Data Sheet: Savings from Kendra's Law

In Draft: Prepared by Mental Illness Policy Org (5/12)

Summary: It is estimated that enrollment in Kendra's Law saved New York $73,800,000 in incarceration costs and $36,000,000 in hospitalization costs for a total of $109,800,000. It is estimated Kendra's Law has the potential to save NYS $229,000,000 in incarceration costs alone (8% of DOCCS budget).

Background: Every study shows Assisted Outpatient Treatment (AOT) saves states money by dramatically reducing hospitalization, length of hospitalizations, arrest, trial, incarceration among the most severely ill revolving door patients. Put another way, providing treatment within the community based mental health system, saves more money than denying treatment which transfers the cost to more expensive prisons, jails, shelters and inpatient hospitals. NYS OMH claims to have saved $9 million in the past year alone by closing psychiatric hospitals with a promise that some of the savings would be reinvested in the community. OMH has never allocated any of the savings from these ongoing hospital closures to help seriously mentally ill individuals in Kendra's Law, the individuals who have been most affected by closing hospitals.

Following are various ways to estimate the savings from Kendra's Law

1. NYS Savings on incarceration: $73,800,000 Actual; $229,000,000 Potential.

NYS did not monetize the savings but found Kendra's Law[1]

- reduced hospitalization (77%)
- reduced arrests (83%);
- reduced incarceration (87%).

A. Actual Savings from Reduced Incarceration

NYS Cost of incarcerating a prisoner per year:	$56000[2]
Est Cost of AOT per year:	(10,000)[3]
Est. cost of obtaining a court order:	(5,000)
Per Patient Savings over incarceration:	$ 41,000
Avg number of people in AOT	X 1,800[4]
Actual Savings from Reduced Incarceration	$73,800,000

B. Potential Savings from Reduced Incarceration

Number of NYS Prisoners:	56000[5]
Expected Reduction in Prisoners	(5,600)[6]
Savings per patient	X $41,000
Potential Savings from reduced incarceration:	$229,000,000 (8% of the $2.7 billion DOCCS budget_

2. NYS savings from Reduced Number of People Hospitalized and Reduced Length of Hospitalization: $36,360,138

Reduced Number of People Hospitalized (People never hospitalized while in AOT)

Individuals in AOT who were hospitalized.	(326)[7].		
Expected Hospitalizations	1417[8]		
Hospitalizations avoided:		1091	
Times average length of hospitalization without AOT		X 50[9]	
Hospitalization days avoided by those never hospitalized			54,550

Reduced Length of Stay for those who were hospitalized

Individuals in AOT who were hospitalized.	326[10].	
Per Patient Reduction in Length of Stay	X 28 Days[11]	
Hospitalization days avoided avoided by those hospitalized		9128

Combination of reduction in hospital days and non hospitalization	63,678
Average cost per day	X $571[12]
Total ACTUAL Savings in Hospitalization	$36,360,138

3. Look at realized savings from recent studies in other localities:

Los Angeles Study:

Saved 40% on every patient[13]

Nevada County Study:[14]

Saved $1.81 for every dollar expended:

Key Indicator	Pre-AOT	Post-AOT	Savings
Hospitalization	$346,950	$133,650	$213,300
Incarceration	$78,150	$2,550	75,600

California Statewide Savings Estimate:[15]
$189,491,479

Seminole County, FL Hospitalization Study:[16]

AOT reduced hospital days from 64 to 37 days per patient over 18 months. The savings in hospital costs averaged $14,463 per patient. When they reviewed comparable time periods for these 21 patients, they found that the group costs for hospitalization days after the order was $303,728 less than it was prior to the court order.

Seminole County Incarceration Study

The twenty-one recipients experienced a cumulative 339 incarceration days prior to the court order and 94 incarceration days during comparable time periods after the order, an overall reduction of 72 percent. At a rate of $59.00 per day for an inmate with medical costs at the Seminole County jail, that results in a $14,455 reduction in costs for incarceration days.

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[1] March 2005 N.Y. State Office of Mental Health "Kendra's Law: Final Report on the Status of Assisted Outpatient Treatment."
[2] Per DOJ NYS spends $56K per prisoner (http://bjs.ojp.usdoj.gov/content/pub/pdf/p09.pdf). Per Vera Institute it is $60,000 (http://www.vera.org/files/price-of-prisons-new-york-fact-sheet.pdf).
[3] We estimated the cost of AOT by comparing to ACT Teams. ACT Teams cost about $1 million each and can serve 100 clients resulting in a $10,000 per client cost. This does not include the cost of the court order which is minimal
[4] Per NYS OMH http://bi.omh.ny.gov/aot/statistics?p=under-court-order
[5] Per NYS Department of Corrections and Community Supervision (http://www.doccs.ny.gov/)
[6] Averaging the major studies, at least 15% of inmates are seriously mentally ill (http://mentalillnesspolicy.org/NGRI/jails-vs-hospitals.html), therefore (.15 X 56,000) 8,400 NYS inmates are mentally ill. Per NIMH, 5% of population is seriously mentally ill, therefore one would expect (.05 X 56,000) 2800 prisoners to be mentally ill. The reduction in incarceration due to mental illness is (8,400-2,800) is 5,600.
[7] NYS OMH Kendra's Law Removal Statistics (http://bi.omh.ny.gov/aot/statistics?p=removals)
[8] OMH Research shows Kendra's Law reduced hospitalizations 77%. Therefore the expected hospitalization rate would be 100%-77%=23%. .23/326=1417
[9] Per 2005 Legislatively requested study of Kendra's Law, on average, AOT recipients spent 50 days hospi- talized for psychiatric care during the six months prior to court-ordered treatment. http://kendras-law.org/kendras-law/research/kendras-law-study-2005.pdf
[10] NYS OMH Kendra's Law Removal Statistics (http://bi.omh.ny.gov/aot/statistics?p=removals)
[11] On average, AOT recipients spent 50 days hospitalized for psychiatric care during the six months prior to court-ordered treatment. While receiving court-ordered treatment, recipients' days hospitalized dropped to an average of 22 days per six month period, a reduction of 56%. 55-22=28
[12] Average annual state psychiatric center cost per person: $208,700 (2002 figure) Per NYS Education Department, Voc Rehab Analysis at http://www.acces.nysed.gov/vr/lsn/ilc/guidelines.htm 208,700/365=$571/Day
[13] Los Angeles County Savings Data from: Michael D. Antonovich, Los Angeles County Fifth District Supervisor, Los Angeles Daily News, December 12, 2011.
[14] Nevada County Savings Data from: Assisted Outpatient Treatment: The Nevada County Experience, Nov. 15, 2011, Michael Heggarty, Director Nevada County Behavioral Health.
[15] California Savings Estimate from "Cost-Effectiveness Analysis of Assisted Outpatient Treatment in California' Ths Civil Sector" , Cameron Quanbeck M.D. Gary Tsai M.D., Katalin Szabo M.D., M.B.A., Submitted for Publication
[16] Florida Savings Data from Results of Study of Florida's Baker Act: http://mentalillnesspolicy.org/States/florida/florida-aot-results.html

DATA SHEET: A6987/S4881

In Draft: Prepared by Mental Illness Policy Org (5/12)

Summary: It is estimated Kendra's Law saved New York $109,800,000. (See separate fact sheet) by reducing incarceration and hospitalization. The Kendra's Law Improvement Act would help identify more who could benefit from AOT and lead to even greater savings (while improving care and protecting patients and public). The incremental expenditure by OMH would be $1,281,200. The incremental expenditure for counties would be $1,880,000 offset by $2,832,00 in savings, for a net savings to counties of $952,000. The total cost of the program is therefore $329,200.

State Costs

Review Expiring Court Orders:	$68,400		
Monitor need for judicial training	$80,000		
Produce Pamphlet	$40,000		
Develop procedures for family members	$12,800		
Total Incremental State Costs:			$1,281,200

County Costs (All Counties Combined)

Increased Investigations	$320,000		
60 day extension when Patient is missing	$300,000		
Investigating discharged mentally ill prisoners	$600,000		
Investigating discharged involuntary patients	$660,000		
		$1,880,000	
Savings: Allow enrollments of up to one year	($2,232,000)		
Savings: Allow Stipulations	($600,000)		
		($2,832,000)	
Total Decrease in County Costs			(952,000)

Incremental Cost of A6987/S4881	$329,200

Details Attached.

DATA SHEET: FISCAL NOTE DETAILS: A6987/S4881

Draft #1: Prepared by Mental Illness Policy Org (5/12)

Provision	Implication	Reason
Section 1: Requires OMH AOT Program Coordinators to (A) ensure expiring court orders are reviewed	$68,400 in State Administrative Costs	(A) There are 1800 people under court orders. 62% of orders are reviewed and renewed, meaning 684 (38%)may have expired and may or may not have been reviewed. NYSCLMHD suggests that expiring court orders are already reviewed by counties.[1] so there is no incremental cost of the review only the reporting of the review. If the cost of reporting these reviews is $100/ea, then $68,400 in incremental costs will be incurred statewide..[2]
(B) Monitor need for judicial training training	$40,00-$80,000	(B). Reporting on court training could take some incremental time[3]. If each coordinator had to visit one court twice a month, that would be 120 days per year (Roughly 6 months) If a full time employee is $80,000, the cost of this would be $40,000. A better approach might be for OMH to add a sixth coordinator who's only job is to do this.
Section 2 Requires OMH to produce a pamphlet	Minimal State Cost (<$40,000)	Less than 20,000 investigations have been conducted since 1999. Doubling that and doing it in a single year means 40,000 pamphlets are needed. Estimate $1.00 each.
Section 3: Requires DCS to (A) make timely investigation of reports of people in need of AOT, and	$320,000 divided by the counties.	(A) It is very easy to triage reports that come in by simply asking if the individual who is the subject of the report has met the criteria of two hospitalizations or incarcerations within the relevant time frame. If someone does not have that history—and most don't—then no further investigation would be warranted. The number of further investigations needed would be very small. If the report indicates the person does meet the criteria of two previous hospitalizations or incarcerations within the stated period, then it is important an investigation be conducted. Even assuming all reports need a full investigation, the cost would still be small. Since 1999, 18,339 investigations (less than 1,833year) have been conducted. If the number of investigations rose 50% that would be 916 more investigations. If an investigation takes 8 hours, that is 7,328 hours or 4 full time employees. At $80,000/ea that is $320,000 to be

		divided by all counties
(B) notify program coordinators when AOT recipients can't be located or moved to another county	(B) Too small to calculate. Improves Financial Oversight.	(B) In order to ensure that programs are not billing for phantom patients, it is important that they report on patients that are no longer showing up for treatment.
Section 4: Requires program directors to provide more complete information about orders than are expiring to OMH including the basis for the determination to allow an order to expire	Minimal Cost. Improves Financial Oversight	Program Directors already provide the number of orders, and NYSCLMHD claims expiring orders are reviewed. This section merely requires more detail on the reviews to be reported. This serves the important function of making sure that orders are not expiring, merely because no one reviewed it.
Section 5: (A) Clarifies AOT may include: medication education or symptom management education; appointment of a representative payee;	(A) No cost	(A) These are optional, not mandated services.
(B): Clarifies Substance Abuse Testing may be random	(B) No Cost.	(B) This is optional, not mandated. Substance Abuse testing is already allowed, this makes it more effective by stating the testing can be random
(C) Allows Stipulations on mutual consent, for a physician not to testify	(C) Saves Money ($600,000)	(C) Research by the legislature found allowing stipulations saves counties money[4]. If there are 1,800 petitions a year and each requires two hearings and a doctor to show up at each, that is 3,600 hearings. If the cost of the physician is $500/per diem, that is a cost of $1,800,000. If 33% of individuals consent to a stipulation that would save $600,000.
(D) Requires reasonable effort to gather information from family	(D) No Incremental Cost. Saves Money.	(D) NYSCLMHD claims this is already being done: "(I)n appropriate cases a physician developing the treatment would certainly make reasonable efforts to obtain relevant information which may include family input when appropriate." If this is true, and this is already being done, then no new costs are being added.[5] However, collecting this information could dramatically reduce costs by helping to prevent doctors from prescribing treatments that have failed in past, or conversely directing them to ones that have worked.
(E) Clarifies that hospital directors and correctional superintendents may file	(E) Minimal or No Incremental Cost. Potential to Increase Savings	(E) This does not mandate they file, merely clarify they have the right if

petitions		they choose. This will likely save money since AOT reduces more expensive incarceration and inpatient treatment.
(G) Requires OMH to develop procedures to see that reports of individuals who are dangerous are not ignored, merely because they are received from family members and requires OMH to develop procedures to see petitions are filed where appropriate.	(G) $12,800	(G) If it takes 280 hours and a FTE is $80,000/yr, this would cost $12,800. It is unlikely the recommendations themselves will add costs because NYSCLMHD reports that DCSs "currently receive such reports (from family members) and have the discretion to, and do investigate as deemed appropriate"[6]. So this would not be a mandate anything not already being done within existing budgets.
(H) Establishes procedures so that counties become aware of those who relocate to their county from another county.	(H) Cost too small to estimate	(H) The bill does not require the new county of residence to do anything. That county may ignore the order and the treatment plan that went with it. However, it can generate savings because failure to act on the information could potentially lead to greater use of inpatient treatment and/or incarceration.
(I) Requires director to evaluate patients 30 days prior to expiration to determine if they meet criteria for continued AOT and report on it.	(I) Some admin costs only. Potential Large Savings.	(I) In NYSCLMHD response to A6987 they asserted the reporting requirement requires, "program coordinator to second guess clinical decisions by local health care professionals", thereby implying that court orders are already reviewed prior to expiration. If so, there would be only minimal financial impact of reporting the conclusion of the review to program coordinators. Further, most treatment plans include a monthly doctor visit, so this would not be incremental.
(J) Clarifies who may bring petition for renewal in the event original petitioner does not refile.	(J) No cost	The responsibility for filing the petition would rest with someone who chooses to file. There is no mandate on county.
(K) Counties notify OMH when a patient is missing, and automatically extends order for 60 days	$300,000	There are 1800 people under orders. If an estimated 10% (180) are missing, and the cost of an order is $10,000 per year, the cost for 60 days is $1,666/ea or $300,000 across all counties
Section 6: Requires hospitals to report discharge of involuntarily committed patients for whom no AOT petition has been filed to Director of Community Services and requires DCS to investigate those for whom no petition has been filed.	$660,000 Incremental Cost. Large hospitalization savings.	NYS had 66K discharges from hospitals. (40% relapsed within 180 days)[7] If 10% of the discharges were involuntary commitments, that means 6,600 would have to be evaluated statewide (18 per day). Since these individuals are being discharged from hospitals, the records are already

		available. All that would be required to triage investigations is to see if they meet the two hospitalization or incarceration requirements. At $100/each in incremental time, this would add $660,000. Note that Kendra's Law reduced rehospitaliization 77% and since 40% relapse within 6 months, this evaluation (if it leads to enrollment) would dramatically cut those costs.
Section 7: When appropriate, requires forensic directors who release mentally ill inmates to assure appropriate placement in hospital, AOT, or secure treatment Requires DCS to investigate discharges of mentally ill prisoners to see if they need Kendra's Law or others services put in place	$600,000 expenditure results in large incarceration savings.	NYS releases 25000 prisoners under federal and state jurisdiction annually.[8] If 15% are seriously mentally ill then 3,750 evaluations would be needed. (11 a day statewide). If each investigation takes 5 hours to collect records, that is 18,750 hours (10 full time clerical employees). At $60,000/ea that is $600,000. Note that reduced incarceration due to Kendra's Law is $73 million. So evaluating prisoners can be expected to generate exponential savings.
Other: Allow Court Orders to Extend One Year	Reduces Costs. ($2,232,000)	62% (1116) of the 1,800 court orders are renewed after 6 months for another 6 months. If a court proceeding costs $2,000, avoiding 1,116 hearings would save $2,232,000 in court costs. The cost of providing the services remains unchanged.

[1] NYSCLMHD Legislative Memo included a statement that "(T)this provision requires "program coordinator to second guess clinical decisions by local health care professionals," thereby indicating local mental health professionals were already doing this.

[2] The NYS OMH Kendra's Law Database already tracks new enrollments, renewals, individuals under court orders, length of time in AOT, reasons for non-renewals, and net enrollments. From this expiring court orders can be easily identified. See OMH AOT Program Statistics at http://bi.omh.ny.gov/aot/about

[3] The 5 OMH AOT coordinators already track number of investigations and number of petitions ordered, percentage of petitions that result in an order, and stay in touch with AOT Program Directors, so much of the info needed is already in hand.

[4] Regional Differences in New York's Assisted Outpatient Program, Psychiatric Services, October, 2010.

[5] If not true, this could add up to an hour of doctor's time to some cases. However gathering this information is likely to reduce trying treatments that have already failed and may identify treatments that have worked faster than otherwise possible.

[6] May 2012 Opposition Memo from NYS Conf. of Local Mental Hygiene Directors

[7] Per NYS OMH http://www.omh.ny.gov/omhweb/statewideplan/2004/5070408Chapter04.htm

[8] Per Department of Justice, Bureau of Justice Statistics: http://bjs.ojp.usdoj.gov/content/pub/pdf/p09.pdf

Other Financial Facts on the cost of lack of treatment in NYS

Per Michael Hogan: Over 2500 staff were assaulted by psychiatric patients costing $28 million

Detailed data gathered by OMH and distributed at the 2007 Safe and Therapeutic Environment Leadership Symposium revealed 5,243 on-the-job accidents last year involving OMH employees — an average of one accident for every three of the agency's 16,000-plus employees. Well over half of the accidents happened when patients assaulted staff or patients were resisting restraint by staff members. Workers' Compensation costs for the resulting injuries in 2006 added up to an estimated $28.8 million, but OMH is insulated from that financial pain, because it doesn't foot that bill. http://www.thecommunicator.org/052007/omh.htm

Per Dr. Lloyd Sederer: Up to $270 million is wasted on needless readmissions of mentally ill due to lack of community care

"Consider this: In New York State, with one of the largest medicaid populations and budgets in the USA, 2007 data reveals that $814 million was spent on what are called "potentially preventable (hospital) readmissions (PPRs)," namely people who had a hospital stay that either did not leave them well enough to avoid readmission or they lacked good community-based followup so that they became, again, acutely ill and received another (potentially unnecessary and expensive) inpatient stay within 30 days. Of the $814 million, almost half ($395 million), was for medical admissions (e.g., heart disease, diabetes, pneumonia, trauma) of people with mental health and substance use disorders. Those readmitted for mental health and drug abuse stays, alone, totaled $270 million. Thus, taken together, $665 of the $814 (more than 80 percent!) was spent, perhaps unnecessarily, on people with mental disorders, principally for the serious medical illnesses that they frequently suffer. Among health policy gurus, these individuals are called the 'trimorbids' -- people with health, mental health and alcohol/drug disorders.

Per Coalition of behavioral health agencies: Seriously mentally ill use $23 billion in Medicaid in NY

People with serious mental illness (SMI), many of whom also have other chronic chemical dependency and medical disorders, are among the 20% of New York's special needs Medicaid recipients who are driving 75% of the spending. People with SMI are not the highest cost special needs population. They comprise a third (300,000) of the 865,000 Medicaid recipients with multiple chronic illnesses, and use 20% of the $24.3 billion annual Medicaid expenditure for special needs populations.