Secretary Catherine Torres **Code 665**

ISSUES FOR HEARING
Department of Health

BACKGROUND

- In September 2009, the Legislative Finance Committee conducted a program evaluation entitled, "*Department of Health Oversight of State-Operated Facilities and Follow-Up Review of the 2007 Evaluation.*" The evaluation explored opportunities for improvement which could be taken by the Department of Health (DOH) Office of Facilities Management's oversight of seven facilities and programs to ensure the delivery of cost-effective, quality services to clients.

LFC 2009 Program Evaluation Recommendations

- The Department of Health's (DOH) Office of Facilities Management (OFM) should develop and implement a plan to rely on not more than 45 percent state general fund for expenses.
- OFM should decrease facility capacities and staffing to match more realistic censuses, consolidate facilities, or move services to community providers.
- OFM should validate the appropriateness of staffing patterns and formulas using industry standards and comparisons between facilities and with other like community organizations.
- DOH should convene a work group of OFM, HSD with Medicaid and BHSD, Aging and Long-Term Services, and any other appropriate state agencies to investigate opportunities for changes in regulation, statute, state mental health plan, Medicaid waivers applications, and establishment of internal agreements that third party payers, including those within the Behavioral Health Purchasing Collaborative, explore revenue generation for OFM facilities other than state general fund revenue.
- The OFM should collaborate with the Human Services Department's (HSD) Behavioral Health Services Division (BHSD). BHSD, as the "State Substance Abuse Authority," should be involved in decisions regarding substance abuse treatment facilities and to ensure policies are consistent between the agencies and that facility plans reflect the needs of the state.
- DOH should develop healthcare finance and procurement expertise at the OFM program level through reallocation and relocation of vacant positions within the program.

- OFM should work with State Personnel Office on a compensation and classification study of critical positions and identify "frozen" positions which impact revenue and appeal for hiring authority.

CURRENT ISSUES

- Four health facilities faced FY11 budget shortfalls; but the Behavioral Health Institute (NMBHI) covered these shortfalls. The NMBHI also had its revenue redistributed to cover other facilities' shortfalls in FY10.
- State health facilities provide too little data on patient health outcomes and hospitals' financial performance.
- There is no FY12 budget for $1 million for facilities' maintenance at the old Fort Bayard Medical Center and old NM Rehabilitation Center in Roswell.
- There are nurse staffing shortages at all seven DOH state hospital facilities; also, staffing levels need to match census levels.
- There were 13 deaths, or 10 percent of the patients, reported for the period of January 1 through March 31, 2011, at DOH's New Mexico State Veterans' Home.
- Chapter 90 (Senate Bill 295) requires drug and alcohol testing for direct healthcare providers in state healthcare facilities. This is estimated to cost DOH $172 thousand in FY12 which is not budgeted.

QUESTIONS

1. What percent of each facility's budget is financed by state general fund appropriations?
2. What new, more robust performance measures is DOH proposing for FY13 for the Facilities Management Program?
3. Has OFM implemented written policies, procedures and processes to insure all possible revenue is captured? Has a Deputy Secretary for Facilities been appointed?
4. What initiatives and regulation changes has OFM taken in conjunction with HSD/Medicaid to explore alternative revenue generation including directing more federal Disproportionate Share Hospital (DSH) funds to state health facilities?
5. Have changes been made in staffing protocols to recognize actual census versus bed capacity? What industry standards for staffing have been implemented?

6. Has DOH's Office of Facilities Management (OFM) worked with the State Personnel Office (SPO) for union contract changes which would allow staffing level changes to occur when patient census decreases?
7. Has OFM worked with SPO to ensure needed clinical positions, and non-clinical positions associated with revenue generation, are not subject to the hiring freeze?
8. Has OFM worked with NM Health Resources on healthcare professional recruitment?
9. What collaboration occurs between the Behavioral Health Services Division at the Human Services Department and DOH in the management of substance abuse treatment facilities?

LFC HEARING BRIEF

AGENCY: Department of Health

DATE: July 13, 2011

PURPOSE OF HEARING: Progress Report on LFC Program Evaluation of State Hospitals

WITNESS: Secretary Catherine Torres

PREPARED BY: Ruby Ann M. Esquibel and Pamela Galbraith

EXPECTED OUTCOME: DOH will report on the progress it has made in implementing the recommendations contained in the 2009 LFC Program Evaluation of DOH's oversight of the seven state health facilities. The focus of the recommendations was ensuring the delivery of cost-effective, quality services to clients.

BACKGROUND INFORMATION

In September 2009, the Legislative Finance Committee issued a program evaluation entitled, "*Department of Health Oversight of State-Operated Facilities and Follow-Up Review of the 2007 Evaluation.*" The evaluation explored opportunities for improvement which could be taken by the Department of Health Office of Facilities Management's oversight of seven facilities and programs to ensure the delivery of cost-effective, quality services to clients.

Presently, many of the recommendations contained in the 2009 LFC Program Evaluation have not been implemented, and the Department of Health's state-operated facilities continue to have issues with generating sufficient revenues to decrease the level of general fund appropriations needed for their operations; managing staffing levels based on patient census; and measuring and delivering quality performance outcomes.

Summary of 2009 LFC Program Evaluation, "Department of Health Oversight of State-Operated Facilities and Follow-Up Review of the 2007 Evaluation." The New Mexico Department of Health (DOH), through the Facilities Management Program administered by the Office of Facilities Management (OFM), operates seven facilities to serve clients in need of long-term care, medical rehabilitation, psychiatric and substance abuse treatment services. The seven facilities include Fort Bayard Medical Center (FBMC), Sequoyah Adolescent Treatment Center (SATC), NM State Veterans' Home (NMSVH), NM Rehabilitation Center (NMRC), NM Behavioral Health Institute (NMBHI), Turquoise Lodge Substance Abuse Treatment Center (TL), Los Lunas Community Program (LLCP).

The OFM has the largest budget and most employees of all DOH divisions and programs. This budget exceeds that of many state departments. In FY09, New Mexico general fund appropriations funded 51 percent of the operations of the state-operated health facilities. In FY11, general fund appropriations funded 57 percent of the operations of the state-operated health facilities.

Established in 2006, OFM has had significant turnover in key central office positions. There is no evidence that prior leadership took actions to address the original concerns justifying the establishment of OFM as the oversight authority for the facilities. Staffing for OFM did not stabilize until 2008.

Oversight of the financial operations of the facilities continues as the major concern. In FY08, OFM received $750 thousand in supplemental appropriations for operations of the facilities. In FY09, OFM received $11.8 million in supplemental appropriations. The budgets for these two years overstated revenue and understated expenses. The total amount of the supplemental appropriations was allocated to salaries and benefits. During FY09, an average 198 beds were not occupied each day and nearly $9

Metric Definitions

FTE per occupied bed – Number of full-time employees required or assigned per occupied bed.
Hours of care – hours of care available to each patient per shift or day.
Cost per day – The daily cost for all services for each patient.

Percent of Occupancy of Total Capacity by Year

Facility	2007	2008	2009
TL	58%	46%	64%
NMBHI			
Forensics	75%	88%	82%
Adolescent	72%	71%	66%
Adult	72%	69%	74%
Long-term care	94%	94%	91%
NMRC			
Med Rehab	35%	31%	43%
CDU	78%	77%	65%
SATC	92%	95%	97%
NMVH	89%	87%	86%
FBMC			
Long-term care	69%	67%	62%
Yucca	59%	51%	56%
Average	72%	71%	71%

Source: LFC staff analysis from OFM data

million dollars was spent on overtime and contract staffing. Facilities had the capacity to serve 845 clients per day.

With occupancies below capacity for all the facilities except Sequoyah Adolescent Treatment Center (SATC), the state has approved capital appropriations for another substance abuse program for the Behavioral Health Services Division (BHSD) within the Human Services Division (HSD). BHSD identifies itself as the state's Substance Abuse Authority, with a responsibility for "monitoring progress in system capacity and comprehensive system planning." Increased collaboration between state agencies is necessary to prevent duplication of services, increased costs to the state, and clarification of authority for drug treatment programs.

The report found that without decreased spending or without increased revenue from other resources, supplemental appropriations would be needed in FY10 and beyond.

The inability of OFM to accurately project revenue and control expenses significantly stresses the overall state budget. The need for large supplemental appropriations suggests unrealistic budget development. For example, budgeted revenue increases for Fort Bayard Medical Center (FMC) and New Mexico Behavioral Health Institute (NMBHI) did not materialize.

The OFM did not have the expertise and tools to accurately and effectively develop and manage the program budgets, or use a monitoring process to quickly identify and react to changes in projected revenue or expenses. Collection and analyses of standard industry metrics would serve as a gauge for facilities to make timely budget changes.

Staffing issues hamper cost containment. Although a decrease from FY08, the use of overtime and contract staff totaled nearly $9 million for FY09. These costs strain the OFM budget. For example, with an occupancy rate of 64 percent, Turquoise Lodge used over $1 million—29 percent of regular salaries—for supplemental staff.

Each of the facilities has established staffing formulas. These formulas identify the number and classification of staff needed for actual patient census. No methodology was provided to validate that formulas are appropriate and in line with industry standards. Based upon the available information, the evaluation could not discern whether the established staffing formulas are used or if staffing remains at the same levels, in spite of changes in census or acuity.

There is little evidence to show staff decreases occur when occupancy or patient acuity is lower than budgeted. OFM facilities are hindered by the lack of personnel policies or union contract language which allows for staff to be unscheduled from their work assignment.

Four-hundred employees terminated from OFM facilities in FY09. A

All Positions: Employee Turnover Rates

Facility	FY07	FY08	FY09
TL	27%	34%	20%
NMBHI	17%	13%	12%
NMRC	23%	13%	17%
SATC	14%	10%	15%
NMVH	21%	24%	13%
FBMC	31%	28%	33%
LLCP	24%	18%	19%

Source: OFM

Supplemental Personnel Costs
(in millions)

Fiscal Year	Overtime	Contract Staff
2007	$7.0	$1.0
2008	$7.6	$1.2
2009	$7.2	$1.7
Total	**$21.8**	**$3.9**

Source: OFM

Cost of Turnover

- Interviewing,
- Replacement employees during recruitment,
- Advertising, screening, interviewing, and selecting,
- Physical exams, immunizations, criminal background checks,
- Training and orientation.

conservative, estimated cost of this turnover is $6.4 million. The OFM lacks information regarding termination reasons inhibiting management's ability to take actions promoting retention.

The OFM, like all New Mexico health facilities, competes for professional healthcare staff. At the time of the report, New Mexico ranked 50th for the number of registered nurses per 100,000 population. The OFM registered nursing salaries were $5 thousand per year less than the state average. The national average for psychiatrists per 100,000 population was 14, while the state average was five. The OFM, with severe difficulty recruiting physical and occupational therapists to the New Mexico Rehabilitation Center in Roswell (NMRC), estimated the NMRC salary s $15 per hour less than other facilities in the state.

Psychiatric and substance abuse programs are limited in revenue generation by state and federal laws and regulations. Regulations limit federal program participation through Medicare and Medicaid to state-operated facilities. Every state makes major general fund contributions to their state facilities.

Forensic clients are totally funded through state general fund appropriations. This is a growing population which will soon require additional funding for care and capital expansions.

OFM has not implemented written policies, procedures and processes to insure all possible revenue is captured. Although the federal government has limited access to public funding for state-operated psychiatric and substance abuse facilities, other states have garnered additional revenues within the federal limitations. Funding is available for most nursing home clients through Medicare or Medicaid and long-term care facilities should be able to balance budgets.

Revenue management within a healthcare provider organization is far more complicated than other industries. Policies and practices for revenue management must have tight accountability, reduced variability, and supportive information systems.

To ensure that revenues from third-party payers are adequate, facilities must know the cost for services rendered for use in third-party payer contracting. The state does not, within the SHARE system, segregate costs at the unit sub-program level. This practice hinders access by the Legislature in monitoring budget performance. Presently, the LFC only has access to program level information.

The wide variation in the cost per day for like services within OFM facilities suggests, at a minimum, opportunities to improve efficiencies are available at Turquoise Lodge and New Mexico Rehabilitation Center (NMRC).

Cost per Patient Day

Facility	Cost per Day
TL	$732
NMBHI	$495
NMRC	$811
SATC	$571
NMSVH	$275
FBMC	$475

Source: LFC analysis

Revenue Management Transactions

- Referrals
- Eligibility screening
- Benefit Determinations
- Medical Necessity
- Sliding Fee Scales
- Payment plans
- Diagnosis Coding
- Regulatory Compliance
- Utilization Management
- Contract Management
- Claims Submissions
- Denial Management
- Cost and charge policies
- Appropriate Discounting

Percent of Operations Funded by State General Funds

Facility	FY07	FY08	FY09
TL	92%	96%	84%
NMBHI	53%	54%	61%
SATC	53%	54%	58%
NMSVH	5%	8%	10%
FBMC	24%	22%	46%
LLCP	28%	29%	42%
NMRC	61%	65%	66%

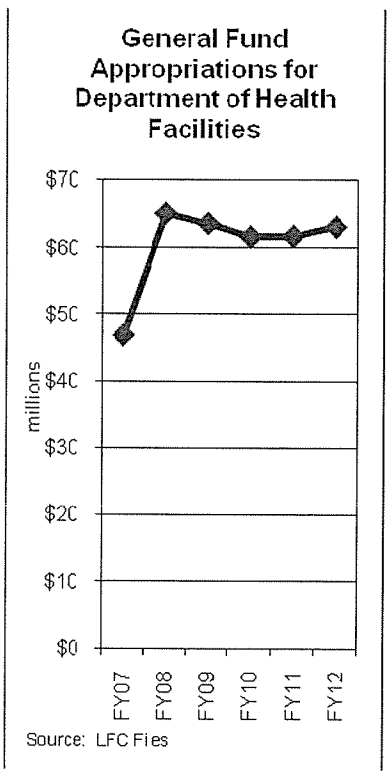
Source: LFC Analysis

Opportunities to control other operational expenses do exist. OFM has taken advantage of General Services Department (GSD) pricing and OFM has considered proposal solicitation for certain goods and services common to all facilities. The combined amount of goods and services for all facilities may be of a volume that would generate savings with single contracts. For services or goods common to more than one facility, OFM should validate that GSD pricing is competitive to pricing acquired through the request for proposal process. Although savings generated in the operational expenses pales to that which could result from staffing controls, any expense reduction is a benefit.

Quality of Care. Previous LFC evaluations cited inadequate performance monitoring. All the facilities except Fort Bayard Medical Center (FBMC) and Los Lunas Community Program (LLCP), have achieved accreditation from national accrediting and certifying agencies. These agencies require the monitoring of quality of care performance measures. OFM collects data which demonstrates the status of quality of care. However, additional attention must be made to improving processes that promote desired health outcomes.

Significant 2009 LFC Program Evaluation Recommendations *(see Attachment 1)*

- The OFM should develop and implement a plan to rely on not more than 45 percent state general fund for expenses.
- The OFM should decrease facility capacities and staffing to match more realistic censuses, consolidate facilities, or move services to community providers.
- The OFM should validate the appropriateness of staffing patterns and formulas using industry standards and comparisons between facilities and with other like community organizations.
- The OFM should work with State Personnel Office on a compensation and classification study of critical positions and identify "frozen" positions which impact revenue and appeal for hiring authority.
- The OFM should collaborate with BHSD. BHSD, as the "State Substance Abuse Authority," should be involved in decisions regarding substance abuse treatment facilities and to ensure policies are consistent between the agencies and that facility plans reflect the needs of the state.
- The DOH should convene a work group of OFM, HSD with Medicaid and BHSD, Aging and Long-Term Services, and any other appropriate state agencies to investigate opportunities for changes in regulation, statute, state mental health plan, Medicaid waivers applications, and establishment of internal agreements that third party payers, including those within the Behavioral Health Purchasing Collaborative, explore revenue generation for OFM facilities other than state general fund revenue.
- The DOH should develop healthcare finance and procurement expertise at the OFM program level through reallocation and relocation of vacant



positions within the program.

CURRENT STATUS

DOH Facilities Adequately Funded in FY12. The FY12 general fund appropriation in the General Appropriation Act to the Department of Health (DOH) of $290.2 million is 11.6 percent, or $30.2 million higher than the adjusted FY11 operating budget. Authorized FTE were reduced by 167 vacant positions. The Facilities Management Program was appropriated sufficient funding to maintain direct patient care staffing levels, maintain programmatic healthcare services, and provide full funding for the Fort Bayard Medical Center debt payment (*see graph in sidebar*).

Facilities Management Program Needs More Robust Performance Measures. The DOH's Facilities Management Program needs additional outcome measures for patient care and services and their outcomes, as well as enhanced measures of facilities' financial performance. The OFM lacks good performance measures and its quarterly reporting needs improvement. The Accountability in Government Act consolidated all seven of the facilities' budgets into one program allowing the department considerable budget flexibility; however, the DOH has not in return provided the Legislature with good program accountability measures (*see Attachment 2).*

Health Facilities Faced FY11 Budget Shortfalls. FY11 year-end budget shortfalls at state health facilities added up to almost $2.5 million. The Department of Health facilities' governing boards reported in April shortages of $1.6 million at Fort Bayard Medical Center, $301 thousand at Sequoyah Adolescent Treatment Center in Albuquerque, $53 thousand at the New Mexico Rehabilitation Center in Roswell, and $524 thousand at the Los Lunas Community Program. Budget surpluses at the New Mexico Behavioral Health Institute in Las Vegas were used to cover the shortfalls at these other institutions.

No FY12 Budget for $1 Million for Facilities' Maintenance. Maintenance on two empty Department of Health facilities is estimated at $1 million. Neither DOH nor General Services Department (GSD) have the funds budgeted to cover the expense. The funds were not included in the budgets for the department or for the Property Control Division of the General Services Department, which did not anticipated taking over lead agency status for the old Fort Bayard Medical Center and old New Mexico Rehabilitation Center campus in Roswell.

Fort Bayard Medical Center (FBMC) is currently paying $47 thousand a month, or $564 thousand annually, for maintenance on the old FBMC facility. DOH's budget only had maintenance funding for the old FBMC facility through the end of FY11. Starting in FY12, the maintenance of the old facility will fall under the purview of the General Services Department's Property Control Division (PCD), which indicates it does not have sufficient funds to cover full maintenance, utilities and security for FBMC. Additionally, Property Control Division does not fund any sort of operating

expenses for facilities. The PCD only funds basic maintenance and security for facilities.

The DOH is expending $30 thousand a month, or $360 thousand annually maintaining the old New Mexico Rehabilitation Center in Roswell. Again, Property Control Division has no funding to provide maintenance funding for this facility once DOH relinquishes its lead agency status for the property.

DOH Facilities' Quality of Service Needs Improvement. There are nurse staffing shortages at all seven DOH facilities. The nurse staffing shortages are largely due to the hiring freeze. Nurses are being required to work overtime at all seven facilities. Another difficult issue is that nurses are a skilled and certified workforce and are thus hard to recruit, especially in rural areas. Nursing shortages could affect accreditation and certification at facilities, and affect patient care and healthcare outcomes. Not one DOH facility was able to hold "Director of Nursing" meetings in the third quarter of 2011 because the need to maintain nursing and staffing ratios precluded them from sending nursing staff to meetings and trainings.

There were 13 deaths reported for the period of January 1 through March 31, 2011, at DOH's New Mexico State Veterans' Home (NMSVH). The average census during this time period was 136 clients, with these deaths representing 10 percent of the patient population at the hospital during the quarter. Of the 13 deaths reported, seven deaths can be attributed to complications of influenza even though 96 percent of the residents were immunized.

Chapter 90 (Senate Bill 295) requires drug and alcohol testing for direct healthcare providers in state healthcare facilities. A healthcare provider hired to provide direct care to patients in a state healthcare facility shall be tested for illicit and prescription drug and alcohol abuse prior to employment and subject to random drug testing thereafter. DOH is directed to promulgate rules to establish the definition of "direct care" and to implement the provisions of the bill; however, no funding was appropriated to implement the bill, which has a projected cost of up to $172 thousand annually in recurring costs to the Department of Health facilities.

QUESTIONS

1. What percent of each facility's budget is financed by state general fund appropriations?
2. What new, more robust performance measures is DOH proposing for FY13 for the Facilities Management Program?
3. Has OFM implemented written policies, procedures and processes to insure all possible revenue is captured? Has a Deputy Secretary for Facilities been appointed?
4. What initiatives and regulation changes has OFM taken in

conjunction with HSD/Medicaid to explore alternative revenue generation including directing more federal Disproportionate Share Hospital (DSH) funds to state health facilities?

5. What collaboration occurs between the Behavioral Health Services Division at the Human Services Department and DOH in the management of substance abuse treatment facilities?
6. Have changes been made in staffing protocols to recognize actual census versus bed capacity? What industry standards for staffing have been implemented?
7. Has DOH's Office of Facilities Management (OFM) worked with the State Personnel Office (SPO) for union contract changes which would allow staffing level changes to occur when patient census decreases?
8. Has OFM worked with SPO to ensure needed clinical positions, and non-clinical positions associated with revenue generation, are not subject to the hiring freeze?
9. Has OFM worked with NM Health Resources on healthcare professional recruitment?

RAE/amm

ATTACHMENT 1: 2009 LFC Program Evaluation: *DOH Oversight of State Operated Facilities and Follow-Up Review of 2007 Evaluation*—MAJOR FINDINGS AND RECOMMENDATIONS

ATTACHMENT 2: DOH Third Quarter, FY11, Performance Report Card

2009 LFC Program Evaluation: *DOH Oversight of State Operated Facilities and Follow-Up Review of 2007 Evaluation*
MAJOR FINDINGS AND RECOMMENDATIONS

Findings	Recommendations	Comments	Supporting Data
Oversight of the financial operations of the facilities continues as the major concern.	OFM should develop a plan to rely on no more than 45 percent of state general fund for expenses. OFM and BHSD should consider decreasing facility capacities and staffing to realistic census and/ or consolidate facilities by closing units with a low census.	This was a percentage that was recommended by previous analyst for DOH. Per OFM, referrals for the substance abuse treatment facilities and nursing homes are from all areas of the state so location should not be an issue with consolidation. Concern was expressed about the opening of an additional SA treatment center in Los Lunas.	**Facility / Capacity / ADC* / Vacant** TL 34 22 12 **NMBHI** Forensics 96 79 17 Adolescent 18 12 6 Adult 86 64 22 Long-term 171 156 15 **NMRC** Med Rehab 21 9 12 CDU 20 13 7 **SATC** 36 35 1 **NMVH** 145 124 21 **FBMC** Long-term 200 123 77 Yucca 18 10 8 **Total 845 647 198** ADC=Average Daily Census Source: OFM **FY09 data**
The inability of OFM to accurately project revenue and control expenses significantly stresses the overall state budget.	Collaboration is needed between HSD/BHSD and OFM in decisions regarding substance abuse treatment facilities and ensures policies are consistent between agencies. OFM should immediately document and monitor standard revenue management policies. OFM should seek reimbursement from the Corrections Department for adjudicated individuals placed at NMBHI for behavioral issues.	The agency does not have or does not respond to timely data which shows increases or decreases in workload. When workload is low and remains so and interventions are not taken to decrease costs, supplemental/deficiency appropriations are needed. They need a monitoring process and the information system tools to make this happen. They should be establishing hours of care and other metrics against industry standards (cost per patient day, direct hours of care, FTEs per occupied bed). There would also need to be changes in union contracts to allow the facilities to decrease staffing by shifts, days, etc. Could state that employees could use annual leave for those days. Even though the agency would have the expense it would decrease the long term annual leave liability.	The Federal Medicaid Program distributes federal disproportionate share (DSH) dollars to states. States determine, through state regulations, which hospitals are eligible for DSH funding. Federal regulations do require that hospitals meet criteria related to numbers of Medicaid and indigent patients served. Public psychiatric hospitals participate in DSH funding in at least three states. New Mexico presently distributes those dollars to several hospitals within the state, including **for-profit** facilities and a children's mental health facility, but NM Medicaid regulations limits the state-operated psychiatric facility's participation in DSH funding. In an internal effort to increase revenues, OFM and the Secretary of DOH have been aggressive in their negotiations with Coordinated Long-Term Services (CoLTS) vendors. They have provided reasonable reimbursement demands, in spite of the fact that vendors state they were directed to not treat DOH facilities different than community providers, even though community providers often refuse to serve the clients served by DOH facilities.

Findings	Recommendations	Comments	Supporting Data
Staffing is the expense leader in all facilities.	OFM should decrease expenses by reducing stated facility capacity and staffing to better match actual census or consolidate facilities or move services to community providers. OFM should collaborate with State Personnel Office (SPO) to serve as a test site for an online anonymous exit interviewing process.	In order to maintain staff, decrease turnover the facilities need to compete with the entire inpatient health sector in NM so at least annual salary surveys should be completed comparing state salaries for clinical professionals with non-state entities. Turnover is costly, more so than salary increases. It should also be noted during the previous administration, positions were frozen which impacted revenue, i.e., billing clerk positions could not be filled so bills weren't issued in a timely manner if at all.	Research of the literature estimates the cost of turnover per terminating employee from 25 percent to 100 percent of total annual salary and benefits. Annual turnover ran between 12% for NMBHI and 33% for FBMC.
Psychiatric and substance abuse programs are limited in revenue generation by state and federal laws and regulations.	DOH and HSD should convene a group to investigate opportunities for: changes in regulations, statutes, state mental health plan, Medicaid waiver applications, and formal internal agreements to explore	The policymakers must be aware that forensic admissions and court ordered and usually require care for many years. There are usually no reimbursement options for these clients. NMBHI should look at the practice of other states re: forensic clients. Some decrease level of care and others move them info community settings with community approval. This would require agreement from the courts. SA programs within the state must establish their per unit costs so they can better negotiate contracts with health plans, specifically the SE. There did not appear to be cost accounting at the program level.	There was wide variation in costs which suggest opportunities for efficiency improvement at TL and NMRC. **Cost per Patient Day** **Facility** **Cost** TL $732 NMBHI $495 NMRC $811 SATC $571 NMSVH $275 FBMC $475 Source: LFC analysis
Unexplored patient revenue sources may be available to state facilities.		State nursing home type facilities, receiving Medicare and/or Medicaid, should be self sufficient, as happens in the private community.	
Opportunities to control other operational expenses do exist.	Enter into vendor contracts for all state agencies versus contracts with each individual state facility.	Global purchasing was partially in place at the time of the evaluation.	
Improvement needed in processes to achieve desired care outcomes.			
Other Findings and Recommendations			
Substance abuse facilities are underutilized, creating unwarranted expenses.	DOH and HSD should determine appropriate placement of SA facilities within state government and whether services are better operated by contracted community providers.	Again, this is also where questions were raised as to why we would establish another program in Los Lunas when space was available in existing facilities.	

Findings	Recommendations	Comments	Supporting Data
Although staffing formulas are in place, there is no information as to what methods were used to validate staffing is appropriate.	OFM should validate the appropriateness of budgeted staffing levels.		
The LLCP has extended services beyond the mission to clients who could be served by community providers.	OFM should return to original LLCP mission with the appropriate number of staff and contract other services to community providers.	The program would offer only services to court-ordered clients (unless courts could be convinced to use community providers), crisis services, and perhaps a 4 bed ICF/MR	As some programs are outpatient and stats are duplicated between inpatient and outpatient programs, it is difficult to calculate cost. By taking total clients served in the year and dividing by total expenses, the cost per day exceeds $1200.
OFM should finalize an organizational structure which provides functional level expertise at the central office level, specifically procurement and hospital, healthcare finance. OFM should standardize facility administrative job descriptions to reflect common responsibilities and performance expectations.	OFM describes their organizational structure as "blended". It has the beginning characteristics of a matrix organization, one used by corporations with field operations. This type of structure constructs direct and indirect reporting lines.		

Performance Report Card
Department of Health
Third Quarter, Fiscal Year 2011

Performance Overview: The continuity of the Department of Health's (DOH) staff in completing performance evaluations provides strong consistency in data collection and an easy to read report. The Laboratory Services Program continues to struggle with vacancies in key positions, increased sample loads, and court subpoenas which limit staff availability. The Developmental Disability Support Program could further enhance its cost containment efforts, resulting in improved average cost per client outcomes. The Facilities Management Program indicates an incident of abuse, neglect and exploitation which violates the "zero tolerance" objective of the Health Certification, Licensing and Oversight Program.

Public Health Program	Budget: $194,861,900 FTE: 992	FY10 Actual	FY11 Target	Q1	Q2	Q3	Q4	Rating
1	Percent of preschoolers fully immunized *	70.2%	82%	N/A		65.1%		R
2	Number of teens ages 15-17 receiving family planning services in agency-funded family planning clinics (cumulative)*	5,380	7,400	2,223	3,501	4,651		R
3	Persons enrolled in the agency's HIV services and receiving combination therapy who demonstrate an undetectable viral load	71.7%	75%	73.2%	75%	76%		G
4	Number of eligible women, infant and children program participants receiving services	118,299	123,000	81,287	79,411	78,477		Y
5	Number of visits to agency funded school-based health centers (cumulative)*	60,817	40,000	9,248	18,119	43,411		G
6	Percent of adults who use tobacco*	17.9%	19.0%	N/A				
Program Rating		G						Y

Comments: The objectives identified by the agency for the Public Health Program are important and on target; however, the performance data submitted does not directly align with these objectives. Immunization rates in many states have decreased because CDC has changed the standard series of vaccines by which preschool children's rates of immunization are measured. Shortages of Hib vaccines have also affected outcomes. The number of teens receiving family planning services is up 1,345 from this time last year, but will likely not meet the target for this year. Data for tobacco use is not available until July 2011, but 2009 data shows a 25 percent drop in smokers since 2001 – which means 88,000 fewer smokers. The agency should consider adding outcome measures for teen pregnancies, suicide and childhood obesity to align with its stated objectives.

Epidemiology and Response Program	Budget: $26,512,900 FTE: 201	FY10 Actual	FY11 Target	Q1	Q2	Q3	Q4	Rating
7	Number of health emergency exercises conducted to assess and improve state and local capability (cumulative)*	105	60	15	53	83		G
8	Number of designated trauma centers in the state*	8	10	9	9	9		Y
Program Rating		G						G

Comments: The number of health emergency exercises exceeded the FY11 target by 33, so a more ambitious target should be considered for FY12. One new Level IV trauma center is supposed to be verified and designated by the end of FY11, which would bring the total to ten. Inclusion of a measure to gauge the readiness and capacity of the public health care system in New Mexico would be desirable.

Laboratory Services Program	Budget: $11,322,900 FTE: 133	FY10 Actual	FY11 Target	Q1	Q2	Q3	Q4	Rating
9	Percent of blood alcohol tests from driving-while-intoxicated cases analyzed and reported within ten business days*	63.5%	75%	15.6%	9%	7.1%		R
10	Percent of public health threat samples for communicable diseases and other threatening illness that are analyzed within specified turnaround times *	95.4%	98%	97.5%	94%	93.1%		Y

Performance Report Card
Department of Health
Third Quarter, Fiscal Year 2011

Program Rating				Y					R
Comments: Results for Laboratory Services are significantly impacted by staffing vacancies, increased sample load and a record number of subpoenas, discovery orders and court testimonies. The agency's performance report for measure 9 inconsistently reported seven versus ten day turnaround times and should be consistently reported in the summary and the data section in upcoming reports.									
Facilities Management Program		Budget: $137,125,300	FTE: 2,302	FY10 Actual	FY11 Target	Q1	Q2	Q3	Q4	Rating
11	Number of substantiated cases of abuse, neglect and exploitation per one hundred residents in agency-operated long-term care programs confirmed by the division of health improvement (cumulative)*			0	0	0	0	.23		R
12	Percent of operational capacity beds filled at all agency facilities*			88.4%	90%	94%	93.7%	93.3%		G
13	Percent of billed third party revenues collected at all agency facilities*			NA	75%	62%	63%	66%		R
14	Total dollar amount of uncompensated care at all agency facilities in millions (cumulative)*			$34.1	$40	$8.8	$9.8	$11.6		Y
Program Rating				Y						R
Comments: The results for substantiated cases of abuse, neglect and exploitation (ANE) for two and a half years remained at zero, which reflects a strong emphasis on day-to-day care for facility residents; however, one substantiated ANE case in the third quarter changed that trend. Additionally, a program of this size and importance needs additional outcome measures for patient care and services and their outcomes, as well as enhanced measures of facilities' financial performance.									
Developmental Disabilities Support Program		Budget: $112,405,100	FTE: 172	FY10 Actual	FY11 Target	Q1	Q2	Q3	Q4	Rating
15	Percent of adults receiving developmental disabilities day services who are engaged in community-integrated employment *			32%	30%	N/A				
16	Percent of infants and toddlers in the family, infant, toddler program who make progress in their development			94.3%	NA	N/A				
17	Percent of developmental disabilities waiver applicants who have a service plan in place within 90 days of income and clinical eligibility determination*			100%	98%	92.9%	91%	90%		R
18	Number of individuals on the developmental disabilities waiver receiving services			3,848	3,792	3,812	3,804	3,813		G
19	Number of individuals on the developmental disabilities waiting list			4,988	4,720	5,158	5,182	5,280		R
Program Rating				R						R
Comments: A corrective action plan is in place to assess the accuracy of data collection and to clearly define methodology for accurate data collection and reporting in the future. The quarterly report could include performance measure data on the Jackson class members. Cost inflation is a major issue within this program with increased service utilization and exceptions driving up average cost per client, which limits the availability to bring in new clients from the waiting list. Therefore, a program of this size and importance could benefit from additional outcome measures and data, as well as performance data on average cost per client and overall cost reduction strategies that are measurable.									
Health Certification, Licensing and Oversight Program		Budget: $12,409,300	FTE: 158	FY10 Actual	FY11 Target	Q1	Q2	Q3	Q4	Rating
20	Percent of abuse, neglect and exploitation incidents for community-based programs investigated within 45 days			95.2%	95%	95%	95.7%	94.3%		G
21	Percent of developmental disabilities, family, infant, toddler, medically fragile and behavioral health providers receiving a survey by the quality management bureau (cumulative)*			72%	75%	16%	31.7%	47.3%		R

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22	Percent of required compliance surveys completed for adult residential care and adult daycare facilities (cumulative)*	119%	95%	25%	35%	44.5%		R
Program Rating		G						R

Comments: Results for the percent of quality management bureau surveys and compliance surveys are being negatively impacted due to budget cuts and hiring freezes. The agency's action plan indicates priority is given to statutorily-required investigations and serious complaints while other incidences will remain uninvestigated until staffing is restored.

Administration Program	Budget: $18,094,300	FTE: 144	FY10 Actual	FY11 Target	Q1	Q2	Q3	FY11 Final	Rating
23	Number of working days between expenditure of federal funds and request for reimbursement		NA	5	30	30	30		R
24	Percent of payment vouchers paid within thirty days of acceptance of goods and services (cumulative)		84.5%	75%	89.2%	90.4%	91.5%		G
Program Rating			G						Y

Comments: The percent of payment vouchers measure has exceeded the target each quarter.

Suggested Performance Measure Improvement

The agency should include more meaningful outcome measures, more national benchmark measures for the Public Health, Developmental Disabilities Services, and Facilities Management Programs, and more efficiency measures denoting average cost per client for the Developmental Disabilities Services Program. The report could be made more user-friendly by including the FY10 actual data and the three previous years' historical data for each measure.

* Denotes House Bill 2 measure