



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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MEMORANDUM

To: The Honorable Marvin L. Abney
Chairman, House Finance Committee

The Honorable William J. Conley, Jr.
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: May 18, 2018

Subject: New Article in the FY 2019 Appropriations Act (18-H-7200)
Relating to the Eleanor Slater Hospital

The Governor requests that an additional article, entitled "Relating to the Eleanor Slater Hospital", be submitted alongside the other articles submitted on January 18, 2018. This article would authorize the State to borrow \$22.0 million in Certificates of Participation as part of an overall \$51.9 million project to renovate the Eleanor Slater Hospital on the Zambarano and Pastore Center Campuses. The COPS funding would be directed for work at the Regan Hospital Building, with the balance of \$29.9 million coming from Rhode Island Capital Plan Fund appropriations.

The requested borrowing of \$22.0 million would result in a total cost of a 15-year payback period of approximately \$32.9 million at an estimated interest rate of five percent (5.0%).

If there are any questions concerning this new article, please feel free to reach out to me.

TAM:sma 19-Amend-22

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Michael DiBiase, Director of Administration
Jonathan Womer, Director, Office of Management and Budget

ARTICLE X

RELATING TO ELEANOR SLATER HOSPITAL

SECTION 1. This article shall serve as a joint resolution required pursuant to Rhode Island General Laws 35-18-1, *et seq.*

SECTION 2. *Eleanor Slater Hospital Project-Regan Building Renovation*

WHEREAS, tThe Eleanor Slater Hospital (the “Hospital”) provides long term acute care and post-acute care for approximately two-hundred and twenty (220) individuals with complex psychiatric and medical needs on two campuses - Pastore and Zambarano;

WHEREAS, the Hospital is licensed by the Rhode Island Department of Health (“RIDOH”) and accredited triennially by the Joint Commission for the Accreditation of Health Care Organizations (“JCAHO”) that enables it to bill Medicare, Medicaid, and commercial insurances for the care it provides;

WHEREAS, the revenue the Hospital can bill Medicare, Medicaid, and other insurers approximates \$55.0 million annually;

WHEREAS, on the Pastore campus the patients who have psychiatric needs are currently in three buildings (Pinel, Regan and Adolph Meyer) that are older buildings that have not been updated in many years;

WHEREAS, in January 2017, the Center for Medicare and Medicaid Services (“CMS”) published new standards designed to address the increased number of suicides and suicide attempts in hospitals; such standards required significant renovations to reduce ligature risks on inpatient psychiatric units;

WHEREAS, in September 2017, JCAHO performed its triennial survey, identified significant ligature risks at the Pinel and the Adolph Meyer Buildings and as a result, gave the Hospital a rating of Immediate Threat to Life, requiring it to submit a long-term plan to address the ligature risks in both buildings;

WHEREAS, the Pinel and the Adolph Meyer Buildings currently do not meet JCAHO and CMS requirements and a loss of accreditation for not meeting the submitted plan could lead to the loss of approximately \$55.0 million in federal Medicaid match;

WHEREAS, the Hospital submitted to JCAHO a plan to renovate the Benton Center and the Regan Building, and to close the Pinel and Adolph Meyer Buildings, thus enabling it to achieve full accreditation;

WHEREAS, a renovation of the existing Pinel and Adolph Meyer Buildings would not be financially beneficial due to the magnitude of renovations that would need to be performed on these buildings to allow the Hospital to achieve full accreditation;

WHEREAS, the renovation of the Benton Center will be completed in June 2018, utilizing Rhode Island Capital Plan Fund financing, enabling the Hospital to close the Pinel Building and 2 units in the Adolph Meyer Building and relocate approximately forty-five (45) psychiatric patients to Benton;

WHEREAS, this will leave approximately fifty (50) to fifty-five (55) psychiatric patients remaining in the Adolph Meyer Building;

WHEREAS, there are significant ligature risks that exist in Adolph Meyer and the current size of the units are twelve (12) to fifteen (15) beds-sizes that are too small to be efficient in hospitals, while the size of the patient care units in Regan are twenty-four (24) to twenty-eight (28) beds - more typical of patient care units today;

WHEREAS, closing inefficient units in the Adolph Meyer Building will enable the Hospital to reduce operating costs and address the deficiencies cited by the JCAHO;

WHEREAS, there are currently three (3) floors in the Regan Building that can house patients, one that is vacant, one currently with twenty-eight (28) psychiatric patients, and another with currently seventeen (17) medical patients; and whereas a fourth floor can be renovated into an inpatient unit;

WHEREAS, to accommodate the remaining psychiatric patients in the Adolph Meyer Building, three (3) floors will require extensive renovations to meet the current building standards for psychiatric inpatient units, including requirements for ligature resistant features, program areas, step down areas, quiet rooms, restraint rooms and private rooms that currently do not exist in the Regan or the Adolph Meyer Building;

WHEREAS, the renovated facility would have a total of one-hundred and five (105) beds with larger inpatient units and program space within the units, thus enabling the Hospital to reduce operating costs and develop programs to assist patients in their recovery and ultimate discharge;

WHEREAS, due to its age, the Regan Building requires significant infrastructure upgrades including: elevator replacement, masonry and window leak repair, and a partial roof replacement with an estimated total cost of nine million dollars (\$9,000,000);

WHEREAS, the capital costs associated with this project are estimated to be forty-nine million, eight hundred and fifty thousand dollars (\$49,850,000). This includes \$27,850,000 from the Rhode Island Capital Plan Fund for the renovation of the Benton and Regan Buildings and \$22,000,000 from the issuance of Certificates of Participation to finance the Regan Building renovations. The total issuance would be \$22,000,000, with total lease payments over fifteen (15) years on the \$22,000,000 issuance projected to be \$32,900,000, assuming an average coupon of five percent (5.0%). The lease payments would be financed within the Department of Administration from general revenue appropriations.

NOW, THEREFORE, BE IT RESOLVED,

THAT, a renovation of the Regan Building as part of Eleanor Slater Hospital, is critical to provide patients with an environment that meets current building standards for psychiatric hospitals and to meet CMS and JCAHO accreditation requirements;

THAT, this General Assembly hereby approves the issuance of certificates of participation in an amount not to exceed \$22,000,000 for the renovation of the Regan Building, part of the Eleanor Slater Hospital.