

Amend CSHB 2233 by adding the following new SECTION to the bill, appropriately numbered, and renumbering subsequent SECTIONS of the bill accordingly:

SECTION \_\_. Section 533.050, Health and Safety Code, is amended to read as follows:

Sec. 533.050. PRIVATIZATION OF STATE MENTAL HOSPITAL; CONSTRUCTION AND OPERATION OF REPLACEMENT HOSPITAL. (a) The Department of State Health Services shall [~~After August 31, 2004, and before September 1, 2005, the department may~~] contract with a private service provider to finance, design, construct, and operate one or more new [~~a~~] state mental hospitals to replace an existing state mental hospital or hospitals [~~hospital owned by the department only~~] if:

(1) the executive commissioner of the Health and Human Services Commission determines that the private service provider will operate the new state mental hospital at a cost that is at least five [~~25~~] percent less than the cost to the department to operate the hospital to be replaced;

(2) the executive commissioner of the Health and Human Services Commission approves the contract;

(3) the new state mental hospital, when operated under the contract, treats a population with materially the same characteristics and acuity levels as the population treated at the replaced state mental hospital when operated by the department; [~~and~~]

(4) the private service provider is required under the contract to operate the new state mental hospital at a quality level at least equal to the quality level achieved by the department when the department operated the replaced state mental hospital, as measured by the hospital's most recent applicable accreditation determination from the Joint Commission on Accreditation of Healthcare Organizations (JCAHO); and

(5) the state mental hospital to be replaced under the contract is located in a county with a population of more than 150,000.

(b) The Department of State Health Services [~~On or before April 1, 2004, the department~~] shall report to the executive

commissioner of the Health and Human Services Commission regarding ~~[health and human services]~~ whether the department has received a proposal by a private service provider to finance, design, construct, and operate a new state mental hospital. The report must include an evaluation of the private service provider's qualifications, experience, and financial strength, a determination of whether the provider can operate the new hospital under the same standard of care as the department, and an analysis of the projected savings under a proposed contract with the provider. The savings analysis must include all department costs to operate the hospital, including costs, such as employee benefits, that are not appropriated to the department.

(c) A contract entered into under Subsection (a) must:

(1) provide that the Department of State Health Services retains the right to assume management of the new state mental hospital if contract terms are not met or if the five percent cost savings requirement is not met;

(2) provide that the private service provider must give priority consideration to each state employee employed at the state mental hospital to be replaced who wants to continue working at the new hospital and who the department determines is an employee in good standing; and

(3) establish specific goals for the provider to meet:

(A) in significantly reducing the use of restraints on patients and the seclusion of patients;

(B) in significantly reducing patient waiting lists;

(C) in significantly reducing total length of stay for patients, measured annually;

(D) in increasing access to mental health inpatient services; and

(E) in reducing recidivism.

(d) As a condition of a contract under this section, the private service provider shall:

(1) provide office space at the new state mental hospital for an organization that advocates for persons with mental illness;

(2) include that advocacy organization as a part of the service delivery process; and

(3) provide for that advocacy organization to have input regarding client care.

(e) The Department of State Health Services shall monitor care of patients at the new state hospital operated by contract. The department shall develop and maintain information on activities carried out under the contract without violating privacy or confidentiality rules. The information developed under this subsection must include:

(1) the number of incidents in which patients were restrained or secluded;

(2) the number of incidents of serious assaults in the hospital setting;

(3) the number of occurrences in the hospital setting involving contacts with law enforcement personnel;

(4) individual and average lengths of stay, including computation of lengths of stay according to the number of days a patient is in the facility during each calendar year, regardless of discharge and readmission; and

(5) client outcomes.

(f) The Department of State Health Services may not enter into a contract under this section with a private service provider unless the provider has a documented and verified successful record of:

(1) providing mental health services over a five-year period; and

(2) managing an inpatient mental health facility with a population of at least 250 patients.

(g) If the Department of State Health Services [~~department~~] contracts with a private service provider to finance, design, construct, and operate a new state mental hospital under Subsection (a), the department, the Governor's Office of Budget and Planning, and the Legislative Budget Board shall identify sources of funding that must be transferred to the department to fund the contract.

(h) [~~(d)~~] The Department of State Health Services [~~department~~] may renew a contract under this section. The

conditions provided by this section [~~listed in Subsections (a)(1)-(3)~~] apply to the renewal of the contract.

(i) A contract under this section may be for a term not to exceed 25 years. The contract must provide for the department to acquire the hospital under a lease-purchase agreement with a term not to exceed 25 years and authorize the private entity to issue certificates of participation or other appropriate securities to finance the construction of the hospital. In negotiating a contract under this section, the department shall ensure that total payments to be made under the contract for operating the hospital and under the lease-purchase agreement do not exceed the projected costs of operating the hospital proposed to be replaced. Operational savings used to pay debt service payments for financing a new hospital shall be counted in calculating whether the proposal meets the five percent savings required by Subsection (a)(1).

(j) The Department of State Health Services and each private entity that contracts with the department under this section shall provide to the legislature a report on the progress of activities under the contract and performance of services under the contract. The report must be provided to the legislature not later than November 1 of each even-numbered year.

(k) Not later than October 14, 2005, the Department of State Health Services shall issue a request for proposals for a private service provider to contract with the department to finance, design, construct, and operate a new state mental hospital as authorized by this section.