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Shrinking state care system may raise costs

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A proposal to shrink Minnesota's state hospital system and move some services into the community could boost annual costs by up to \$26.7 million six years from now, according to a projection by the state Department of Human Services.

That would be an 11.5 percent increase over the spending level if no changes were made.

Much of the increase would result from improvements in the treatment of the mentally ill and chemically dependent, and from the operation of about 100 new state-run community group homes for retarded people..

In late July, the department proposed to move retarded patients out of state hospitals, now called regional centers, into smaller community settings. Two of the eight regional centers, at Cambridge and Faribault, are exclusively for the retarded and other developmentally disabled people.

Leaders in those communities are scrambling to find alternate uses for the two campuses, in case the department pulls out entirely.

The department's plan also called for discontinuing programs for the retarded at five other centers, replacing Anoka Metro Regional Treatment Center with a new psychiatric hospital, and closing Oak Terrace Nursing Home in Minnetonka by transferring its elderly patients to other units. Alternate uses for space at the five centers are being explored.

The department offered its plan, which is unpopular with the affected communities, during negotiations among interest groups seeking a consensus on the future of the hospital system. The consensus, if any, will be offered to the 1989 Legislature.

The department augmented its proposal with cost estimates. Implicit in its analysis is the conclusion that community care is not necessarily cheaper than state hospital care, and may be more expensive.

By 1994, the department said, the state would have to spend from \$17 million to \$26.7 million more under its proposal. The \$17 million would be 7.3 percent more than the projected spending of \$231 million if the present system continued.

Beverly Jones Heydinger, a department negotiator, said Thursday that one reason for the increase would be the loss of "economies of scale" resulting from the move from large institutions. About half the increase would come from improved staffing in programs for the mentally ill, she said.

In addition to operating costs, the department estimated the new psychiatric hospital would cost \$55.2 million to build, not counting land and other expenses, and the new state group homes for the retarded would cost \$18.7 million to \$23.1 million.

Under the department's plan, Faribault and Cambridge would lose entire institutions unless alternate uses for them were found. A number of proposals are in the works in those cities.