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Bcc:  
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Commissioner Janek

I've attached a memo that describes 4 separate options available for a P3 initiative. We ranked them according to which hospital provides the best outcome for success. We also included the political contacts we would need to make as well as an internal timeline. Understanding that this timeline is generally based upon our team's target goals.

I'm hoping that your initial conversation went well with Senator Watson. We'd like to set up another time to come in and plan out the strategy so that we are providing HHSC with the most effective support possible whether that is political, research or strategic.

We look forward to thoughts.

Best Regards

Frank

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## Memorandum

Date: August 1, 2013

TO: Dr. Kyle Janek – Commissioner, Texas Health and Human Services Commission

FR: Frank Santos & Gabe Sepulveda – Santos Alliances

RE: Texas Mental Health Facilities Improvement Proposal

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### Texas Mental Health Facilities Improvement Proposal

The purpose of this memorandum is to provide the Texas Health and Human Services Commission and the Department of State Health Services proposed options for engaging in a public private partnership (P3) to assume at least ten percent cost savings on the operation of a select state mental health hospital. The options provided for consideration below are the best possible opportunities in the state for pursuing a P3 agreement with a private provider to realize the budget savings recommended in budget rider #63 from the 82<sup>nd</sup> Texas Regular Session (2011).

Additionally, the memo contains an option for further cost savings and improvements in quality of care for Texas patients through the increased utilization of the state's most efficient and advanced mental health facility currently in operation and minimizing the usage of targeted facilities with systematic infrastructural and patient care issues.

The objective of these proposed plans is to help the state save additional funds in the area of mental health services and to increase the level of services and quality of care administered to patients at these facilities. These plans will add value and advance the level of excellence in Texas' mental health network moving forward.

#### Primary Outline

- Option 1 – Austin State Hospital
- Option 2 – San Antonio State Hospital
- Option 3 – Kerrville State Hospital

#### Secondary (Additional Cost Saving Option)

- Option 1 – Rusk State Hospital

## **Option 1: Austin State Hospital**

### Objective

The objective of option 1 is to explore the process and promise of privatizing the Austin State Hospital through a formal RFP process. The goal: to help the facility and, thereby, the state in saving at least 10 percent of their facility operations costs, increase the quality of care for patients, and improve the clinical environment for the surrounding community. This process will be done through engaged conversations with the appropriate local public officials, agency executives, and other key personnel to explore the possibility of privatization of the Austin State Hospital.

### Primary Preliminary Outreach

In order to begin the process of exacting the privatization of the Austin State Hospital, preliminary outreach to essential public officials will be pertinent. Below is a list of key officials that would be the target of outreach and garnering of support.

#### **Members with hospital in district:**

Hon. Kirk Watson, State Senator – District 14  
Hon. Elliott Naishtat, State Representative – District 49  
Hon. Dawnna Dukes, State Representative – District 46 (Part of district)

### Secondary Outreach

In addition to the primary targets, below is a list of additional members of interest (districts that have portions of the city) that may need to be briefed on the plan in order to mitigate any outside opposition.

#### **Additional Austin officials:**

Hon. Charles Schwertner, State Senator – District 5  
Hon. Judith Zaffirini, State Senator – District 21  
Hon. Troy Fraser, State Senator – District 24  
Hon. Donna Campbell, State Senator – District 25  
Hon. Jason Isaac, State Representative – District 45  
Hon. Paul Workman, State Representative – District 47  
Hon. Donna Howard, State Representative – District 48  
Hon. Eddie Rodriguez, State Representative – District 51  
Hon. Larry Gonzalez, State Representative – District 52  
Hon. Tony Dale, State Representative – District 136

### Ancillary Factors

House district 50 is currently vacant with Rep. Mark Strama stepping down.  
The property that the Austin State Hospital is currently located on is of very high value and could be monetized to provide even greater financial benefit for the state.  
The facility is very old and security for the surrounding community has been an ongoing issue  
Has not received favorable press over the years.

**Option 2: San Antonio State Hospital**

## Objective

The objective of option 2 is to explore the process and promise of privatizing the San Antonio State Hospital through a formal RFP process. The goal here is to help the facility and, thereby, the state in saving at least 10 percent of their operations costs, increase the quality of care for patients, and improve the clinical environment for the surrounding community. This process will be done through engaged conversations with the appropriate local public officials, agency executives, and other key personnel to explore the possibility of privatization of the San Antonio State Hospital.

## Primary Preliminary Outreach

In order to begin the process of exacting the privatization of the San Antonio State Hospital, preliminary outreach to critical public officials will be pertinent. Below is a list of key officials that would be the target of outreach and garnering of support.

### **Members with hospital in district:**

Hon. Carlos Uresti, State Senator – District 19  
Hon. Judith Zaffirini, State Senator – District 21  
Hon. Leticia Van de Putte, State Senator – District 26  
Hon. John Kuempel, State Representative – District 44  
Hon. Joe Farias, State Representative – District 118  
Hon. Roland Gutierrez, State Representative – District 119

## Secondary Outreach

In addition to the primary targets, below is a list of additional members of interest (districts that have portions of the city) that may need to be briefed on the plan in order to mitigate any outside opposition.

### **Additional San Antonio officials:**

Hon. Donna Campbell, State Senator – District 25  
Hon. Doug Miller, State Representative – District 73  
Hon. Paul Workman, State Representative – District 47  
Hon. Trey Martinez Fischer, State Representative – District 116  
Hon. Phillip Cortez, State Representative – District 117  
Hon. Ruth Jones McClendon, State Representative – District 120  
Hon. Joe Straus, Speaker of the House – District 121  
Hon. Mike Villarreal, State Representative – District 123  
Hon. Jose Menendez, State Representative – District 124  
Hon. Justin Rodriguez, State Representative – District 125

## Ancillary Factors

The San Antonio State Hospital is currently located near downtown and also would have a high land value. The land could be monetized to provide even greater financial benefit

for the state.

The facility is on the same grounds as the San Antonio state school and other DSHS facilities. There is a possibility of possibly partnering with these other DSHS facilities to help provide resources and services.

### **Option 3: Kerrville State Hospital**

#### Objective

The objective of option 3 is to explore the probability of reengaging the conversation of



privatizing the Kerrville State Hospital. The goal here is to help the facility and, thereby, the state in saving at least 10 percent of their operations costs, increase the quality of care for patients, and improve the clinical environment for the surrounding community. This process will be done through recommencing the conversations with the appropriate local public officials, agency executives, and other key personnel to explore the possibility of privatization of the Kerrville State Hospital. The preliminary objective would be to turn public opinion in the area in favor of privatization or, at minimum, mitigating any opposition that could prove a political barrier to a P3 agreement.

### Primary Preliminary Outreach

In order to begin the process of exacting the privatization of the Kerrville State Hospital, further continued outreach to critical public officials will be pertinent. Below is a list of key officials that would be the target of outreach and garnering of support.

#### **Members with hospital in district:**

Hon. Troy Fraser, State Senator – District 24  
Hon. Harvey Hilderbran, State Representative – District 53 (Member is not seeking reelection for this house seat. His role will be diminished as a result; however, still important to engage with him given his previous history with this privatization effort)

### Secondary Outreach

In addition to the primary targets, below is a list of additional local officials of interest that may need to be briefed on the plan in order to mitigate any outside opposition.

#### **Additional Kerrville local officials:**

Hon. Jack Pratt, Kerrville Mayor  
Todd Parton, Kerrville City Manager  
Hon. Rusty Hierholzer, Kerr County Sheriff  
Jonas Titas, Executive Director – Kerrville Economic Development Corporation  
John Young, Kerrville Police Chief

### Ancillary Factors

Rep. Harvey Hilderban, House district 53, is planning on running for the State of Texas Comptroller. As such, his involvement in standard legislative affairs will be minimal. However, he was opposed to the original plan to privatize the facility in 2012. The facility is the largest single employer in Kerrville. As such, the possibility of

privatization garners a lot of attention regarding the future of job security for current employees and residents of the city.

The local media response and press from the surrounding areas was almost exclusively negative regarding the proposed privatization plan. The press that was created directly attacked the company and was successful in turning public opinion in the area.

Local mental health community resource, Hill Country Community Mhmr, was also opposed to the privatization efforts. They also aided in building opposition in the community against the company and the P3 engagement

The only clear support from community leaders came from Sheriff Hierholzer, who advocated for increased security at the facility, and Patrick Murray, the CEO of Peterson Regional Medical Centers (the county's largest private hospital) who recognized the value a company like GEO could provide regarding quality of care.

### **Draft Timeline (Options 1, 2, & 3)**

*The timeline provided below is a mock schedule on how this process could potentially be executed. It is provided to help our team internally envision how the following months could proceed and when the necessary action items and company deliverables will need to be prepared. This inevitably will change based on the plans provided by HHSC, the needs of the*

*agency and the parameters of the process. It is for internal planning purposes only and helps to ensure we are doing what is necessary to help move this plan along with the agency 's preferred timeline in mind.*

<b>Date</b>	<b>Action Item</b>
Aug. 9	Send memorandum to Commissioner Janek and applicable HHSC staff
Aug. 16	Decision on which option to pursue for phase 1 of outreach (1, 2, or 3; with the additional cost savings measure as another option)
Aug. 19	Meet with Commissioner Janek and HHSC staff to discuss implementation of selected option(s)
Aug. 21	Santos / HHSC begin setting up meetings with key officials for preliminary outreach
Aug. 26 – Sept. 6	Conduct preliminary outreach meetings
Sept. 12	Meet with Commissioner Janek and HHSC staff to debrief on preliminary outreach; determine possible opposition or challenges; and discuss next steps.
Sept. 19	Decide on the preferred option to begin the RFP drafting. (Also identify the next best possible alternative.)
Sept. 23 – Sept. 30	HHSC to draft the RFP for selected facility
Oct. 1	HHSC to issue RFP
Oct. 14	Proposal submitted to agency
Nov. 1 – Nov. 30	HHSC to consider bids / Engage in conversations and negotiations on facility transition
Dec. 1-Dec. 31	Finalize agreement with HHSC
Jan. 1	Agreement officially begins / Formal transition of facility administration

#### **Option 4: Rusk State Hospital Bed Capacity Reduction**

##### Objective

The objective of option 4 is to explore the possibility of reducing the number of beds utilized at the Rusk State Hospital and transferring that bed capacity to the Montgomery County Mental Health Facility (MCMHF). The goal here is to help improve the quality of care and network of

mental health services in this part of the state by reducing the use of one of the state's oldest and most deficient state hospitals and increasing the utilization of the newest and most efficient facility in the area. By making this transition, the state would save additional funds, reduce the problems stemming from the care of patients at the Rusk facility, decrease the time for competency restoration of patients as a part of improving the metrics in this category for the state, and maximize the utility of the MCMHF.

### Preliminary Outreach

In order to begin the process of exacting the transition of bed capacity from Rusk State Hospital to the MCMHF, preliminary outreach to essential public officials will be pertinent. Below is a list of key officials that would be the target of outreach and garnering of support.

#### **Members with hospital in district:**

Hon. Robert Nichols, State Senator – District 3  
Hon. Travis Clardy, State Representative – District 11

#### **Additional Rusk County local officials:**

Hon. Joel Hale, Rusk County Judge  
Hon. Bill Hale, County Commissioner – Precinct 1  
Hon. Mike Pepper, County Commissioner – Precinct 2  
Hon. Freddy Swan, County Commissioner – Precinct 3  
Hon. Harold Howell, County Commissioner – Precinct 4

### Ancillary Factors

The Rusk State Hospital has some of the highest rates of problems related to patient care and competency restoration.

The facility is one of the oldest and is experiencing a degree of structural dilapidation. It has received some of the worst negative press coverage; more than any other state run mental hospital.