



**Request for City Council Committee Action
From the Department of Health & Family Support**

Date: May 11, 2009

To: HEALTH, ENERGY & ENVIRONMENT COMMITTEE
Referral to: WAYS & MEANS/BUDGET COMMITTEE

Subject: REPORT ON POTENTIAL COSTS AND COST SAVINGS IF THE
PUBLIC HEALTH LABORATORY IS CLOSED EFFECTIVE JANUARY
1, 2010

Recommendation:

Council review of the report on potential costs to specified departments and cost savings for decision on the Mayor's recommendation to close the public health laboratory by January 1, 2010.

Previous Directives:

March 4, 2009 staff directive to report back on potential costs and cost savings.

Prepared or Submitted by: Becky McIntosh, Director of Planning & Administration
Phone: x2884

Approved by:

Gretchen Musicant, Commissioner of Health

Permanent Review Committee (PRC): Approval ____ Not Applicable X
Policy Review Group (PRG) Approval ____ Date of Approval ____ Not Applicable X

Presenters in Committee: Gretchen Musicant, Commissioner of Health
Tom Oehler, Manager, Public Health Laboratory
Valerie Wurster, Deputy Chief Investigations /Forensics /Support
Services, MPD
Lori Olson, Deputy Director, Environmental Management & Safety,
Regulatory Services

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the ____ Capital Budget or ____ Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: ____ Action is within the plan. ____ Action requires a change to plan.
- Other financial impact (Explain): Cost savings if public health laboratory closed.
- Request provided to department's finance contact when provided to the Committee Coordinator.

Background/Supporting Information Attached

As part of the 2009 Revised Budget Adoption, staff was directed to report back to Council regarding potential cost savings from the Mayor's recommendation to close the public health laboratory by January 1, 2010. Staff worked with those departments that would be affected by a closure of the laboratory, including MPD, Regulatory Services, and the School Based Clinic program in Health & Family Support, to determine whether or not there would be any additional costs incurred to their departments in closing the lab.

History of the Public Health Laboratory

The City of Minneapolis Public Health Laboratory has been doing diagnostic testing for items of public concern since 1895. Methods of testing and items of concern have changed over the intervening years but the mission of the laboratory remains to provide rapid, high quality testing for the good of the community, families and individuals. The laboratory provides clinical, environmental and forensic chemical testing for the general public and private, city, county and state agencies.

In the mid-1990's budget discussions, the department was asked to work towards a goal of increasing lab revenue to cover at least 90% of expenses. While the lab was able to come close to this goal for a period of time, in recent years the gap between revenue and expenses has widened as a result of changes in the environment in which the lab operates. Some of the changes in the recent years include:

- a significant reduction in food testing for Regulatory Services;
- the inability to raise prices on many tests beyond covering the actual cost for a specific lab test because of the need to have pricing that is competitive with the private sector;
- the inability to compete with the private sector for business unless it served a public purpose; and,
- a more recent significant decrease in lab work from Hennepin County public health as a result of the declining number of refugees and immigrants settling in the County.

Other challenges:

Equipment

The current laboratory equipment is between five and 20 years old, and will need to be replaced within the next few years. Total replacement costs are estimated to be between \$175,000 and \$248,000. MPD has applied for a Byrne grant to help cover updating equipment, but these grants are highly competitive and there is no funding in the current lab budget to cover new equipment.

Electronic Medical Records

In 2007/08 the state legislature enacted mandates that all health care providers transition to electronic medical records by no later than 2015. There is no funding in the current lab budget to cover the costs of adding electronic lab reporting, the cost of which could run into tens of thousands of dollars.

Laboratory space in PSC

After consulting with Lands & Buildings, the space currently occupied by the public health laboratory at a cost of over \$80,000/year would either need to be maintained as a whole regardless of the amount needed for a reduced MPD lab, or would have to be vacated completely. If/when the space is vacated completely, renovation costs have not been determined but are projected to be significant.

MINNEAPOLIS POLICE DEPARTMENT

Scenario #1: All DWI blood/urine kits and narcotics evidence is taken to the BCA lab for analysis

Direct costs: \$0

- There is no fee for testing done by the BCA lab.

Indirect costs:

- Significant additional staff time
 - Narcotics and DWI evidence are currently taken to the lab for analysis on a daily basis.
 - Chain of custody must be preserved.
 - The trip is 26 miles roundtrip.
- Loss of control over what is analyzed, how many samples are tested
- Inability to prioritize as MPD cases will be handled in a queue with work from multiple state agencies
- DWI Cases negatively impacted by longer turn-around time
 - The Minneapolis City Attorney's DWI Fast Track process has a 45 day timeline for the handling of the entire case.
 - Current testing time of approximately 7 days makes Fast Track possible.
- Narcotics cases negatively impacted
 - Marijuana testing only under very limited circumstances
 - No pre-charge screening tests for 1st degree drug cases
 - Much longer turn-around times will create new delays in the prosecution.
 - Prosecutors may not be able to meet court deadlines for delivery of information to defense counsel.
 - Pleas delayed and a new bottleneck created in the court system
 - The number of defendants held until trial will be reduced sending offenders back into the neighborhood.
 - The number of offenders ultimately incarcerated will be lower because offenders not held in custody before trial are less likely to be incarcerated at sentencing.

Subsidy Required 2010

\$0

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Scenario 2: Lab Operations for Drug/DUI Sample Testing

Services provided (based on 2008 figures provided by Minneapolis Health Department Lab):

- Total Drug identification sample tests performed - 12003
 - MPD sample tests performed - 7615
 - HCSO sample tests performed - 868
 - All other LE agencies sample tests - 3520

- Total Alcohol Blood/Urine and beverage tests (MPD) - 198

Testing Revenue: (2008)

Charges per LE agency:

MPD	\$102,093
HCSO	\$ 10,793
All other LE agencies	\$ 44,548

Total Estimated Revenue from Drug/Alcohol Testing = \$157,434

Laboratory Costs 2010:

Space Rental:	\$ 40,000
Computer costs:	\$ 25,000
Personnel costs (2 FTEs sal + fringe)	\$170,000
Equipment: Maintenance	\$ 15,000

Current Equipment:

- 2 Gas Mass spectrometers, 1 stand alone Gas Chromatograph, 2 FT Infrared Spectrometers.
- These instruments are 5 to 20 years old. It is expected that these instruments will need to be replaced over the next few years.
- Total replacement costs are estimated to be \$175,000 to \$248,000.

Total Estimated Laboratory Costs (excluding instrument replacement) = \$250,000

Subsidy required 2010 \$92,600

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Scenario 3: Lab Operations Drug/DUI Sample Testing and Lead Testing

Services Provided (based on 2008 figures provided by Minneapolis Health Department Lab):

- Drug identification sample tests - 12003
- Alcohol Blood/Urine and beverage tests - 198
- Lead tests (Blood, Water, Environmental samples) - 8232

Testing Revenue: (2008)

Revenue from Drug and Alcohol Testing	\$157,434
Revenue from Lead Testing	\$131,712
Total Estimated Revenue	= \$289,146

Laboratory Costs 2010:

Space Rental:	\$ 40,000
Computer costs:	\$ 25,000
Personnel costs (3 FTEs sal + fringe)	\$255,000
Equipment: Maintenance	\$ 15,000
Supplies (Lead testing)	\$ 11,000

Current Equipment:

Drug/DUI testing

- 2 Gas Mass spectrometers, 1 stand alone Gas Chromatograph, 2 FT Infrared Spectrometers.
- These instruments are 5 to 20 years old. It is expected that these instruments will need to be replaced over the next few years.
- Total replacement costs are estimated to be \$175,000 to \$248,000.

Lead testing

- Atomic absorption Spectrometer, Heating Block, Centrifuge.
- These instruments will need to be replaced over the next few years.
- Total estimated replacement costs are \$42,000 to \$52,000.

Total Estimated Laboratory Costs (excluding instrument replacement) = **\$346,000**

Subsidy required in 2010 **\$57,000**

Regulatory Services (part of MPD Scenario #3)

Environmental Health/Food Safety

Current Expense: \$3,295

2010 Expense with private lab: \$8,075

In 2008, Environmental Health sent 323 samples to the Minneapolis Health Lab. Price per specimen ranged from \$5 to \$20 for a grand total of \$3,295 expended on lab testing. Services include analysis of food, drinking water, wells, pools and ice-milk (tests for Coliform, Mold/yeast, pH, foreign body, Salmonella, Shigella etc.)

Environmental Health contacted private local labs to determine the cost should the sample testing be outsourced. Quotes came back significantly higher at \$25 per sample which would increase testing costs to \$8,075 for the same number of samples. **Environmental Health would need an additional \$4,780 to cover sampling costs at a private vendor.**

The MPD lab could not take on this testing because environmental health testing requires microbiologists with specialized certifications.

Subsidy Required in 2010

\$4,780

Lead

Current Expense: \$36,765

General Fund - \$9,930

Grants - \$11,940,

CDBG - \$14,895

2010 Expense: \$53,995

General Fund - \$7,700

Grants - \$31,370

CDBG - \$14,925

The Lead program had 2,451 samples for testing in 2008. This number will jump to 4,452 samples in 2010 because of the \$3 million new HUD grant (2009-2011) requirements. Sampling costs at both the Health Lab and private labs are the same - \$10-\$15 per sample. Grant funds cover the cost of samples requiring testing in the grant area and CDBG funds cover families who meet financial guidelines. Regardless of which lab does the testing, no additional general fund dollars will be needed moving forward.

Subsidy Required in 2010 under MPD Scenario #3

\$0

**HEALTH AND FAMILY SUPPORT (part of MPD Scenario #3)
 Projected Operational Costs to continue School Based Clinic (SBC) Services
 if the Public Health Laboratory Ceases Operations**

2009 SBC FUNDING FOR LAB SERVICES:

Personnel		
.5 FTE Delivery Worker	\$30,254	Patient Revenue
.25 FTE Lab Assistant	15,015	Patient Revenue
.25 FTE Office Support Specialist II	16,488	Local Public Health
.54 FTE Medical Technologist	<u>40,011</u>	Local Public Health
Total personnel	\$101,768	
Van maintenance	<u>\$ 2,800</u>	General Fund
	\$104,569	

GF subsidy for SBC Lab tests	\$ 29,500	General Fund
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Total 2009 Budgeted Lab Expenses for SBC program: \$134,068

General Fund	\$ 32,300
State grant	\$ 56,499
SBC Patient Revenue	\$ 45,269

PROJECTED 2010 OPERATIONAL COSTS FOR SBC WITHOUT A PUBLIC HEALTH LAB:

Personnel

.5 FTE Medical Technologist (MPD .5 FTE) ¹	\$43,735
.5 FTE Office Support Specialist II (MPD .5 FTE) ²	\$33,762
.5 FTE driver salary/benefits (.5 Public Works) ³	\$30,784
Total personnel 1.5 FTE	\$108,281

Lab tests

Referral lab costs	\$116,000
Total Lab test expense	\$116,000

Other Costs

Space Rental:	\$40,000
CLIA PPM certification (6 sites)	\$ 3,000
Equipment Maintenance	\$ 4,000
Van maintenance @ 50% total ⁴	\$ 3,800
Biohazard Trash and Sharps/containers and bags	\$ 2,000
Monthly Hazardous Waste Pick Up	\$ 4,000
Supplies	\$10,000
Total Other costs	\$66,800

Total Projected Costs for SBC lab services: \$291,081

Current budget allocations for SBC lab services: \$104,568

Subsidy needed to continue SBC lab services \$186,513

¹ Medical Technologist I - CLIA certification, lab records, prepare lab specimens for contract lab, quality control testing, procedure manuals, lab oversight, SBC staff training, equipment checks, sterilize bio hazardous waste, liaison with contract lab.

² Office Support Specialist II - Supply ordering, inventory maintenance, pharmaceutical and vaccine ordering and maintenance, packaging materials for clinic sites, accounts payable, billing.

³ Delivery Driver - specimen pickup from six sites daily to bring to PSC for preparing for pickup by the courier, and delivery of interoffice mail, vaccines, and supplies to the six sites (the contracted lab service will provide courier pick up all daily specimens one time per day; will also need courier service for emergency lab pick ups).

⁴ Van maintenance - Assuming we can share cost with another City department (i.e. Public Works)