Impact of Proposed Budget Cuts to Community-Based Mental Health Services

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Texas Conference of Urban Counties

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Executive Summary
The public mental health system is best described as a series of safety nets, with community-based mental health services serving as the first and most critical layer of the safety net. State Mental Hospitals make up the next layer, followed by services usually supported by local governments, such as hospital emergency rooms and county jails. Community-based mental health services (which include medications, case management and therapies) are the foundation of an effective treatment system capable of moving individuals with serious mental illnesses into productive, stable lives and keeping them out of more expensive psychiatric hospitals, emergency rooms, and jails.

Community-based services also offer the most cost-effective care within the public mental health system. The average per day cost of community-based services is $12 for adults and $13 for children, as compared to $401 for a State Hospital bed, $137 for a jail bed for an inmate with mental illness, and $986 for an emergency room visit.

If enacted, the proposed budget cuts for the 2012-2013 biennium to community-based mental health services will shift costs to State Hospital budgets and local governments. However, given the limited capacity of State Hospitals to absorb any new demand, local governments will bear most of the impact of cuts to community mental health services. The costs that result from failure to provide strong community-based mental health services include:

- Increased State Hospital Costs: State Hospitals are considerably more expensive than community-based services, costing an average of $401 per day. The average length of stay in the State Hospital system is 29 days, and the cost of an average stay is $11,629.

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- Increased jail costs: Jailing an individual with a serious mental illness can cost taxpayers almost three times as much as jailing other inmates ($137 vs. $45 per day). In addition to costing more, inmates with mental illness also tend stay in jail longer than the general inmate population. Without access to critical community-based mental health services like medications and case management, individuals with serious mental illnesses cannot manage their illness and are more likely to engage in behaviors that cause contact with the criminal justice system. Using national statistics for the average length of jail stay for an individual with mental illness, the average cost of a jail stay for a person with mental illness is $10,960.
### Jail Costs to Serve Inmates with Mental Illness

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- **Increased hospital emergency room costs**: Patients with mental illness overuse emergency rooms when appropriate mental health care is not available. Additionally, individuals with mental illness remain in the emergency room longer, decreasing access for others with medical emergencies. The cost of treating uninsured patients with mental illnesses in an emergency room is not trivial. Expenses for nonelderly uninsured individuals (regardless of mental health status) served in emergency rooms averages **$986 per visit**.

Without community-based services, the other layers of the safety net (State Hospitals, emergency rooms) cannot meet the demand for services. When this occurs, the public mental health system becomes a revolving door of expensive crisis treatment. Such a situation would set the stage for tragic outcomes and is financially unsustainable for state and local government budgets.

The public mental health system is dangerously close to this point today, *prior to any cuts*. State Hospitals already operate at capacity. On any given day, almost every bed in the State Hospital system is full, meaning that the State Hospital system can do little to absorb the impact of cuts to community-based mental health services. Since State Hospital capacity is already compromised and can offer little buffer, budget reductions to community-based mental health programs will immediately impact locally funded programs such as jails and emergency rooms. While county jails and hospital emergency rooms strive to meet the needs of individuals with mental illness, these settings are not designed or intended to act as a substitute for mental health treatment providers, and from a cost perspective, are much less efficient than community-based mental health services.

Ultimately, budget reductions to community-based mental health services offer little real savings. Rather, they shift costs to local systems and local taxpayers and also to other state funded services such as State Mental Hospitals and prisons.
Introduction
Texas entered the 82nd legislative session with a budget deficit of approximately $27 billion. State leaders will be forced to make many hard decisions. While few spending cuts are without consequences, not all cuts are created equally. Some proposed budget cuts entail more serious and problematic outcomes for our citizens in the form of increased local taxes, inability to access critical care, and risks to public safety. The proposed budget reductions to community-based mental health services will weaken a critical component of the public safety net, with consequences for state-funded mental hospitals and prisons, and locally funded jails, hospital emergency departments, and social services.

This paper was prepared for the Texas Conference of Urban Counties to describe and quantify the impact of proposed cuts to local governments and taxpayers.

The budget proposed in H.B. 1 contains the following funding reductions for public mental health services:

- 20 percent reduction to adults’ community mental health services
- 19 percent reduction to children’s community mental health services
- 4 percent reduction to State Mental Hospital services
- 6 percent reduction in Mental Health Crisis Stabilization programs.

Texas ranks 50th in the nation in spending on mental health care. The proposed reductions to mental health services will undermine the foundation of the public mental health system. The belief that cuts to community mental health services equate to “savings” is deceptive, as the costs of serving people with serious mental illnesses is merely shifted to local communities and to other sectors of the state budget. Already, local communities are struggling to fill the gaps in the public mental health system. Even before any budget cuts take place, community needs that should be met by the public community-based mental health system are overflowing to State Hospitals, emergency rooms, and jails. Across the state, police officers are reporting longer waits in emergency rooms for individuals that they have brought in for care, sheriffs and county officials are raising concerns about pressures on jail as they have to absorb more inmates with mental illnesses, and emergency room staff are warning of longer waits for all patients as individuals with mental illness consume more of the emergency room’s resources while waiting for an inpatient bed to become available. Further cuts will make a difficult situation untenable.

Community-based Mental Health Treatment is a Good Investment
Mental health treatment works. From models that support individuals with the most severe or complex conditions to treatments that enable individuals with serious illnesses to maintain stability, mental health treatment is an investment that makes sense. Not only does mental
health treatment allow individuals to recover and regain their independence and ability to contribute to society, at the most basic economic level, it keeps people with mental illnesses out of more expensive psychiatric hospitals, emergency rooms, and jails.

Community-based mental health services are provided by Local Mental Health Authorities (LMHAs) who have responsibility for ensuring oversight of and providing mental health care to the individuals in their region. LMHAs manage state-funded mental health services for a defined area of the state. Each LMHA has a contract with the Department of State Health Services that sets out expectations and requirements for the use of state funds. These contracts require the LMHAs to use state funds only for individuals with the most serious mental illnesses, specifically schizophrenia, bi-polar disorder and major depression.

The cost of community-based mental health treatment in Texas averages $12 per day for adults and $13 per day for children. This minimal investment pays off, in both helping individuals recover and in avoiding the need for more acute and expensive services later. Of adults and children receiving public community-based mental health services, 97 percent have avoided a crisis episode, 98 percent have avoided multiple hospital readmissions, 84 percent of adults have improved employment and 90 percent of children have avoided re-arrest.

These investments in mental health work largely because Texas leaders have created an efficient and effective public mental health system. Despite persistently low levels of funding, the Texas mental health system has put in place the necessary tools and oversight to make sure scarce service dollars are spent as wisely as possible and provide value to taxpayers. Texas has become a national leader in adopting best practices and applying clinical guidelines in the delivery of public mental health services. This effort was rooted in the need to maximize the limited public funds to support mental health.

However, despite of the level of efficiency and the adoption of best practices, funding has not kept pace with demand and Texas’ mental health system is becoming increasingly overburdened. Even individuals with complex and pressing needs face long waits for community based mental health services. Statewide, the average monthly number of individuals waiting for services was 6,844. Many more individuals have dropped off the list entirely (likely after cycling through homeless shelters, jails and hospital emergency rooms) or are being served, but at a lower intensity level than their illnesses dictates, increasing the risk of a costly crisis episode.
What Happens When Community Mental Health Services are Cut?

Serious mental illnesses like schizophrenia do not disappear when services are not available. Without effective treatment, people with serious mental illness tend to manifest behaviors and symptoms that cause them to be brought to State Hospitals, local emergency rooms, or county jails. This adverse effect accompanied the last round of severe budget cuts to mental health services in 2003. Following those cuts, mental health diagnoses in 20 Central Texas hospitals’ ERs and health clinics jumped 79 percent from 2003 to 2004. Similar trends occurred in county jails. After 2003, large counties (those with population of 1 million or more), began experiencing steady increases in average jail health care expenditures, according to surveys by the Texas Association of Counties.

Community mental health services prevent the need for more expensive (and often less effective) services. Without access to services like medications, assertive case management and therapies, people with mental illness invariably find their way to other settings, typically the State Hospital, local hospital emergency room, or county jail.

In effect, the public mental health system is a series of safety nets, with community mental health services serving as the first layer of the safety net, followed by State Mental Hospitals, then by services not intended for people with serious mental illnesses, but which are provided by entities that are forced to step into the breach: local emergency rooms and county jails.

The diagram on the following page provides a graphic description of mental health safety net and the costs that the state and local governments incur when the safety net fails. When individuals fall through all the layers of the safety net, tragic outcomes can occur. These outcomes include suicide and violence against others, not to mention the more common effects of untreated mental illnesses such as job loss, school drop outs, and parenting problems. These outcomes are less easy to quantify, but clearly have profound impacts on the individuals involved, their families, and communities.

If budget reductions reduce the capacity or quality of community based services, demand for State Hospital beds will grow, jail populations and related costs will increase, and emergency rooms will becomes more crowded and less able to respond to their community’s medical needs. Outlined in the following sections are the costs associated with each of these outcomes.
Demand for State Hospital Beds Grows

After community-based services, State Hospitals are the next line of defense in the public mental health safety net. Compared to the cost of providing community-based services (average of $12-$13 per day), State Hospitals are considerably more expensive, with an average per day cost of $401. The average length of stay in the State Hospital system is 29 days, meaning that average cost of a State Hospital stay is $11,629.

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The best means of preventing the need for State Hospital admissions is providing individuals with serious mental illnesses effective and accessible community-based mental health services. Without a strong community-based mental health system, mental health needs become mental health crises and mental health crises escalate to the point that admission to the State Hospital is necessary.

When community-based mental health services are not available, not only do admissions to State Hospitals increase, but so do readmissions. When an individual is discharged from a State Hospital or any inpatient psychiatric facility, the period when they first return to the community is a particularly critical time. After being discharged from the State Hospital, individuals need access to medications and supports to remain in the community. However, when gaps in services occur, recently discharged individuals can quickly lose the progress they have made and are at high risk for a mental health crisis relapse that will require a readmission to inpatient care.

Each readmission to a State Hospital represents a cost that likely could have been avoided with more robust community-based mental health services. Thus, cuts to community mental health services risk turning the State Hospital system into a revolving door for clients unable to get services in the community.

While increased demand for State Hospitals is problematic for state budgets, it also further stresses an already overburdened State Hospital system. On any given day, almost every bed in the State Hospital system is full. During Fiscal Year (FY) 2010, the system was on diversion (meaning at least one of the Hospitals was too full to accept admissions) 40 percent of the time.\(^{18}\)

Since State Hospitals are already operating at capacity, they can do little to absorb the impact of cuts to community-based mental health services. Their ability to act as the next layer of the public mental health safety net, minimizing the impact to county-funded services, is already seriously compromised. Thus, budget reductions to community based mental health programs will pose a serious and immediate impact to locally funded programs such as jails and emergency rooms.

**Jail Populations and Costs Increase**

There is a strong correlation between the amount of money a state spends on mental health services and the size of jail and prison populations.\(^{19}\) This is not surprising. People with mental illness frequently come into contact with law enforcement for behaviors and actions that result from their mental illness. When an individual with a serious mental illness does not receive the
services necessary to manage their illness, they are more likely to engage in behaviors like trespassing or minor theft that cause contact with the criminal justice system.

Counties in Texas are already struggling to balance revenues with rising jail costs. In FY 2008, the ten counties with the largest jail capacities spent an average of almost 14 percent of their county budgets on jails.\textsuperscript{20, 21} Jail overcrowding drives up local county budgets because counties must pay for the additional costs associated with more staff, medical care, food and overhead for inmates.

The financial consequence of shifting the burden of treating people with mental illness to jails and prisons is significant. The average daily cost of jail for a general inmate is $45,\textsuperscript{22} compared to $137\textsuperscript{23} for an inmate with serious mental illnesses. Thus, jailing an individual with a serious mental illness can cost taxpayers almost three times as much as a jailing other inmates. Inmates with serious mental illness not only costs jails more per day, but they also stay in jail longer than the general inmate population. The national average length of stay in jail is 80 days for the mentally impaired offender compared with 20 days for the general jail inmate.\textsuperscript{24} The cost of an average jail stay for an inmate with mental illness is $10,960.

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As with State Hospitals, individuals with serious mental illness leaving jail need access to a range of services and supports to manage their illness. Without adequate community-based services, individuals leaving jail frequently return, sometimes many times. More than half of all inmates with mental illness report three or more prior jail sentences. Studies by the American Psychiatric Association report that 40 percent of individuals with serious mental illnesses have been in jail or prison at some time in their lives.\textsuperscript{25} These rates are linked to existing gaps in and scarcity of mental health treatment. If community-based services suffer reductions in capacity or quantity, the cycle in and out of the criminal justice system for people with mental illness will intensify.

**Emergency Rooms Become More Crowded**

Along with jails, emergency rooms (ERs) serve as the final layer of the mental health safety net. Individuals in mental health crisis often enter the emergency room on their own or are brought in by law enforcement.
The cost of treating those patients in an emergency room is not cheap. Expenses for uninsured individuals under age 65 (regardless of mental health diagnosis) served in emergency rooms average $986 per visit. For public hospitals, increases in their uncompensated care can lead to reductions in other services or the need to raise local taxes. Private hospitals pass the cost of uncompensated care onto other payers in the form of higher charges.

The amount of ER resources that are devoted to people with mental illness can be startling. A review by the Indigent Care Collaborative in Central Texas found that nine people collectively accounted for 2,678 ER visits over a six year period, with associated costs of approximately $3 million. Seven of these nine had a mental health diagnosis.

Using the ER for care that would be better handled in other settings contributes to ER overcrowding. Overloaded ERs can lead to ER closures, diverted ambulances, and greater risk for the entire community. Patients with mental disorders pose a particular challenge for busy ERs. These individuals tend to remain in the ER longer than non-mental health patients, consuming scarce emergency room resources and prolonging the amount of time that all patients must wait for services.

According to a 2004 review, psychiatric patients remained in the ER twice as long as other patients with 42 percent spending nine or more hours in the ER.

This situation is problematic for patients, since ERs are typically not equipped, in terms of layout or staff training, to appropriately care for patients with serious mental illness. It’s also problematic for the community at large, since the presence of individuals with mental illness reduces ER capacity to respond to medical emergencies.

The reason that mentally ill patients tend to stay longer in the ER is largely linked to the fact that many of these patients are waiting for an inpatient psychiatric bed and the time to find an inpatient bed is increasing as inpatient psychiatric beds have become more scarce. In Texas, the number of State Hospital beds has shrunk over 30 percent in the past 17 years, from 3,560 in 1993 to 2,484 by 2010. Although this trend is nationwide, it is particularly acute in Texas where there are 10 public psychiatric beds per 100,000 residents, compared to a national average of 17 beds. (Experts estimate 50 public beds per 100,000 are necessary to adequately serve the needs of uninsured.)

Given the current psychiatric bed shortage in Texas, minimizing the use of the ER by people with mental illness is critical. ERs have little capacity at the back door, so reducing the number
of patients who come in through the front door is crucial. Patients with mental illness who overuse emergency rooms do so because appropriate mental health care is not available.\textsuperscript{36} Thus, reducing avoidable ER use by people with mental illness requires ensuring that they have access to community-based mental health services. If community mental health care becomes more difficult for patients with serious mental illnesses to access, ERs become more crowded and the entire community’s wait for emergent and urgent care increases.

**Conclusion**

Community-based mental health services are critical to the public mental health safety net. These services keep people with mental illnesses out of more expensive psychiatric hospitals, emergency rooms, and jails. Cuts to these services will reverberate through the public health, public safety and social service systems.

In times of budget crisis, difficult public policy decisions must be made. However, it is important to understand the impact of significant funding cuts on the individuals and communities served. Schizophrenia remains even when services do not. Without access to community-based treatment, individuals with serious mental illnesses like schizophrenia will cycle through State Hospitals, jails and emergency departments. When compared against the cost of these settings, community-based services are clearly the more cost effective approach.
ENDNOTES

1 Department of State Health Services. DSHS Hospitals, Hospitals Section, Hospitals Statistics, FY 2010 data.
5 2007 Medical Expenditure Panel Survey for uninsured consumers under age 65.
8 “Lawmakers begin spirited debate over budget” Texas Tribune, January 24, 2011.
9 “Big cuts looming for mental health care” San Antonio Express, September 8, 2010.
10 “Crisis looming for families, individuals” TimesRecord News Wichita Falls, October 10, 2011.
11 Department of State Health Services Behavioral Health Data Book, FY 2010, 4th Quarter, Figures 1.2 and 2.2. Monthly costs converted to daily rates. Available at: http://www.dshs.state.tx.us/mhsa/databook/.
12 Department of State Health Services Behavioral Health Data Book, FY 2010, 4th Quarter, Figures 1.6, 1.7, 1.9, 2.6, 2.7.
13 Department of State Health Services Behavioral Health Data Book, FY 2010, 4th Quarter, Figure 5.1.
16 Department of State Health Services. DSHS Hospitals, Hospitals Section, Hospitals Statistics, FY 2010 data.
17 Department of State Health Services. DSHS Hospitals, Hospitals Section, Hospitals Statistics, FY 2010 data.
18 Department of State Health Services, DSHS Hospitals, Hospitals Section, Hospitals Statistics.
21 The debt service that counties pay related to jail construction is not included in this figure and is therefore an additional expense to counties.
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27 Mary Ann Roser, “Austin ER’s got 2,678 visits from 9 people over 6 years.” Austin American Statesman. April 1, 2009.

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Department of State Health Services, DSHS Hospitals Report, FY 2010 data.

U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Funding and Characteristics of State Mental Health Agencies, 2007.
