director of Crisis
- Medical Director of Wraparound
- Medical Director CARS
- Director Clinical Workforce (Chief Psychologist 1.0) and Psychology Postdoc Fellow 2.0 positions

[4] BHD funding for adult and children's crisis redesign and enhancements such as Mobile and CART team expansion.

Source: Milwaukee County