

Economic Sense - Twenty-First Edition

The Inslee Mismanagement Toll

Over \$500 million of costs in the upcoming budget are directly related to mismanagement by the executive branch.

Bottom line up front:

Washington taxpayers are being expected to shoulder a significant financial burden caused by executive-branch mismanagement, totaling well over \$500 million in the upcoming budget.

Not only are the instances of mismanagement far too frequent and costly, they often hit services for the most vulnerable, including people with mental illness, veterans, and people with disabilities.

1) Not One, but *Three* Kinds of 'Mismanagement'

Mismanagement can be difficult to define beyond the old adage, "You know it when you see it." For these purposes, "mismanagement" is defined as a cost in the upcoming budget that pertains to:

- a federal or state audit;
- an agency cost overrun; or
- fixes for other managerial errors, such as falling behind an implementation schedule.

2) Toll on State Taxpayers Easily Exceeds \$500 Million

It is startling enough to realize how much money the executive branch has frittered away due to mismanagement, and the range of agencies involved. Even worse, some of the largest losses concern programs and services for the most vulnerable residents of our state, who deserve better.

- Developmentally Disabled - Audits at State Institutions (\$27 million state funds)

The state runs four institutions, known as Residential Habilitation Centers, to serve the developmentally disabled. Federal audits in recent years at the two largest institutions (Fircrest in Shoreline and Rainier in Buckley) resulted in non-compliance sanctions and threats of decertification, based on inadequate care.¹ Both institutions are funded at a level equivalent to \$300,000 of care for each client with three full-time state employees for every developmentally disabled individual.²


As KING-TV reported, "Violations ranging from medication errors to failure to prevent a choking death at state institutions for people with developmental disabilities prompted new federal sanctions." Other issues raised in audits included "leaving vulnerable clients strapped to chairs and toilets for long periods of time without staff checking on them, to exploiting clients financially."³

Governor Inslee requests \$27 million in state funds (\$55 million total) for the upcoming budget to address these federal findings and bring the Residential Habilitation Centers into federal compliance.⁴

- Mental Health - Western State Hospital - Decertification, Overtime & Mismanagement (\$249 million state funds)

"We should find it completely unacceptable that we as taxpayers pay for [Western State] hospital to be run and this is how it's being run."

- David Carlon, Disability Rights Washington⁵



Western State Hospital is the largest state-run mental institution in the West and one of the largest in the country at over 800 beds. It serves a vital role in the treatment and care of the mentally ill in this state. Yet it is rife with problems.

On average, patients stay a year at the Steilacoom facility, which is nearly three times the average length of stay at the other state hospital, Eastern (in Medical Lake).⁶ Staff feel unsafe, with documentation that bears out their fears: over 40,000 missed days of work in recent years due to injuries.⁷ The number of missed days more than doubled from two years earlier.

Western State has made headlines for many reasons, but from a financial mismanagement standpoint, one stands out: how significant concerns about patient safety and care first brought about multiple federal inspections, resulting in "immediate jeopardy" -- then finally, after years of federal audit findings during the Inslee administration, outright decertification of the hospital in July 2018.⁸ It resulted in an immediate annual loss of \$53 million in federal support.

All told, the Legislature is being asked for \$249 million in additional state support for the upcoming 2019-21 biennium and to close out the 2017-19 biennium. It would cover items related to lost federal funding for Western State Hospital, and to address staffing issues related to overtime (over 24,000 overtime hours during two weeks this past fall alone) and worker injuries (as noted, missed time due to injuries was double the level in 2013 when the present administration took office).⁹

The mismanagement at Western State Hospital creates a vicious cycle within the institution: clients stay three times longer on average than at Eastern State Hospital, creating a need for more staffing, and requiring existing employees to work more overtime, placing them in more dangerous situations. In turn, this raises the cost for taxpayers and simultaneously makes it more difficult to retain or hire staff, meaning clients stay ever longer and the cycle continues.

Once again, this collection of problems is not due to underfunding at the institution, but to a combination of management, workplace "culture," ineptitude and a lack of leadership at its most extreme. Instead of fixing those issues the governor is asking the taxpayers of Washington to bear an additional financial burden.

- State Veterans' Homes - Audit Findings & \$16 Million Revenue Shortfall

In April 2017, the Washington Soldiers Home, a long-term care setting in Orting for veterans and their families, was found to have substantial deficiencies in the care given to patients, including citations for failing to prevent sores and identify wounds.¹⁰ This led to the firing of the Superintendent and Director of Nursing Services.¹¹

While the institution has since rectified those citations, the reverberations of the audit findings are still being felt as the home is "unable to generate enough revenue to cover all its expenses."¹² The agency "face(s) challenges with census, appropriate staffing levels, and increasing operational costs." The Soldier's Home experienced a significant decline in its resident level, particularly in the light nursing care program, yet "[a]s the Light Nursing program census decreased, the WSH did not experience a corresponding decline in total FTE usage."¹³

Governor Inslee provides \$16 million in the remainder of the current budget and the upcoming budget to backfill this revenue shortfall, brought on by a decline in census and a failure to adjust staffing accordingly.¹⁴

- State Tort Liability - Up by 50% over prior biennium (\$74 million state funds)

The state, with taxpayer dollars, pays judgments or settlements when the state is found to have been negligent in the care or duty required to either a client the state cares for (foster child, developmentally disabled) or a person harmed due to negligent supervision or care from the state (a parolee under the state's supervision is released early and commits a crime).

Governor Inslee proposes a \$74 million increase in funding for tort-claim defense and payouts – a 50% increase over the current biennium.¹⁵ That's because his budget office projects state government will need \$221 million this coming biennium to cover its tort payouts and defense costs, which is an all-time high.¹⁶

- Health Care Authority - Failure to Achieve Promised Savings (\$85 million state funds)

In 2014, the Health Care Authority put forth the "Healthier Washington" plan that pledged better health outcomes and savings/cost avoidance from its implementation. Savings were to come from the integration of physical/behavioral health, chronic-disease management, transparency/payment reform, a reduced number of C-section deliveries and obesity reduction.

The HCA stated in a fiscal note, reviewed and endorsed by the Governor's budget office:

"SHCIP, if fully implemented, is estimated to generate cost savings off just over \$730 million (\$492 million in Medicaid) in three to five years, with an estimated 13:1 return on investment."¹⁷

The Legislature, skeptical of the claims and rationale, pared back the savings dramatically, booking savings of only \$50 million in the first three fiscal years (FY 15-17) of the "Healthier Washington" plan.¹⁸ Even that was far too optimistic, because the savings the agency achieved over that timeframe totaled just over \$1 million.¹⁹

Now, five years out from adoption of the Healthier Washington plan, HCA is seeking an additional \$85 million in funding from taxpayers through June 2021. It asserts that even the fractional savings the Legislature booked cannot be achieved.²⁰

- Increased Governor Out-of-State Travel - \$2 million, resulting in freeze on other State Patrol general-fund expenditures to cover the expense

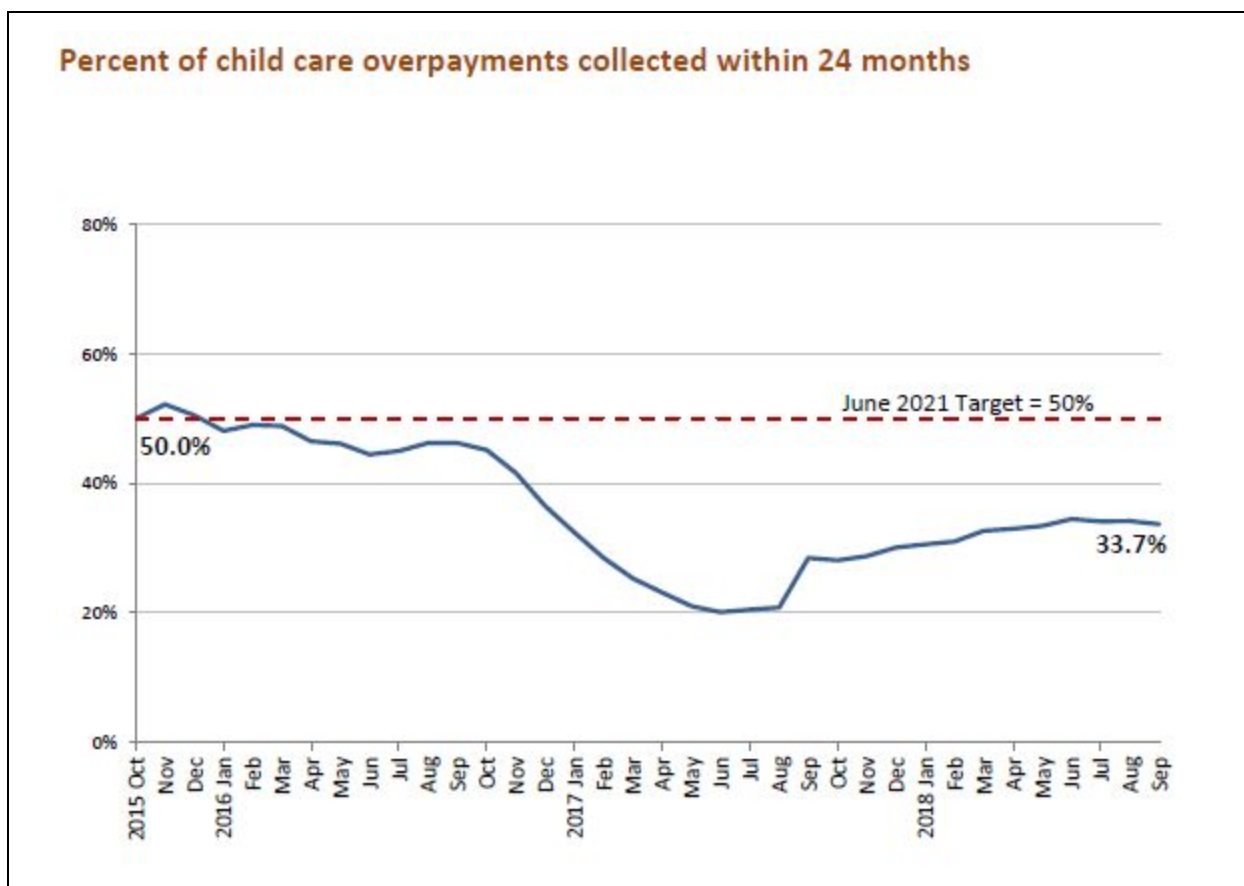
Governor Inslee was out of state for over 70 days in 2018, many times in relation to political events.²¹ The Washington State Patrol is charged with the protection of the Governor, so his out-of-state travel means higher costs and more overtime.

Inslee approved \$2 million in additional funds through this current biennium and the upcoming biennium pertaining to the increased cost of what's called "executive protection."²² To cover the cost, the WSP has frozen spending of general-fund money for the most recent fiscal year.²³ The WSP's two largest general-fund programs – the crime lab and investigative assistance, which includes activities such as the missing children task force.

- Childcare Overpayments Up by Over \$100 Million – in Two Years

The cost of paying for child care for low-income families and individuals is a significant expense in the state budget. The payment system has long been fraught with potential for fraud and abuse.²⁴

The Economic Services Administration, as a performance measure, tracks the amount of child-care overpayments made by the state, and the collection of overpayments. It sets a rather modest target of recouping 50% of overpayments within two years.²⁵



In recent years, the collection rate has trended far below the 50% target. Even more troubling is how the value of overpayments has skyrocketed:

- FY 16 - \$122 million
- FY 17 - \$159 million
- FY 18 - \$229 million²⁶

The sharp increase in overpayments is another indication of mismanagement.

- Other Items of Note

- Corrections' Increased Overtime Costs - \$12 million

"In fiscal year 2018, the Department of Corrections (DOC) had over-expenditures for custody overtime salaries and benefits totaling \$9.3 million. This resulted in the deferral of critical maintenance projects, hiring delays for non-custody positions, and reductions in discretionary services."²⁷ Inslee funds this item moving forward for the agency, costing \$12 million.²⁸

The agency noted that its ability to manage relief, and avoid overtime, is "dramatically affected" by:

- Collective Bargaining Agreements, which Inslee negotiated, limiting the agency's flexibility in scheduling staff; and
- "The high volume of unscheduled absences also affects to ability to manage."²⁹

- Economic Services - Insufficient Recoveries for People on State Temporary Assistance Program - \$31 million

The state runs the "Aged, Blind or Disabled" cash benefit program, previously known as General Assistance-Unemployable, for people who are temporarily disabled but expected to be eligible for and transition onto federal Supplemental Security Income. The long-standing program assumptions, both as ABD and formerly as GA-U, was that the agency would recover between 60-70% of program expenditures from people moving onto federal SSI, whereupon the feds are required to reimburse the state for the interim cash assistance they provided.³⁰

However, the agency has been unsuccessful in meeting its targets, citing a variety of factors, including a growing portion of the caseload that is ineligible to transition to SSI due to non-citizen status.³¹

Governor Inslee proposes \$31 million in additional taxpayer support to help backfill the agency for not meeting its target for successfully transitioning clients onto federal SSI.³²

➤ State Data Center - Deficit Due to Running Below Capacity & Agencies Not Moving In (\$8 million)

By law, state agencies are supposed to locate all new and existing data servers in the state Data Center. However, 33 agencies currently have waivers and the agency in charge of the Data Center says that migrations will not be complete until at least 2022.³³ Rather than being self-sustaining, the Data Center is operating at a yearly deficit which requires additional taxpayer support.

The [previous edition of Economic Sense](#) examined the tragedy of developmentally disabled individuals being warehoused and abandoned in local community hospitals. This moral blight was enabled by the “horrendous” behavior (as an emergency-room doctor put it) of a state agency. Unfortunately, the examples above only confirm that mismanagement is a recurring theme in the executive branch, and it seems to occur disproportionately in agencies charged with serving the most vulnerable. The taxpayers deserve better.

Footnotes:

1. <https://www.seattletimes.com/seattle-news/2-washington-institutions-for-developmentally-disabled-people-threatened-with-federal-decertification/>

2. Senate Ways & Means staff presentation, "Residential Rehabilitation Centers: Federal Compliance & Work Group" (1/22/19)

3.

<https://www.king5.com/article/news/investigations/federal-funding-cut-over-conditions-at-was-institutions-for-disabled/281-457788292>

4. SB 5154 (2019 Supplemental) and SB 5153 (2019-21 Operating Budget)

5. <https://komonews.com/news/komo-4-investigators/feds-many-failures-inside-western-state-hospital>

6. Select Committee On Quality Improvement in State Hospitals, Oct. 2018 report (4th quarter 2018 - 387 day median length of stay for discharged civil patient at Western State Hospital vs. 138 at Eastern; 375 vs. 115 for 3rd quarter 2018)

7. Seattle Times, "Assaults on staff at Western State Hospital costing millions" (Nov. 27, 2015) Cites 41,301 days of work missed by injured employees between 2010 and 2014.
<http://www.seattletimes.com/seattle-news/health/assaults-on-staff-at-psychiatric-hospital-costing-millions/>
8. July 9, 2018 CMS Decertification Letter:
https://www.dshs.wa.gov/sites/default/files/BHSIA/WSH/SIA/Western%20State%20Hospital%20Termination%20Letter%206_25_18jb.pdf
9. Cost breakout: \$99 million in lost federal funds due to decertification; \$150 million related to state hospital operations staffing and safety. In the prior five years, the state had increased staffing at WSH by 750 FTE and expenditures by 80% (2013-18, Senate W&M). See also:
<https://www.kiro7.com/news/south-sound-news/assaults-surge-at-western-state-hospital/882395851>
10. <https://www.thenewstribune.com/news/politics-government/article143245649.html>
11. Id.
12. Recommendation Summary, Governor's Budget (2019 Supplemental & 2019-21 Operating Budget)
13. Agency Decision Package,
<https://abr.ofm.wa.gov/budget/decision-packages/v1?budgetSession=2019-21:R&agencyCode=305&versionCode=1921A&decisionPackageCode=6R&budgetLevel=ML>
14. SB 5154 (2019 Supplemental) and SB 5153 (2019-21 Operating Budget) - Revenue Shortfall item, \$10.55 M & \$5.1 M respectively
15. SB 5153 (2019-21 Operating Budget). Source for current biennia funding level of \$148 million is 12/13/18 email from DES Tort Claim Supervisor.
16. Id. Funding is \$200 million for projected expenditures in 19-21, plus \$22 million to fill account deficit.
17. Senate Ways & Means Staff Presentation, "Low-Income Medical Assistance Budget Work Session" (1/20/16), slide 14
<https://app.leg.wa.gov/committeeschedules/Home/Documents/17682?Senate/456/01-01-2016/12-31-2016/Schedule//Bill/>
18. Id.
19. Id.
20. Recommendation summary proposes \$30 million in add'l funds in supp. 19 and \$55 million in add'l state funds for 19-21.
21. Review of Governor's 2018 daily schedule.
22. \$715,000 in increased appropriations for executive protection in FY 19 and \$1.3 million in FY 20-21.
23. W&M Staff summary of response from WSP (1/29/19).
24. A 2010 request from bipartisan Senators to state employees yielded hundreds of responses alleging fraud and abuse in childcare payments.
25. Economic Services Administration, Strategic Plan Metrics, Slide 7
<https://www.dshs.wa.gov/data/metrics/ESA.pdf#page=1>
26. Id., When on Slide 7, click "To Data" to see underlying monthly and fiscal year data on overpayments.
27. Recommendation Summary, DOC Custody Relief Factor (SB 5153)
28. Id.
29. Agency Decision Package,
https://abr.ofm.wa.gov/budget/decision-packages/v1?budgetSession=2019-21:R&agencyCode=310&versionCode=19_21&decisionPackageCode=AG&budgetLevel=ML
30. Agency Decision Package,
<https://abr.ofm.wa.gov/budget/decision-packages/v1?budgetSession=2019-21:R&agencyCode=300&versionCode=F1&decisionPackageCode=F2&budgetLevel=ML>
31. Id.
32. Recommendation Summary, DSHS ESA "ABD Recovery Variance"
33. Agency Decision Package,
<https://abr.ofm.wa.gov/budget/decision-packages/v1?budgetSession=2019-21:R&agencyCode=163&versionCode=VERS1&decisionPackageCode=AD&budgetLevel=ML>