



# **A Call to Privatize State Operated Community Residences**

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## OMH State Operated Community Residences

### The fiscal crisis should prompt a re-evaluation

Extreme financial crises often force change. It seems inevitable that the current fiscal crisis in NYS will be the one that forces a serious curtailment of state spending, if not overall, then at least in some areas. It is conventional wisdom that the state has limited areas in which it can make the changes necessary to bring its budget into balance, e.g., education, Medicaid, health and mental hygiene, or social services programs. Typically the state responds in two ways - either to cut services or raise taxes. Raising taxes does not seem to be a viable alternative in this political climate so that cuts and consolidations seem to be the way forward. Some cuts have already been implemented and the expectation is that more are on the way in 2011 and 2012 unless the economy generates enough income to cover the state's current level of spending as well any required growth, which is not the general consensus.<sup>1</sup>

However, there is a third way for the mental health system of residential care in NY. This paper will suggest how the state can save significant dollars within the residential system of care for people with serious and persistent psychiatric disabilities in order to sustain that same system at current or higher levels of funding by turning State Operated Community Residences (SOCRs) over to much lower cost Not-for-Profits (NFPs).

The New York State Office of Mental Health (OMH) funded residential system is vital to New York because it cares for people with multiple diagnoses who require intensive care management and who would be the highest users of Medicaid if their care is not managed. Without this system, many would be in higher levels of care (hospitals, nursing homes) or in shelters, jails or prisons. They would be cycling through emergency rooms and hospitals. It may seem counter-intuitive, but without regular increases that provide sufficient funding the system undermines its own ability to keep costs low. In other words, the state needs to regularly add small amounts of money to these programs so that they can continue to save the state larger amounts of money.

The programs cannot afford to be cut; they operate on the margins now and unlike many others that cry out when they experience a smaller increase than usual, this system has gone years without any cost of living adjustments, no automatic trend, no re-base of the rate and no ability to appeal the rate. Each and every increase has been hard fought and despite much

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<sup>1</sup> <http://www.budget.state.ny.us/pubs/press/2010/econRevForecastConf/2010-11ConsensusReport.pdf>

appreciated increases spearheaded by OMH of late, and the legislature or the Governor's office over the years, different residential program types are now between 14% and 60% behind inflation. *See Appendices A and B.*

The OMH regulated and funded system of residential care for people with serious and persistent psychiatric illnesses is, arguably, the largest, finest and therefore the most expensive in the nation, if not in the world. NFP providers hear this often when they argue that they need more to meet the increasing expectations of the state and federal governments and of the consumers themselves. However, expensive is relative. First, the state has an obligation to care for this population and, in fact, in 1955 it had approximately 93,000 people in state inpatient facilities. Today that would surely cost over \$13 billion. The entire NFP operated residential system of 34,000 beds costs the state less than \$500 million. Second, the NFP operated system of residential care is very inexpensive by any standard but especially when one looks at the level of service that the state receives from the NFPs for the amount that the state pays.

This paper compares staffing costs in the state operated community residence system to those in the NFP operated community residence system and makes the argument that the state could save a considerable amount of state dollars if it simply turn-keyed the programs over to reputable NFP organizations that are willing and able. Immediate and future savings would be more than adequate to ensure the continuation of these vital services at adequate levels over the next few challenging years, as well as into the future, without the need for the state to cut them now. This would also mitigate the state's need to find additional money in the future when inevitably, the need for additional compensation for the NFPs becomes so great as to be negligent if the money does not materialize. Savings could also be used to cover the costs of additional court mandated beds for adult home residents, to help implement reform in the current system, and to rehabilitate neglected program buildings that are considered to be worth the investment. This plan would also save the state the additional costs due of rapidly escalating state worker salary increases and benefits.

### **Existing Residential System of Care:**

OMH funds approximately 34,000 residential units, have been court ordered to create an additional 4,500 over the next three years for adult home residents ready to leave certain adult homes in NYC and are committed to another few thousand units that are on hold due to the state fiscal crisis or that are in various stages of development.

Current system:<sup>2</sup>

	State Operated	Not-for-Profit Operated
Licensed:	1,546	8,912
Unlicensed Supported Housing:	none	17,143
Other:	none	8,000, approximately

### **Cost Comparison to Alternatives**

Community based residential units are the most cost-effective way for the state to meet its obligations under the state constitution to care for the indigent who have serious and persistent psychiatric disabilities.

Generally, costs of other settings – per bed per year - are approximately:

Community Hosp. inpatient:	\$350,000
State Inpatient:	\$250,000
Nursing Home:	\$150,000
Prison:	\$ 85,000
Jail:	\$65,000
NFP residential program:	\$7,800 - \$40,000 depending on level of care <sup>3</sup>

### **Cost Comparison of SOCR to NFP CR**

Before making the comparison, the following merits explanation. Specific property costs for each community residence program site, whether operated by the state or a NFP, are paid by the state so that the cost of property would not be impacted by a change in operator. The variables, therefore, are Personal Services, i.e. cost of staff, as well as “Other Than Personal Services” (OTPS) such as cleaning, food and food prep costs, linens, and the like.

By far, the largest cost difference is the cost of Personal Services.

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<sup>2</sup> Licensed and Unlicensed include all beds reported in the OMH Residential Indicators Report. The 8,000 OTHER beds are regularly reported on in public forums by staff at OMH – they have been created by NFPs that are able to provide more beds for the price of one.

<sup>3</sup> Add an additional \$10,000 per year for other Medicaid services such as, medical, dental, and mental health outpatient.

NFP operated programs are reimbursed at different levels for Personal Services depending on geographical area, with downstate in higher reimbursement brackets. Also, NFP and SOCR operated programs are of various sizes throughout the state so that personnel costs are divided among a differing number of beds. Determining costs in the state system is difficult and therefore, this report does not purport to analyze the issue in depth with a definitive savings number; rather it uses one program as an example that is extrapolated to the entirety of the programs in the state. Nevertheless, we believe that this is accurate enough to demonstrate that there are considerable savings to be had and that this is a conservative estimate of those savings.

We do urge the state to do an in depth analysis of this issue to determine the actual differences in cost of SOCRs v. NFP CRs in both the OMH and OPWDD systems as well as the complete savings number if the SOCRs were to be turned over to the NFPs.

*Comparison: 12 bed SOCR to a 12 bed NFP operated licensed community residence*

Reimbursement to a NFP by the state for Personal Services, including benefits, for a 12 bed residence is approximately \$220,000 upstate, \$270,000 on Long Island/Lower Hudson Valley, and \$272,000 in New York City. The approximate Personal Services cost for a SOCR of 12 beds is \$507,000. *See Appendix C.*

If the SOCRs in each region were turned over to the NFPs the following, approximate savings would accrue:

NYC:	416 SOCR Beds: The Personal Services savings would be approximately \$19,580 per bed per year.	<b>NYC savings = \$8,145,280</b>
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LI/Lower Hudson:	526 SOCR Beds. The Personal Services savings would be approximately \$19,770 per bed per year.	<b>LI/Lower Hudson savings = \$10,399,020</b>
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Upstate:	604 SOCR Beds. The Personal Services savings would be approximately \$23,908 per bed per year.	<b>Upstate savings = \$14,440,432</b>
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**In addition, 251 beds could become Medicaid reimbursed saving additional dollars, approximately \$2 million. The total State-wide savings in Personal Services for all 1,546 SOCR Beds would be approximately \$35 million.**

There would likely be additional savings in OTPS related to food and food preparation, linen service, cleaning, etc. however; we do not have the information needed to compute them at this time.

The state would also save the escalating costs of employee salaries and benefits as state employees leave and are not replaced.

### **Other Reasons to Make This Change:**

Community residences are meant to prepare people with limited skills for apartment living. SOCRs are not adequately training people for community living so that, oftentimes, clients spend some months or years in a SOCR and then have to “repeat the grade”, so to speak, when they move to a NFP community residence, spending more months or years in a NFP community residence rather than moving directly from a SOCR to a community based apartment setting.

Also, the service is underutilized by the state. Congregate SOCRs had an average occupancy rate of 80.8% from September, 2009 through September 2010. The NFP rate for the same time period was 91.8%. In Congregate Support Programs the State Operated occupancy rate was 92% while the NFP rate was 98.5%.

Invest in Supported Housing: Unlicensed Supported Housing (SH) beds are seriously underfunded now and need an increase in the near future to remain viable. A Supported Housing bed costs a mere \$14,854 a year downstate, including in all 5 boroughs of NYC. This is meant to cover administration, rent for client apartments, 24/7 on-call, and staff to work with the clients on self-sustainability. When the program was first conceived in 1991, the staff/client ratio was 1-15. It is now 1-35 and the needs of the clients increase each year. Some of these savings could go to stabilize the SH system of over 11,000 beds in the most expensive downstate counties and in certain high cost pockets in the rest of the state.

NFP residential providers also operate much of the rest of the community based mental health system, therefore, from a systems point of view, it would be more efficient for the NFPs to operate these programs - they would be able to transfer clients with greater ease and efficiency into lower levels of care, opening beds for those coming out of hospitals and /or state operated transitional units and they can easily connect clients to all other services in the community based system.

The vast majority of the beds are currently operated by the NFPs. There are over 170 providers ready and willing to take on more. There is no reason why the NFP sector cannot operate all the beds in the system.

### **Anticipated Questions/Objections:**

Don't the SOCRs on the grounds of state hospitals serve the hardest to serve and isn't it true that only the state can do that job?

- There are many community residences on the grounds of state hospitals that are operated by NFPs now. These programs serve the exact same clients as the State Operated CRs on the grounds of state hospitals at approximately half the cost. Also, NFP staff has said, anecdotally, that the state routinely refers difficult clients to them because they are deemed too difficult for the SOCRs to handle. Others have said that they are willing to serve any client that does not need inpatient care as long as they have adequate resources to do so. This plan could add resources that the NFPs need to serve the most difficult and it would still be less expensive than having the state do it. In addition, the state programs that are integrated into community neighborhoods are serving the exact same population that the NFPs are serving.
- Won't state jobs be lost, further hurting the economy?
  - The state operated mental health system would still be very large. Staff skill sets are transferable to other mental health programs in the state operated system. As other state staff retires or leaves for other reasons, the SOCR staff can move into inpatient or other state operated programs.

**Conclusion:**

It makes sense from a fiscal, programmatic, and systemic point of view to turn key SOCRs over to quality, ready and able NFPs so that the overall residential system of care can be adequately maintained. Savings are estimated to be a minimum of \$35 million. Unlike 30 years ago, when the state was the provider of last resort, there is now a large and capable system of NFPs that are expert at operating these services and at providing care to this exact population.

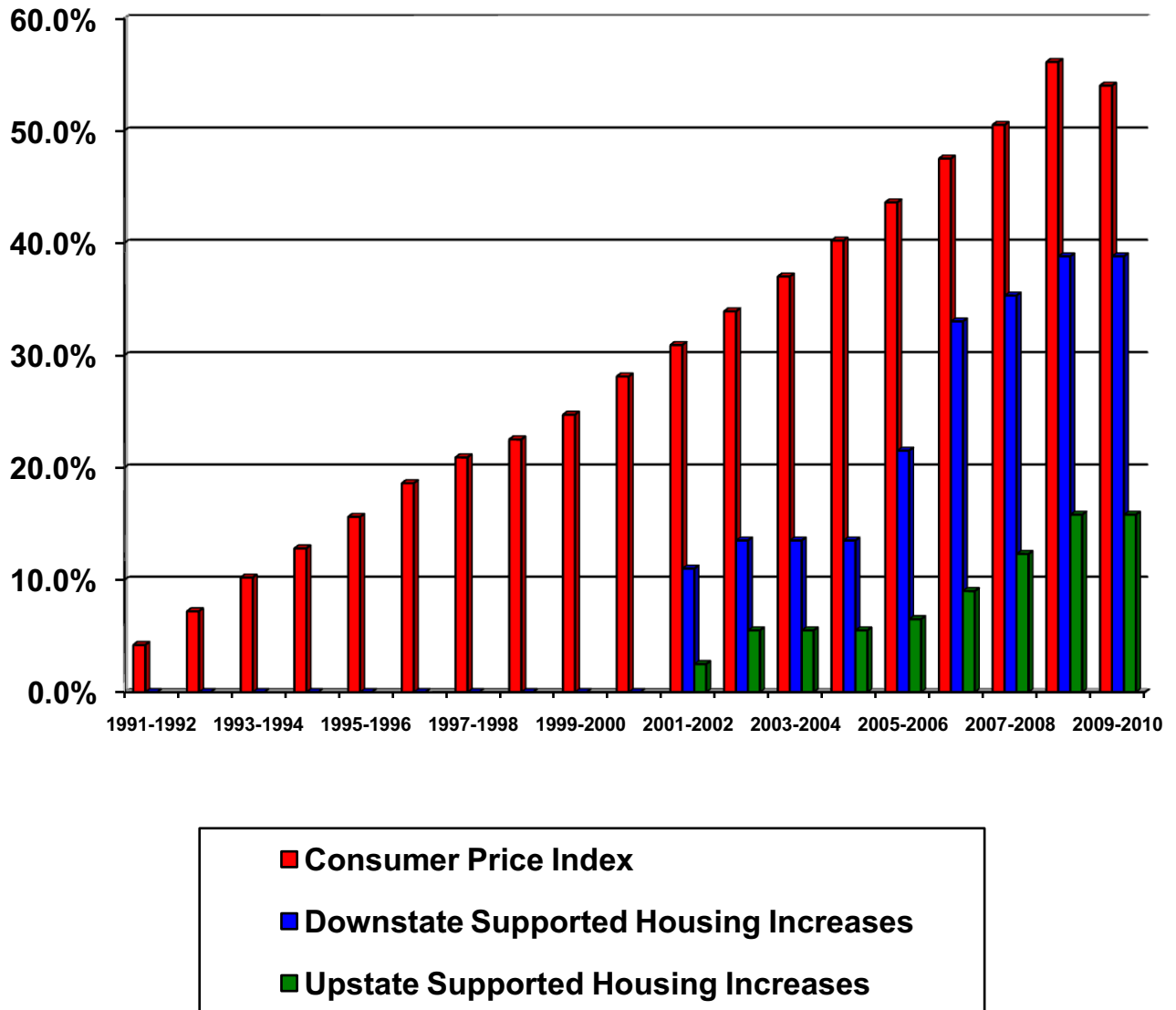
We also urge OMH and OPWDD to do a comprehensive analysis of all of their state operated programs and services to determine which could be operated by NFPs.



## APPENDIX A

### SUPPORTED HOUSING – UNLICENSED Cumulative Comparison

#### Consumer Price Index Compared to Increases from 1991 – 2010



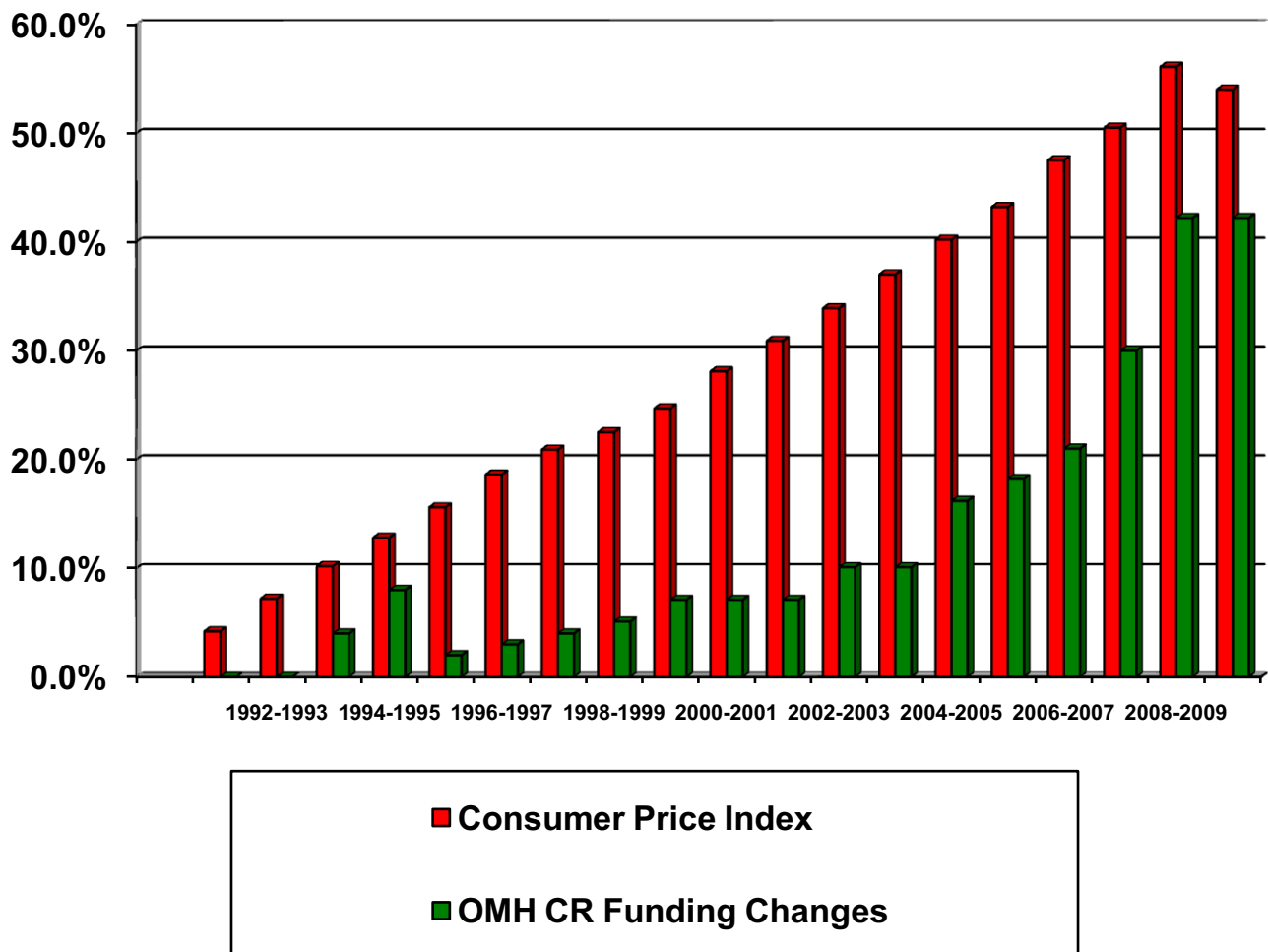
NOTE: Downstate includes: all of NYC; Nassau, Suffolk, Westchester, Putnam, Rockland, Dutchess, and Orange



## Comparison of the Cumulative Consumer Price Index to the OMH CR Residential Funding

1991 to 2009

LACK OF INCREASES ARE NOT COUNTED AS CUTS



# APPENDIX C



## SALARY COMPARISONS BETWEEN 2009 STATE OPERATED AND 2009 VOLUNTARY OPERATED 12 BED CONGREGATE RESIDENCES

State Operated				Upstate				Long Island				Lower Hudson NYC	
Position	Grade	# of Staff	Salary \$		Position	# of Staff	Salary \$		# of Staff	Salary \$		# of Staff	Salary \$
Residential Program Manager	17,19, 623, & 661	1	68,035*		Supervisor	1	31,204†		1	40,823†		1	41,082†
Residential Program Counselor	16	1	55,581*		Senior Counselor	1	30,543†		1	40,763†		1	41,024†
Residential Program Assistant	13	1	47,898*		None Comparable	0			0			0	
Residential Aides	9	4.56	39,530*		Residential Counselor	5.1	24,148†		5.1	27,597†		5.1	27,864†
Sub-Total without fringe		7.56	347,210		Sub-Total without fringe	7.1	184,902		7.1	222,330		7.1	224,212
		% of salary				% of salary			% of salary			% of salary	
Fringe Benefits		Approx. 46%±	159,717			19%†	35,131		21.3%†	47,356		21.3%†	47,757
TOTAL			506,927				220,033			269,6860			271,969

\*2009 ACTUAL AVERAGE SALARY obtained through a FOIL request of the NYS Comptroller's office. It can be assumed that the overall actual salaries are higher in 2010 as a result of COLAs, and so these differences are conservative.

± STATE FRINGE RATE is from the New York State Office of Mental Health Fact Sheet – State Operations – 2008-2009 Executive Budget Recommendation Highlights.

†VOLUNTARY AGENCY REIMBURSEMENT RATE FOR 2009. Actual state salaries are compared to the reimbursement rate for the voluntaries because they are both reflective of what the state pays in each case.

## Privately Operated Community Residences (Not for Profit) vs. State Operated Community Residences



### **NOT FOR PROFIT**

#### **Northern Boulevard Residence**

301 Northern Boulevard, Albany, NY 12210

14 Beds

Sponsored by Rehabilitation Support  
Services, Inc.



### **STATE OPERATED**

#### **Jansen House**

307 Cortland Street, Albany, NY 12208



### **NOT FOR PROFIT**

#### **Curry House**

1827 Curry Road  
Schenectady, NY 12309

13 Beds



### **STATE OPERATED**

#### **Union Street Residence**

1558 Union Street, Schenectady, NY 12309  
Schenectady County

13 Beds

## Privately Operated Community Residences (Not for Profit) vs. State Operated Community Residences



### **NOT FOR PROFIT**

#### **Single Site TAP Complex**

Located in a residential neighborhood  
in the city of Fulton,  
within walking distance to town, on bus route

320 Erie Street, Fulton, NY 13069

22 Beds

Sponsored by Oswego County Opportunities, Inc



### **STATE OPERATED**

#### **Highview Community Residence**

Located on the grounds of  
Hudson River Psychiatric Center

264 Hudson View Drive, Poughkeepsie, NY 12601

24 Beds



### **NOT FOR PROFIT**

#### **Perkins Hall Residence**

Located on Taylor Hollow Road in residential Gowanda  
14190 Taylor-Hollow Road, Gowanda, NY 14070

24 Beds

Sponsored by Southern Tier Environments  
for Living, Inc.



### **STATE OPERATED**

#### **Haven House**

Located on the grounds of  
Hudson River Psychiatric Center

298 Hutchinson Ave, Wingdale, NY 12594

24 Beds

## Privately Operated Community Residences (Not for Profit) vs. State Operated Community Residences



### **NOT FOR PROFIT**

#### **680 Greenwood Residence**

Located in a suburban residential neighborhood  
in the Buffalo area

680 Mineral Springs Road  
West Seneca, NY 14224

13 Beds

Sponsored by Greenwood Residence, Inc.



### **STATE OPERATED**

#### **Clearwater Residence**

Located on the grounds of  
Hudson River Psychiatric Center

10 Ross Circle  
Poughkeepsie, NY 12601

16 Beds



### **NOT FOR PROFIT**

#### **Kensington Square**

Located in a residential neighborhood in the City  
of Buffalo

563 Kensington Avenue, Buffalo, NY 14214

75 Beds

Sponsored by DePaul Community Services, Inc.



### **STATE OPERATED**

#### **The Residence at Rockland**

Located on the grounds of  
Rockland Psychiatric Center

140 Old Orangeburg Road  
Orangeburg, NY 10962

136 Beds

## Privately Operated Community Residences (Not for Profit) vs. State Operated Community Residences



### **NOT FOR PROFIT**

#### **Philmont Hearth Residence**

Located in a residential neighborhood in the village of  
Philmont

10 Maple Avenue, Philmont, NY 12565

14 Beds

Sponsored by Philmont Hearth, Inc.



### **STATE OPERATED**

#### **Community Residence of Chester**

Located on the grounds of  
Rockland Psychiatric Center

15 High Street, Chester, NY 10918

12 Beds



### **NOT FOR PROFIT**

#### **Hoyt House**

222 Lancaster Street  
Albany, NY 12210

11 Beds

-Sponsored by Clearview Center, Inc.



### **STATE OPERATED**

#### **Lake Avenue Transitional Residence**

18 South Lake Avenue  
Albany, NY 12203

8 Beds

## Privately Operated Community Residences (Not for Profit) vs. State Operated Community Residences



### **NOT FOR PROFIT**

#### **White Plains Road CR/SRO**

Located in a commercial area in the Bronx

3735 White Plains Road, Bronx, NY 10467

52 Beds

Sponsored by FEGS Health and Human Services, Inc.



### **STATE OPERATED**

#### **Middletown Transitional Program**

Located on the grounds of  
Rockland Psychiatric Center –  
Middletown Campus

45 Ashley Avenue, Middletown, NY 10940

48 Beds



### **NOT FOR PROFIT**

#### **Thornwood Residence**

11 Sunset Drive, Thornwood, NY 10594

12 Beds

Sponsored by Rehabilitation Support  
Services, Inc.



### **STATE OPERATED**

#### **Tudor House**

9-11 East Chestnut Street  
Kingston, NY 12401

12 beds

## Privately Operated Community Residences (Not for Profit) vs. State Operated Community Residences



### **NOT FOR PROFIT**

#### **Middletown Residence**

Located adjacent to the grounds of Middletown  
Psychiatric Center

180 Seward Avenue, Middletown, NY 10940

14 Beds

Sponsored by Rehabilitation Support  
Services, Inc.



### **STATE OPERATED**

#### **Edgewood Community Residence**

Located on the grounds of  
Hudson River Psychiatric Center

107 Inwood Avenue, Poughkeepsie, NY 1260

14 Beds