Legislative Post Audit
Performance Audit
Report Highlights

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Kansas Neurological Institute: Evaluating the Efficiency of the Institute's Operations and the Cost and Safety Implications of Moving Its Residents into Local Communities

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December 2011 ● R-11-015

Audit Concern

Legislators were interested in whether KNI could operate more efficiently, or had other opportunities to increase revenues. They also wanted to know the potential costs and savings from moving KNI residents into communities and how it might affect residents' safety.

Other Relevant Facts for Question 1

KNI and Parsons State Hospital are the two State institutions for individuals with developmental disabilities. In 2010, KNI served 157 residents at a total cost of $28.6 million (including $8.1 million in State funds).

KNI has grown smaller over time. Between 2000 and 2010, the number of residents declined from 189 to 157 (17%) while the number of staff decreased from 616 to 521 (15%).

Between 2000 and 2010, expenditures per resident increased by almost 40%.

Estimated Potential Savings and Revenues from Question 1:

One-time Revenues: $550,000
Annual Savings: $943,000

AUDIT QUESTION 1: What opportunities exist for the Kansas Neurological Institute to decrease costs or increase revenues through improved use of its resources and restructuring non-essential services?

AUDIT ANSWERS and KEY FINDINGS:

- KNI could save about $266,000 in State funds annually and generate about $546,000 in one-time revenues with little or no effect on KNI residents by:
  - Billing Medicare for most of its durable medical equipment, saving up to an estimated $166,000 in State funds annually.
  - Eliminating three custodial staff and a community professional, and hiring a part-time physical therapist, saving about $79,000 in State funds annually ($198,000 total funds).
  - Selling various land tracts and 16 vehicles to generate up to $546,000 in one-time revenues and save an estimated $21,000 in State funds annually in associated maintenance costs ($54,000 total funds).

- KNI could save about $388,000 in State funds annually by reducing several staff positions that could potentially affect residents but would not eliminate any essential services. These actions include:
  - Reducing direct care and medical staff to the 2000 staffing levels for an estimated annual savings of $250,000 in State funds annually ($627,000 total funds).
  - Reducing or contracting out its dental staff to save between $40,000 and $70,000 in State funds annually ($101,000 to $176,000 total funds).
  - Reducing staff by three FTE across several program areas for combined savings of $68,000 in State funds annually ($170,000 total funds).

- KNI could save about $539,000 in State funds annually by changing how it delivers two core services, likely affecting most residents. (Note: The total savings from this category cannot be added with the savings from the category above.)
  - Closing a residential building and moving its residents into three remaining residential buildings could save the State about $301,000 annually ($753,000 total funds).
  - Eliminating its medical unit and relying more on local hospitals could save the State an estimated $238,000 annually ($595,000 total funds) with some offsetting costs.

- Although KNI provides a number of free services to the community in northeast Kansas, few opportunities exist for it to generate significant ongoing revenues by charging for these services.

- KNI officials were concerned about the effect many of the cost savings actions we identified could have on KNI residents, which are summarized in the full report.

AUDIT QUESTION 2: *What are the cost and safety implications of moving current Kansas Neurological Institute residents to local communities?*

AUDIT ANSWERS and KEY FINDINGS:

- In general, individuals with severe developmental disabilities can be served in the community, but there may be exceptions.
  - Community providers across Kansas are able to serve adults with health and behavioral issues similar to those of KNI residents.
  - However, as a group, KNI residents are older, more severely disabled, and tend to have more severe health issues than individuals who are served in the community.
  - In addition, some residents have health issues that require intensive medical care that may not be feasible in the community.
  - Finally, a number of current KNI residents have tried to live in the community, but were unsuccessful.

- KNI and local communities provide similar core services, but provide medical services differently.
  - KNI provides direct care, medical services and clean and appropriate housing in a centralized setting, whereas community providers provide these types of core services in a decentralized setting.
  - KNI's funding structure allows it to cover almost all its costs through Medicaid, whereas community providers may have difficulty getting some costs covered if they aren't medically necessary.
  - Community providers typically have fewer nurses and other licensed health professionals available, and have more difficulty providing specialized medical services such as speech therapy.
  - Medicaid rules for community-based care restrict payments for certain medical services.

Cost Implications:

- Serving KNI residents in the community could save the State an estimated $5 million annually, once all the residents are relocated, as shown in the figure on the next page.
  - These estimated savings are based on current reimbursement rates, and the fact that the State would be cutting some costs, especially in the medical and other non-direct care program areas.
  - Additional savings in those areas come from shifting costs to federal agencies, community service providers, local medical providers, charity organizations, and families.

- Because costs for KNI residents in the community are likely to exceed reimbursement rates, community service providers would need to use a number of cost containment and revenue-producing strategies to avoid losses such as:
  - Hiring fewer certified staff
  - Providing only medically necessary treatments
  - Requiring individuals to pay for transportation costs
  - Raising money through donations, fund raisers, and local mill levy taxes
  - Appling for extraordinary funding from SRS to better cover their costs

Other Relevant Facts for Question 2:

In recent years, some stakeholders have sought to close or reduce the size of KNI and Parsons State Hospital. In January 2011, Governor Brownback proposed a gradual closure of KNI, beginning in July 2011. However, in September 2011, the Governor announced he was no longer going to seek KNI closure during the 2012 legislative session, in part due to the lack of legislative support.

Kansas uses a network of 27 Community Developmental Disability Organizations (CDDO) and nearly 200 service providers to serve individuals with developmental disabilities in the community. The CDDOs and service providers are funded by federal, State, and local moneys.

Kansas has a waiting list for individuals with developmental disabilities who want to be served in the community. As of August 2011, this waiting list totaled about 2,500 people.

Quotes from KNI stakeholders regarding community services:

"Community settings were the absolute worst! Poor supervision, apathetic workers, high turnover, etc." – KNI Parent/Guardian

"Community services should be more than adequate to meet the needs of most KNI residents." – CDDO/CSP

"I don't feel comfortable with putting [KNI resident's name] in a community setting. I have two other wards in the community and it isn't working the way I would have liked it." – KNI Parent/Guardian

"We have already experienced two state hospital closures (successfully)."– CDDO/CSP

"We currently support people with all types of medical needs in the community, but it is possible that some residents of KNI may need specialized medical needs that require resources we don't currently have." – CDDO/CSP

"We looked into community living and realized as his family it's not what is right for him. He needs supervision that I don't see those in the community homes getting." – KNI Parent/Guardian

"Quality of life for those without high medical needs would be better in the community." – CDDO/CSP

"In this day and age, there are still doctors who don't want to deal with or treat these people. Some doctors have done only the minimum when dealing with this population…" – KNI Staff

"There are a limited number of physicians who accept Medicaid recipients." – CDDO/CSP

"The goal would be to provide a comparable quality of life with the intent to offer new levels of community inclusion that improve the quality of life for many people." – CDDO/CSP

Sources of Savings by Cost Category Based on KNI Expenditures and Community Setting Reimbursements

Cost Category	KNI's Current Average Costs per Resident		Savings per Resident		Savings All Residents	
	KNI (a)	Community (b)	Total (100%)	State (40%)	Total (100%)	State (40%)
75% of 153 KNI Residents Would Receive Super Tier Reimbursement Rates						
Direct Care	$93,500	$86,400	$7,100	$2,900	$1,088,000	$435,200
Medical	$49,300	$9,200	$40,100	$16,000	$6,130,100	$2,452,000
Housing and Facilities	$32,200	$7,700	$24,500	$9,800	$3,746,200	$1,498,500
Administration	$9,000	$2,600	$6,400	$2,600	$977,900	$391,200
Education & Research	$4,700	$0	$4,700	$1,900	$724,500	$289,800
Total (c)	**$188,700**	**$105,900**	**$82,800**	**$33,100**	**$12,666,700**	**$5,066,700**
None of the 153 KNI Residents Would Receive Super Tier Reimbursement Rates						
Total	**$188,700**	**$87,900**	**$100,800**	**$40,300**	**$15,425,500**	**$6,170,200**
All 153 KNI Residents Would Receive Super Tier Reimbursement Rates						
Total	**$188,700**	**$112,000**	**$76,800**	**$30,700**	**$11,747,000**	**$4,698,000**

(a) KNI's expenditures are based on actual costs for fiscal year 2010.
(b) Community costs represent the estimated cost to serve a KNI resident in the community based on the most current reimbursement rates.
(c) Total may not add up due to rounding.
Source: LPA analysis of Medicaid, Medicare, and SRS data.

Safety Implications:

- The State doesn't track certain safety outcomes for developmentally disabled adults in the community to allow for good comparisons between KNI and the community.

- Many stakeholders expressed concerns about addressing KNI residents' medical needs in the community.
  - Certain medical services KNI residents currently receive may not be available or easily accessible in the community.
  - Survey respondents questioned whether a community setting could adequately meet KNI residents' medical needs.

- Fewer stakeholders expressed concerns about addressing residents' behavioral needs, but some residents may have trouble adapting to community service.
  - Some KNI residents have severe behavioral issues, but community providers appear to have experience handling similar individuals.
  - Many stakeholders expressed concerns that KNI residents may have trouble adapting to community-based services, especially residents with behavioral issues.

- Community providers may struggle to offer the same continuity of care that residents receive at KNI due to high turnover among direct care staff in the community, and the decentralized nature of medical care.

- Stakeholders strongly disagree on whether KNI residents' quality of life would improve or worsen in a community setting.
  - Parents and guardians were concerned about moving their children and wards into the community, although community providers were more optimistic.
  - A 1998 study of the Winfield State Hospital closure concluded that individuals' quality-of-life outcomes improved, but some have questioned its validity.
  - Some stakeholders have outdated notions about what life is like for individuals with developmental disabilities in each setting.

- Relocating residents from KNI to the community would take time and money.
  - Community providers likely will need time to build the necessary capacity to serve KNI residents.
  - During the relocation period, the State will pay for some costs twice.
  - Federal funding may help cover some, but not all, of the relocation costs.

WE RECOMMENDED

Question 1 Recommendations:

- We recommend KNI implement several cost saving and revenue enhancement ideas which will have little to no effect on KNI residents or services, and consider savings ideas in the other two categories.
- The Legislative Post Audit Committee should consider introducing legislation to allow KNI to sell various land tracts and the superintendent's house located on the KNI campus.

Question 2 Recommendations:

- The Department of Social and Rehabilitative Services (SRS) should improve its data tracking capabilities to allow it to report and evaluate statistics on allegations and confirmed cases of abuse, neglect, and exploitation of adults with developmental disabilities.
- SRS officials should clarify their policies of the availability of super tier and individualized rates community service providers can seek by putting those rules in writing.

Agency Response: As KNI's umbrella agency, SRS chose to provide a single response, which did not comment on the report's findings and conclusions. While officials did not indicate whether the agency would implement the report's recommendations, they did say they planned to study the recommendations further.

HOW DO I GET AN AUDIT APPROVED?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the Division must be approved by the Legislative Post Audit Committee, a 10-member committee that oversees the Division's work. Any legislator who would like to request an audit should contact the Division directly at (785) 296-3792.

Legislative Division of Post Audit

800 SW Jackson Street
Suite 1200
Topeka, Kansas 66612-2212
Telephone (785) 296-3792
Fax: (785) 296-4482
Website: http://kansas.gov/postaudit

Scott Frank
Legislative Post Auditor

For more information on this audit report, please contact
Katrin Osterhaus
(785) 296-3792
Katrin.Osterhaus@lpa.ks.gov