

DRAFT**California Council of Community Mental Health Agencies***Representing Non-Profit Community Mental Health Agencies Throughout California***AB 34 - FISCAL ANALYSIS****THE NEED - Untreated Seriously Mentally Ill Estimates**

Homeless	50,000
State Prison	16,500
State Hospitals via Criminal Justice	3,500
County Jails	10,000
Other	<u>20,000</u>
Total	100,000

OUTREACH AND TREATMENT COSTS

	<u>1st year</u>	<u>2nd year</u>	<u>3+</u>
Outreach	\$3 million	\$6 million	\$9 million
Treatment costs	<u>1st 2 years</u>	<u>3 to 5</u>	<u>6+</u>
Total cost per person	14,000	12,000	10,000
<u>Covered by other \$\$</u>	<u>6,000</u>	<u>5,000</u>	<u>4,000</u>
Net Costs	8,000	7,000	6,000
Savings in efficient counties (1/2 of state)	1,000	1,000	0
Savings and better use of \$\$ in inefficient countles (1/2 of state)	<u>2,000</u>	<u>1,000</u>	<u>0</u>
Average Savings	1,500	1,000	0
NET PER PERSON COST TO STATE	<u>6,500</u>	<u>6,000</u>	<u>6,000</u>

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PRISON & CRIMINAL JUSTICE SYSTEM SAVINGS - DUE TO INCREASED #S IN MENTAL HEALTH TREATMENT AND DECREASED #S INCARCERATED

\$26,000 expanded per mentally ill person in state prison
\$100,000 expanded per person in state hospitals

Average costs are about \$30,000 if 95% of those treated would have been in state prisons

HYPOTHETICAL THIRD YEAR (2002-3) COST BENEFIT SUMMARY

30,000 Additional mentally ill receiving extensive community services and stabilized to eliminate risk of incarceration.

75,000 Veterans referred to Veterans Affairs and treated at no cost to the state or counties.

22,500 Treated by counties in 3rd year at an average cost of \$6,000.

Total treatment cost = \$135 million
Outreach cost = \$ 9 million
Total Costs = \$144 million

If 20% of untreated severely mentally ill are in prison (or state hospital through criminal justice), 20% of those treated or 6,000 would otherwise be in prison. We assume that 10% or 600 would still be in prison.

Prison savings $6,000 - 600 = 5,400 \times \$30,000 = \$162$ million.

State has a net of $\$162 - \144 or \$18 million in savings.

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California Council of Community Mental Health Agencies
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COST vs. SAVINGS UNDER AB 34

EXPANSION OF COMMUNITY MENTAL HEALTH TREATMENT vs. STATE PRISON AND CRIMINAL JUSTICE SYSTEM RELATED STATE COSTS

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The fundamental premise of AB 34 is that disproportionate numbers of people who are severely mentally ill and not receiving treatment wind up in the criminal justice system with a significant percentage (about 20%) winding up in state prisons or criminal justice system related placements in state mental health hospitals.

This memorandum and enclosed chart explains what the costs and cost savings are projected to be and the rationale for using the figures that we have chosen to use.

TREATMENT ELIMINATES RISK OF INCARCERATION

People who are severely mentally and receiving treatment do not wind up being incarcerated. The State Department of Mental Health has been keeping statistics for the last several years under its performance outcome measurement system and reports that 1 to 2% of those receiving regular treatment have been arrested in the last year. Similar information is kept by Los Angeles County's Partners Programs which provide extensive community treatment to those who have been the most expensive people to treat in institutions and who have been homeless.

The successful community mental health programs show that if we can keep people in treatment for 60 or more days there is virtually no chance that they will drop out of treatment or get arrested.

This is also confirmed by studies from Los Angeles and San Francisco that show that virtually all of the people who are mentally ill and arrested were not receiving treatment at the time of their arrest. One Los Angeles study showed that 95% were not receiving treatment and the other showed that 85% were not receiving treatment. The San Francisco study also showed that 95% were not receiving treatment.

Other statistics show that 10% to 15% of people arrested and placed in jail and state prisons are seriously mentally ill. With 90% not receiving treatment, it corresponds with an arrest and incarceration rate of 1 to 2% for those who are being treated. Accordingly, we project that if we treat people we eliminate substantially all of the risk of incarceration.

THE #S OF UNTREATED HOMELESS, INCARCERATED OR AT RISK

The variables we need to consider are how big is the population of seriously mentally ill people who are not being treated who are at risk of being incarcerated.

What percentage of that population is currently incarcerated so that we can see what percentage of those that we treat we will be freeing from incarceration, what are the costs of treatment in total, and how much of that cost would have to be borne by the state, and what are the costs of incarcerating and treating people while incarcerated.

As a general rule, we assume that the target population is people who are homeless or incarcerated, seriously mentally ill and not being treated. We recognize there is also a number of people (difficult to count precisely) who are also seriously mentally ill and not being treated, but who are living with their families or in some marginal board and care type housing utilizing SSI benefits. However, we make the assumption that those who are functioning well enough to obtain their SSI benefits also get treatment and recognize their mental disability so we assume that this is a relatively small number.

To calculate that, we first estimate the total number of people who are seriously mentally ill and not being treated. Approximately 50,000 are considered to be homeless. This is confirmed by a national study that showed 150,000 homeless in California and other studies that show that 1/3 are considered seriously mentally ill.

This is consistent with a Los Angeles County study which showed that for Los Angeles there are 50,000 homeless and 17,000 mentally ill.

In addition to the homeless population of 50,000 must be added the incarcerated population. The state total of 16,500 in state prisons plus 3,500 in state hospitals through the criminal justice system adds up to 20,000.

It is difficult to get an exact count of the number in county jails as you have to count it county by county. However, taking Los Angeles as 1/3 of the state, estimates are that Los Angeles's county jail has between 3,000-4,000 seriously mentally ill people. If we take 3,300 as a good guess, a good round number for a statewide total is 10,000.

This adds up to 80,000 people who represent the clear unmet need.

We also estimate there is a small number (impossible to calculate exactly) who are neither homeless nor in jail, but are a strong risk of being homeless or in jail and unstable. We estimate that amount as no more than 20,000 representing a total population of 100,000.

We know we won't be able to successfully treat everyone. The exact number of how many we would ultimately be able to treat is not important. It's the ratio of how many we would treat vs. how many are freed from imprisonment that counts. In any event, of those that we treat, we estimate that 25% will be veterans for which all the treatment costs will be paid for by the federal government. That is based on other studies that show that 1/3 of all of the homeless are veterans. It would be logical to conclude that 1/3 of the homeless mentally ill are veterans so that 1/3 of those needing to be treated are veterans.

However, we have no studies to confirm this, so we have somewhat discounted the percentage of those needing to be treated who are veterans and made that 25% of the number that would be treated rather than 33%.

COST OF TREATMENT

AB 34 proposes that the state pay counties their additional average cost for increasing the number of people receiving successful extensive community treatment which stabilizes them and eliminates the risk of incarceration.

The Village Integrated Service Agency in Long Beach, California has the most comprehensive data on the cost of comprehensive mental health and related services as envisioned by AB 34. The Village which serves 276 people has an average cost of approximately \$14,000 per person.

However, much of that population comes from those who have been treated in long term institutional care before being treated in the community and thus have the lowest likelihood of responding to treatment and gaining quick and full recovery from their illness. That population has a higher cost than those that are generally treated under a different program under the Village called "moderate cost" many of whom have entered the program as homeless people from a homeless outreach program also conducted by the Village Integrated Service Agency.

Accordingly, we believe that in general the people who are homeless or at risk of homelessness or incarceration and need to be treated will have treatment costs closer to the "moderate cost" or lower cost group in the Village. This group has a total cost of \$10,000. Of this, the county (or additional state funding to the counties) would be required to provide \$6,000 of the costs. The average of the total Village would represent \$14,000 in total costs with approximately \$8,000 (the overall Village Costs) required to be paid by the county or state funds.

While we believe that over the long term the total cost will be \$6,000 per person or less, for purposes of demonstrating cost effectiveness we will assume that for the first two years average costs would be \$8,000 (the overall Village costs), in the 3rd, 4th and 5th years, \$7,000, and only after five years will we assume the cost will reach the \$6,000 per person cost.

However, as counties move to providing expanded community mental health treatment there will be savings to the counties from reduced hospitalizations that occur occasionally for people that they are not providing regular treatment to. In addition, many counties are not getting the maximum utilization out of their existing funds and may be allowing many people to remain in institutional care or hospitals who could be effectively treated with community services provided more efficiently. As counties invest in more community mental health services, they will be able to get more out of their existing funds.

For purposes of calculating the budget, we will assume that counties representing 45% of the population are relatively efficient counties and that the savings and better utilization of existing funds only represents \$1,000 per person so that the state would pay these counties \$7,000 out of the \$8,000 potential total cost. For the other counties that participate, but aren't as efficient and need to get more efficient, the state would pay \$6,000 (for each additional person that they provide treatment to). We assume this is also 45% of the state and that 10%, mostly rural counties, won't participate.

This model would continue for the first two years. After that time, it is assumed that the less efficient counties would have become more efficient so that all of the counties would have only a \$1000 per person savings. In the 3rd year all counties would receive \$6,000 based on the total cost of treatment going from \$8,000 to \$7,000.

After the 5th year the total cost would drop to \$6,000 from \$7,000, but it is believed that by this time there would not be any significant savings for the counties so that costs to the state would remain at \$6,000.

Accordingly, by the time we reach the 3rd year the state would pay all of the counties \$6,000 for each person that they treat. We assume that for every 30 people they are treating there are another 10 that they have identified and referred for treatment, but who are not required to be treated by the county because they are veterans for whom treatment costs are provided by the Veterans Administration which is all paid for with federal funds.

To this cost must be added \$9 million for the estimated cost of providing outreach services.

The outreach costs are based on expansion of the Long Beach Village Integrated Services Agency's outreach program which is a \$300,000 annual cost. A portion of that money provides services that could be covered in the other costs so that the \$300,000 may be high. It is estimated that this program reaches 10% of the homeless outreach needs in Los Angeles County. We assume Los Angeles's needs are \$3 million annually. The costs statewide would be three times that or \$9 million in full implementation.

Implementation of the outreach program will have to begin more expeditiously than the full program. We assume the outreach program will grow from \$3 million in 2000-01, to \$6 million in 01-02, to \$9 million in 02-03, and staying at the \$9 million figure permanently.

We believe that the overall costs will come down even more after the first few years as we will have eliminated nearly all cases of chronic mentally ill who have not been treated for many years. In other words, we hope that after we've been providing outreach and extensive services for several years we will generally be intervening earlier in the onset of a mental illness. These illnesses are cumulative in their severity, meaning that the longer someone goes untreated with a mental illness the further is their deterioration function, the more expensive is the cost to treat them, and the lower is the likelihood of full recovery in a reasonable time.

While this impact can not be quantified, it means that the increase in costs that would be otherwise due to inflation will be offset by savings in the cost of treatment.

WHAT ARE THE SAVINGS IN STATE PRISONS

The State Department of Corrections estimates that it costs \$22,000 per prisoner per bed. It also spends an average of \$4,000 in mental health treatment for those who are seriously mentally ill representing a total cost of \$26,000 for that population. Those who are in state mental health hospitals who have gotten there through the criminal justice system cost approximately \$100,000. Many of these are dangerous individuals who have committed serious crimes and might have been incarcerated anyway even if their mental illness was being treated. Accordingly, we do not project the same amount of savings to come from that portion as the other. Putting the two together, if we assume that for every 25 people that are reduced in the state prison population we will reduce one from the state hospitals. Thus, the overall average savings to the state prison system would be \$30,000 for each person who is removed from state prisons or state hospitals as a result of mental health treatment. The actual total is probably higher because the ratio between state prison and state mental health hospitals is 1 to 5, but we are assuming that nearly all would otherwise have been in prison.

Studies show that at least 90% of those arrested weren't being treated, so we assume that treatment eliminates at least 90% of incarcerations of those being treated. Accordingly, we assume that treatment eliminates 90% of the incarcerations that would have otherwise occurred.

If the total untreated severely mentally ill are 100,000 and 20,000 are in state prison or a state hospital placement due to a crime, that means 20% who are not treated are in prison. So if we treat 30,000, there are 6,000 who would otherwise have been in prison. We assume that 10% or 600 would still be in prison, so we reduce the prison population by 5,400. The state saves \$30,000 x \$5,400 or \$162 million. This exceeds the treatment costs of \$135 million plus outreach costs of \$9 million totaling \$144 million. Accordingly, we project state savings of \$18 million, and growing as we increase the number of people we treat.

We are not factoring into our analysis any savings there might be for county sheriffs in county jails. There is not going to be any actual dollar savings because county jails are overcrowded. The time that somebody spends in jail is unlike state prisons. The people counties are holding in jail can often be released early and counties are constantly forced to do that. Accordingly, it is believed that any decrease in the number of mentally ill people in county jails will be back-filled by an increase in other prisoners staying in county jails longer so that there will not be any actual dollar savings.

Similarly, city police and county sheriffs' deputies who spend a lot of time dealing with people who are mentally ill will have that time freed up to deal with other criminals, possibly preventing crimes or apprehending criminals. We do not believe that this will translate into reduction in the numbers of police officers employed by cities and counties but it does represent the equivalent of increasing the # of police officers on the street by 5 to 10% (a value estimated at \$300 to \$600 million) at no cost to the state or local government.