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To cite this article:

Lawrence D. Bodin, T. Owen Carroll, (1974) Letter to the Editor—Financing Mental-Health Services in the State of New York: An Update. *Operations Research* 22(2):292-294. <https://doi.org/10.1287/opre.22.2.292>

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Letter to the Editor

Financing Mental-Health Services in the State of New York: An Update

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(Received August 22, 1973)

IN A RECENT paper,^[1] we reported the development of a model for financing mental-health services in the State of New York. There we discussed the importance of operations-research techniques in resolving public-sector problems. Here, we will report on how the legislative process worked in integrating our analysis into a bill that eventually became law. Our hope is that this example will stimulate the readers of this journal to apply their talents to the analysis of public issues and suggest some aspects of the role of the operations-research analyst in the legislative process.

The final legislation on mental hygiene was signed into law in June, 1973. Although it contained some differences in final format from our original proposals, the basic operational funding formula adopted under this "unified services" legislation is substantially the one proposed in our paper. In this bill, operational expenditures for mental-health services to residents of a county, except for all patients in state hospitals and schools over five years, are shared between county and state as follows. Each county receives an initial allowance of \$10 per capita on the first 100,000 residents in the county and \$5 per capita above 100,000. Net expenditures above the per capita allowance are supported by 20 per cent county funds and 80 per cent state funds until expenditures reach \$13 per capita. Beyond this point, the funding ratio changes to 35 per cent county and 65 per cent state funds.

The intent of the model and the legislation based on this model is to stimulate the growth of community mental-health facilities through the use of the population credit and the 20/80 ratio. However, to keep expenditures in line and to encourage fiscal responsibility in each county, the 35/65 ratio was placed on programs that appeared expensive relative to the county population. The legislation was written so that in time all mental-hygiene patients will fall under the new fiscal arrangement except for some chronic patients.

The legislation was worded so that each county's participation in "unified services" will be voluntary, with the present 50/50 sharing of certain local services continuing if the county opts not to participate in the unified-services plan. However, the legislature wanted to urge all local communities strongly to participate in unified services. Therefore, the bill included provisions on capital funding, phasing in, and administrative procedures that made it fiscally attractive for all counties to utilize the plan. We estimated these fiscal incentives to cost the state \$17 million in the first year of its program.

This final legislation was not significantly different from the original proposals that we had described.^[2] However, the upper expenditure level at which the 35/65 ratio applies was reduced from \$18 per capita to the \$13 per capita noted above, a change that increased the total county contribution to expenditures over all counties

by a few million dollars. This was not regarded as significant, since it affected primarily the counties that benefit greatly under the unified-services legislation and, even with this reduction in state aid, these counties will obviously decide to use the unified-services option.

Second, the original proposal presumed continuing exclusion of certain chronic patients, arguing that chronicity is a state responsibility. As noted above, there soon will be no exclusions under the new law. If the number of chronic institutionalized patients declines at the present rate, expenditures will not change much. An analysis using our model shows that, if the number of chronic patients remains stable, counties can expect their expenditures for mental hygiene services to increase by up to 50 per cent over about five years. However, the number of chronic patients is very much dependent on administrative policy within the mental-hygiene system. Thus, the actual impact of legislative provisions on chronic patients is difficult to predict.

Finally, under the legislation, participation in unified services is voluntary, contrary to our recommendation. This bothered us greatly and prompted numerous discussions with various staff members in Albany. We were afraid that the clout in the legislation was being removed. However, over time we were convinced that the fiscal incentives in the capital funding and administrative sections of the legislation are strong enough to encourage most counties to opt for participation, thus ensuring that unified services will be given a fair chance to succeed.

To achieve passage of this new legislation required formation of a substantial consensus of the New York State legislators. Our initial work for the Central Staff of the New York State Assembly was introduced in the 1972-73 legislative session as a study bill. (A study bill can be amended without having to go through formal amendment procedures; thus changes can be made while the legislature is out of session and without a lot of legal haggling.) It then became the subject of discussion within the Central Staff, the Department of Mental Hygiene (which, as we noted in our paper,¹⁴ had a competing bill), and the Joint Legislative Committee on Mental and Physical Handicap. Public hearings around the state were sponsored by the Joint Legislative Committee on the Mental and Physical Handicap to sample the constituencies involved. Over about a year's time, the final form of the bill evolved, and it was adopted unanimously by the legislature.

There are important conclusions we can draw about our experiences and what they imply about the role of the operations-research analyst in the legislative process.

First, the analyst can expect to design a model that reflects a philosophy of how change in a particular policy can be made. He cannot expect that his numerical results will be accepted in every detail and he should not become a strong advocate for them. He should expect that the political process will lead to a relaxation or a complete change of some of the constraints on his model and that he will have difficulty imbedding all of the political constraints in the model. We found that our constraint set was changing continually, and the objective function was never well defined. However, as a result of this project, we convinced the legislature to adopt the principal features of our model—a result that we count as a successful implementation.

Second, in these types of problems, the analysis forms the core of the legislation but competes with other elements of it. The model we developed was the formula-

tion of the legislation, but its capital-funding and administrative parts acted as a set of externalities that had impact on the implementation of the legislation. It is difficult to include all such externalities within the model itself and still be able to conduct an effective analysis. For example, our model was developed explicitly with the assumption agreed upon in Albany that no change in capital funding would be made. However, the political process that shaped the final legislation allowed for change in capital funding; this led to the slight modification of the operational funding formula cited above. But to have included capital funding initially would have so increased the set of feasible alternatives that formation of a consensus would have been difficult.

Third, public recognition for the analyst dissipates rapidly. The operations-research analyst who participates in the legislative process threatens the politician himself, and thus must tread lightly in his dealings with him. The politician's livelihood depends upon his publicity; he is willing to recognize the analyst quietly within the circles of government, but he is unwilling to give much of the credit to the analyst publicly. The politician needs the public recognition to continue his position; the analyst does not.

Fourth, the analyst becomes a part of the legislative feedback loop. In times of sudden political pressure, he has to be prepared to respond to the demands of 'instant analysis.' As noted in reference 1, we were given only a week to prepare for the key presentation of the results of our study. At this key presentation, the basic decision to go ahead with the version of unified services based on our analysis was made. If we had not been able to produce at this meeting, the Department of Mental Hygiene's version of unified services would have been passed into law.

Finally, the operations-research analyst who enters legislative analysis can gain much satisfaction. He knows that he is dealing in a process that can affect beneficially the lives of the residents of the state and that the need for such analysis is of paramount importance. For the most part, state and local legislation is not created by the in-depth analysis and sophistication that was provided by our work in developing the unified services legislation.

REFERENCE

1. L. D. BODIN, T. O. CARROLL, A. LEE, AND S. STOUT, "Financing Mental Health Services in the State of New York," *Opns. Res.* **20**, 942-954 (1972).

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