



## Legislative Fiscal Bureau

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June 22, 2023

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health Services: Section 13.10 Request for GPR Transfer to the State Mental Health Institutes from Medical Assistance Benefits -- Agenda Item II

### REQUEST

The Department of Health Services requests a transfer of \$4,614,400 GPR in 2022-23 from the appropriation for the Medical Assistance program to the appropriation for the state's two mental health institutes--the Mendota Mental Health Institute and the Winnebago Mental Health Institute.

### BACKGROUND

The Department of Health Services operates two state mental health hospitals for the treatment and care of patients with acute needs in a secure facility. The Mendota Mental Health Institute, in Madison, is the state's primary facility for forensic patients, who have been committed to treatment as part of a criminal proceeding. The Winnebago Mental Health Institute, in Oshkosh, primarily serves adults and youth patients with a civil commitment for mental health or substance abuse needs, including for emergency detention, although it also serves some female forensic patients. The cost of forensic services is funded with a GPR appropriation, while the cost of civil services are charged to counties, collected in a program revenue appropriation. In 2022-23, Mendota has a budget for its principal operations of \$103.0 million (\$88.3 million GPR and \$14.7 million PR) and has 794 authorized positions, while Winnebago has a budget of \$86.3 million (\$23.2 million GPR and \$63.1 million PR) and 653 authorized positions. The total GPR appropriation for the two mental health institutes, which includes \$4.6 million not specifically allocated to either Mendota or Winnebago, is \$116.1 million.

### DESCRIPTION OF THE REQUEST AND ANALYSIS

The Department is requesting a transfer of \$4,614,400 GPR in 2022-23 to the mental health institutes appropriation from the GPR appropriation for Medical Assistance benefits to address a

projected funding shortfall in the appropriation. Based on expenditures to date and projection of remaining expenses, the Department estimates that GPR spending will total \$142.1 million in 2022-23, which is \$26.0 million more than the budgeted amount. The Department cites several factors for the over spending, most of which it attributes to the need to keeping the facilities adequately staffed in a challenging labor market. First, in response to difficulties in hiring and retaining staff, the Department of Administration's Division of Personnel Management approved pilot wage add-ons for certain security and direct care staff. Under these pilot programs, psychiatric care technicians receive a \$4.00 hourly wage add-on and nurse clinicians receive a \$5.00 hourly wage add-on. Certain nurse clinicians are also eligible for an additional \$3.00 add-on for weekend hours. These add-ons have generally been in effect for the entirety of the state fiscal year 2022-23, and have increased GPR salary and fringe benefit costs at the mental health institutes by an estimated \$4.7 million.

In addition to the wage add-ons, the Department has incurred costs for employee overtime salary and fringe benefits in excess of budgeted amounts. Overtime is typically used to provide staffing to compensate for position vacancies involving direct patient treatment and supervision. The mental health institutes have had between 25 and 30 vacant GPR psychiatric care technician positions at the mental health institutes throughout the fiscal year, out of 316 authorized GPR positions, and approximately 30 vacant nurse clinician positions throughout the year, out of 107 authorized GPR positions. In addition to providing coverage for vacant positions, the Department indicates that overtime is also used to provide increased staffing during periods of high patient census, and to increase staffing ratios with high acuity patients. The Department's total expenditures for overtime salary at the two mental health institutes is expected to exceed \$14.0 million in 2022-23, while the budget for overtime salary is just \$8.7 million.

In addition to the use of overtime, the Department has more recently relied on contract staffing agencies to cover for vacancies among nurse clinician and psychiatric care technician positions. Although the use of contract staffing is more costly than in-house staff, but the Department believes it has become necessary to maintain adequate staffing. In 2022-23, expenditures for contract staffing at the mental health institutes will exceed \$39 million, an amount equivalent to 24% of the total budget for employee salary and fringe benefits at the mental health institutes.

Although the total expenditure from the mental health institutes GPR appropriation is projected to exceed the amount budgeted by \$26.0 million, the Department plans to allocate other funding to reduce the amount of the deficit, as follows: (a) \$11.9 million received under a federal provider relief fund grant program; (b) \$4.2 million of funds allocated by the Administration from the state and local fiscal relief (SLFR) funding (established by the American Rescue Plan Act) for the cost of the \$4.00 wage add-on for psychiatric care technicians; and (c) \$5.3 million from compensation reserves, the amount of the pay plan supplement requested by the Department (although not yet approved) to support the cost of general wage increases and other compensation plan provisions. With these supplemental funding sources (assuming the requested pay plan supplement is approved), the projected deficit in the mental health institutes appropriation would be \$4.6 million. This remaining deficit would be addressed through the requested transfer from the MA appropriation under s. 13.10 of the statutes.

Due largely to enhanced federal Medicaid matching rate that has been in effect for the entirety

of the 2021-23 biennium, the GPR appropriation for Medical Assistance benefits is projected to end the biennium with a uncommitted balance of \$898.3 million. If the Department's request for a transfer from this appropriation to the mental health institutes appropriation is approved, the uncommitted balance in the appropriation would be reduced by \$4.6 million. The actual ending balance in the appropriation could differ from the projected amount, as program expenditures can vary from projections, on a weekly basis, by amounts that are well in excess of the proposed transfer.

The uncommitted balance in the MA program will lapse to the general fund, and will account for a portion of the 2023-25 general fund opening balance. In a May 15 memorandum from this office, the general fund opening balance was projected at \$6,877.0 million, an estimate that assumed a lapse from the MA appropriation of \$898.3 million. If the Department's request is approved, the opening balance will be lower by \$4.6 million, although as with the ending balance in the MA appropriation, the actual opening balance could differ due to variances in actual expenditures and revenues that could be well in excess of the proposed transfer.

If the Department's request is not approved, the Department, working with the Department of Administration, would need to take other actions to address the resulting appropriation shortfall, since the GPR appropriation cannot end the fiscal year with a deficit. At this time in the fiscal year, it is unlikely that the mental health institutes could reduce expenditures by an amount that could resolve the deficit. Instead, the Administration may need to allocate other revenues to cover some portion of expenses to ensure that a deficit does not occur.

## **ALTERNATIVES**

1. Approve the Department's request to transfer \$4,614,400 GPR in 2022-23 from the appropriation for Medical Assistance benefits [s. 20.435(4)(b)] to the appropriation for state mental health institutes [s. 20.435(2)(a)].
2. Deny the Department's request.

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