

Submitted by John Bachmann
at Board Hearing of 9-17-08
Budget Hearing

EL DORADO COUNTY MENTAL HEALTH DEPARTMENT

Treatment Works, People Recover
El tratamiento es efectivo, las personas se recuperan

**A Report to the Board on
the Mental Health Department's Fund Balance and
FY2008/2009 Budget Addendum
September 17, 2008**

Analysis of FY2007-08 Budget Performance

PROBLEM:

- At the end of FY2006-07, there was a positive \$1.31M balance in the “traditional” (i.e., non-MHSA) Mental Health Special Revenue Fund. At the end of FY2007-08, the Department had a negative fund balance of <\$1.39M>.

WHY?

- In FY2007-08, actual revenue was 84% of the Board approved revenues
- Actual expenditures were 101% of the Board approved appropriations

Analysis of FY2007-08 Budget Performance

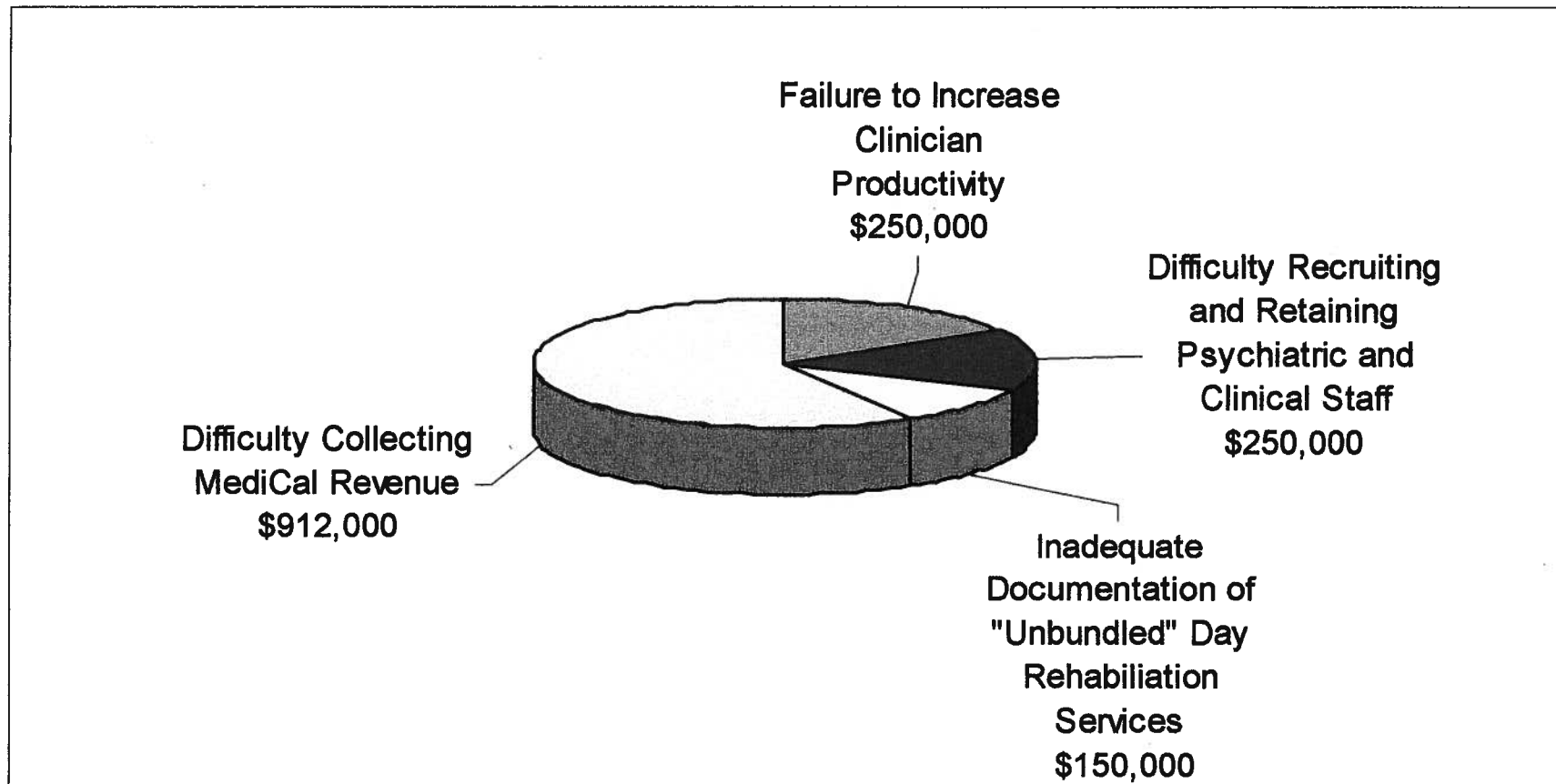
Department's FY2007-08 Revenues

Revenue Source	Budgeted FY 07/08 Revenues	Actual FY 07/08 Revenues	Difference Between Actual and Budget	FY 08/09 Budget
FY 07/08 Medi-Cal/EPSDT	\$ 5,700,000	\$ 4,138,000	\$ (1,562,000)	\$ 5,594,000
Utilization Review/MAA	\$ 460,000	\$ -	\$ (460,000)	\$ 400,000
Interest Earned	\$ 85,000	\$ (129,000)	\$ (214,000)	\$ -
Insurance/Private Payers	\$ 181,000	\$ 35,000	\$ (146,000)	\$ 180,000
Realignment	\$ 3,830,348	\$ 3,745,348	\$ (85,000)	\$ 3,812,000
Realignment Fund Balance Usage	\$ 927,652	\$ 927,652	\$ -	\$ -
MHSA Revenues	\$ 3,652,000	\$ 3,775,972	\$ 123,972	\$ 5,074,000
Other Revenues	\$ 3,912,000	\$ 4,208,028	\$ 296,028	\$ 3,837,425
Totals	\$ 18,748,000	\$ 16,701,000	\$ (2,047,000)	\$ 18,897,425

Analysis of FY2007-08 Fund Balance Depletion

Depletion

Sources of MediCal Shortfall



Analysis of FY2007-08 Budget Performance

Several factors lead to this miscalculation:

- Human error
- Inadequate performance monitoring tools
- A lengthy billing software conversion →
Failure to project revenue shortfall → no decrease in expenses
 - MediCal submissions and payments delayed for seven months into the fiscal year
 - Hence, insufficient data from which to make revenue (and cost) projections and corresponding adjustments

SOLUTION

begins with the
FY2008-09 Budget which

- Includes the recommendations approved by the Board in May 2008
- Adjusts revenues and appropriations based on prior year actuals
- Reflects cost reduction recommendations

Structural Deficit Reductions Approved on May 20, 2008

Recommended Action	Effect on Structural Deficit	Effect on FY08-09 Budget
Reduce IMD Costs	\$ (340,000)	\$ (255,000)
Alternative Funding for Uninsured Clients	\$ (294,036)	\$ (220,527)
Reduce PHF Beds to 10	\$ (214,448)	\$ (160,836)
Create a Crisis Residential Facility	\$ (474,921)	\$ (237,461)
Total Deficit Reduction	\$ (1,323,405)	\$ (873,824)

Recommendation

Delete 11.65 vacant FTE positions from the
personnel allocation

Position	Total FTE in Personnel Allocation	Filled FTE	Vacant FTE	FTE to Delete	Remaining FTE	Remaining Vacant FTE	FY 08/09 Savings Achieved	FY 09/10 Savings Achieved
Manager of MH Programs*	5.00	4.00	2.00	2.00	3.00	0.00	\$ 107,745	\$ 235,447
Program Manager I	1.00	0.00	1.00	1.00	0.00	0.00	\$ 88,122	\$ 117,947
MH Program Coordinator	12.00	11.00	1.00	1.00	11.00	0.00	\$ 103,000	\$ 103,000
MH Clinician	37.05	27.80	9.25	5.75	31.30	3.50	\$ 288,683	\$ 288,683
Psychiatric Technician	10.00	6.50	3.50	1.50	8.50	2.00	\$ 33,986	\$ 33,986
Sr. Medical Office Assistant	1.00	0.80	0.20	0.20	0.80	0.00	\$ -	\$ -
Medical Office Assistant	3.00	2.80	0.20	0.20	2.80	0.00	\$ -	\$ -
Totals	69.05	52.90	17.15	11.65	57.40	5.50	\$ 621,536	\$ 779,063

*1.0 FTE Manager of MH Programs will not become vacant until January 2009 and, therefore, cannot be deleted until that time

Recommendation

Reduce overtime pay, offsite training and overnight travel (for 08-09 savings of \$64,919 and \$90,212 in future years)

FY2008-09 Budget Addendum

Program	PHF	PES	Community MH Services	AB 3632	MHSA Programs	Admin	Totals
Total Expenses	\$ 1,864,502	\$ 456,470	\$ 6,866,892	\$ 1,378,730	\$ 5,571,083	\$ 2,431,483	\$18,569,160
MediCal/EPSDT	\$ 494,797	\$ 126,200	\$ 2,848,534	\$ 482,555	\$ 303,852	\$ 1,738,087	\$ 5,994,025
MHSA	\$ -	\$ -	\$ -	\$ -	\$ 5,074,117	\$ -	\$ 5,074,117
Grants	\$ -	\$ -	\$ 344,865	\$ -	\$ 27,501	\$ -	\$ 372,366
State Allocations	\$ 419,663	\$ -	\$ 406,788	\$ 289,338	\$ -	\$ -	\$ 1,115,789
Private Payers	\$ 772,000	\$ 75,000	\$ 225,000		\$ -	\$ 10,000	\$ 1,082,000
Misc Revenues	\$ 5,000	\$ -	\$ 224,644		\$ 165,613	\$ 107,800	\$ 503,057
Realignment	\$ 173,042	\$ 255,270	\$ 1,872,897	\$ 606,837	\$ -	\$ 903,861	\$ 3,811,907
One-time Revenues			\$ 944,164				\$ 944,164
Total Revenues	\$ 1,864,502	\$ 456,470	\$ 6,866,892	\$ 1,378,730	\$ 5,571,083	\$ 2,759,748	\$18,897,425
Effect on Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 328,265	\$ 328,265

FY2008-09 Budget Addendum

- **Note use of \$944,164 “one-time” revenues**
 - FY2006-07 cost report settlement
 - FY2007-08 UR charges
 - EPSDT deficiency payment
- **Without “one-time” revenues, the FY2008-09 budget would be short by roughly \$616,000**
- **FY2009-10 will reflect full-year savings of roughly \$632,000 (\$450K from May’s actions; \$157K from salaries; \$25K from OT)**
- **Will eliminate dependency on one-time revenues**

How can the Board have confidence in this budget after the FY2007-08 experience?

- Budget realistic MediCal revenue
- Expand “budget-to-actual” performance monitoring
- Aggressively control expenditures
- Monthly reports to the CAO & Quarterly to the Board on fiscal performance

How can the Board have confidence in this budget after the FY2007-08 experience?

FY 2008-09 MediCal/EPSDT Revenue Calculations

Description	Estimated Amount Billed to MediCal	Estimated FFP Revenue (50% of Total Amount)	Estimated EPSDT Revenue (Estimated as 24.5% of FFP)	Estimated MediCal Admin Revenue (15% of FFP)	Estimated Revenue
FY 2007-08 Estimated Year-End MediCal Billings	\$ 6,734,282	\$ 3,367,141	\$ 824,950	\$ 505,071	\$ 4,697,162
Add: 2% for Increased Provisional Rates	\$ 78,846	\$ 39,423	\$ 9,659	\$ 5,913	\$ 54,995
Add: Billings for Clinical Staff Hired in Late FY 07-08	\$ 922,650	\$ 461,325	\$ 113,025	\$ 69,199	\$ 643,548
Less: 8% Denial/Disallowance Rate	\$ (630,862)	\$ (315,431)	\$ (77,281)	\$ (47,315)	\$ (440,026)
Add: 10% for Increased Staff Productivity	\$ 460,072	\$ 230,036	\$ 56,359	\$ 34,506	\$ 320,901
Add: Additional M/C for Clients at the New CRF - No Associated EPSDT Revenue	\$ 114,000	\$ 57,000	\$ -	\$ 8,550	\$ 65,550
Add: Additional M/C Billings Due to Shifting of Adult Services From Uninsured Clients to M/C Clients - No Associated EPSDT Revenue	\$ 441,054	\$ 220,527	\$ -	\$ 33,079	\$ 253,606
Estimated Totals	\$ 8,120,042	\$ 4,060,021	\$ 926,711	\$ 609,004	\$ 5,595,736
Budgeted Amount		\$ 4,060,021	\$ 925,000	\$ 609,004	\$ 5,594,025

How can the Board have confidence in this budget after the FY2007-08 experience?

Monitoring “budget-to-actual” performance:

Monthly Reporting Tools Include-

- Monthly MediCal billable services
- Budgeted revenues and expenditures vs. year-to-date and forecasted year-end actuals, by funding source, program and sub-object account
- Current cash position and forecasted year-end cash position
- Costs for IMD/Board & Care services to measure progress toward goal of reducing annual costs by 50%
- Tracking services to the uninsured

Additional Budget Related Issues

- **Mental Health Services in Juvenile Halls**
 - Will maintain mandated service level; decrease FTE in JTC to 0.5
- **Placerville Behavioral Health Court**
 - Replace lost MIOCR \$ w/ MHSA \$; reduce services
- **AB 3632 Mandate**
- **Amend the MHSA Plan**

AB 3632 Mandate

AB 3632 Mandate Costs

	Actual Claims					Estimated Claims	
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Total Program Costs	\$ 938,366	\$ 949,956	\$ 817,989	\$1,138,832	\$1,175,388	\$1,351,696	\$1,378,730
Total Offsetting Revenues*	\$ 405,321	\$ 423,786	\$ 364,893	\$ 552,553	\$ 812,903	\$ 556,432	\$ 771,893
Net Cost (SB 90 Claim Amount)	\$ 533,045	\$ 526,170	\$ 453,096	\$ 586,279	\$ 362,485	\$ 795,264	\$ 606,837
*Offsetting Revenues							
MediCal and EPSDT	\$ 405,321	\$ 344,196	\$ 286,505	\$ 474,215	\$ 416,731	\$ 473,094	\$ 482,555
IDEA Allocation		\$ 79,590	\$ 78,388	\$ 78,338	\$ 78,338	\$ 78,338	\$ 78,338
AB 3632 Allocation					\$ 317,834	\$ 5,000	\$ 211,000
Total Offsetting Revenues	\$ 405,321	\$ 423,786	\$ 364,893	\$ 552,553	\$ 812,903	\$ 556,432	\$ 771,893

AB 3632 Mandate

- To date, SB 90 payments have not been transferred to the Department's special revenue fund
- Department recommends the Board
 - Acknowledge the Department for providing mandated mental health services to special education students and recognize the associated unreimbursed costs
 - Going forward, Department recommends the Board provide an annual general fund contribution equal to the most recent actual SB 90 claim amount. By so doing, realignment usage is minimized for these mandated costs and restoration of the Department's Special Revenue Fund balance is accelerated.

MHSA Funding

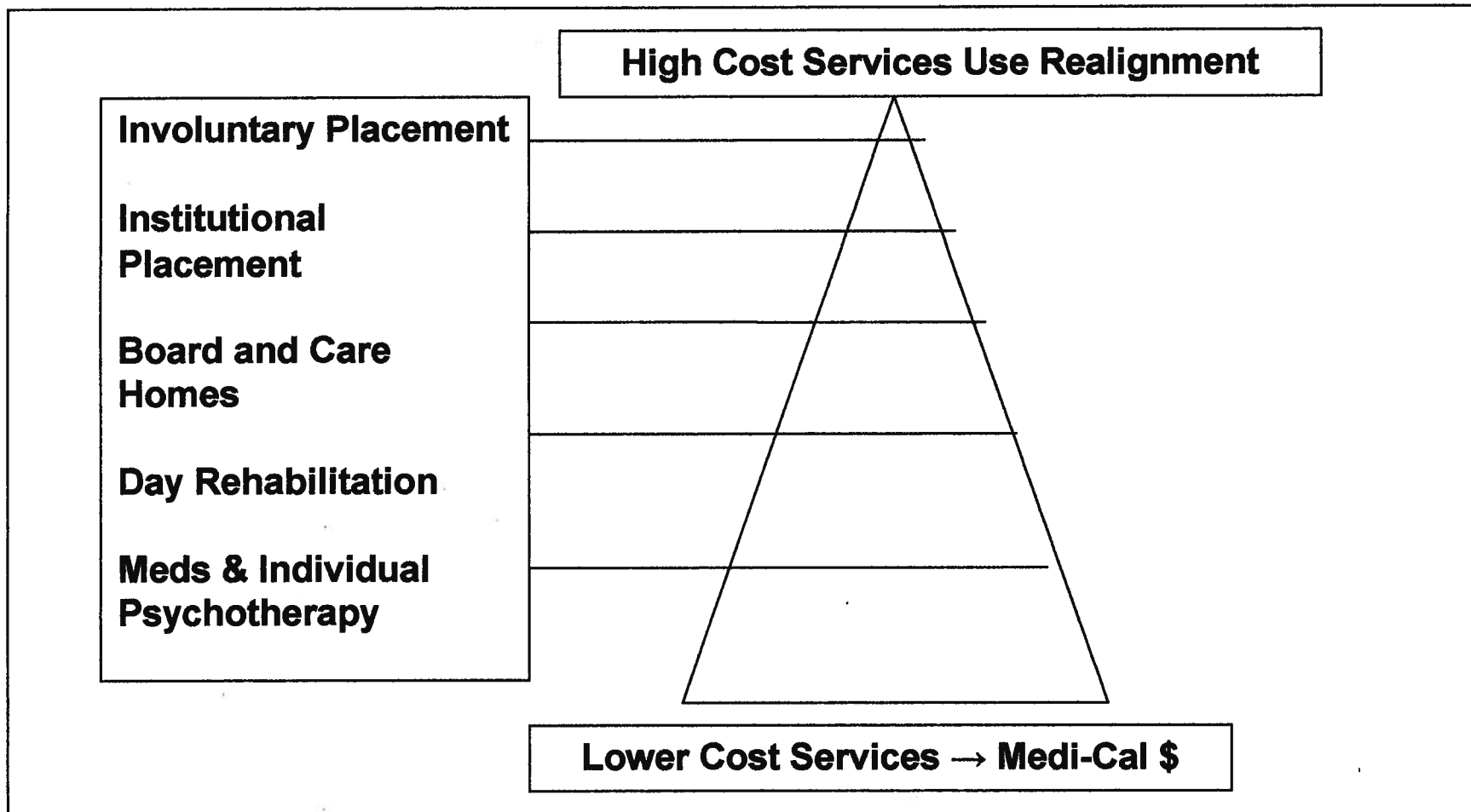
“The funding established pursuant to this Act shall be utilized to expand mental health services. These funds shall not be used to supplant existing state or county funds utilized to provide mental health services. ... These funds may not be loaned to the state General Fund or any other fund of the state, or a county general fund or any other county fund for any purpose”
(W&IC 5891)

- Funds **CANNOT** be used for...
 - involuntary services (“5150” hospitalizations, IMDs)
 - services delivered prior to plan approval and a corresponding contract
 - activities outside of an approved MHSA program, plan and contract with the State

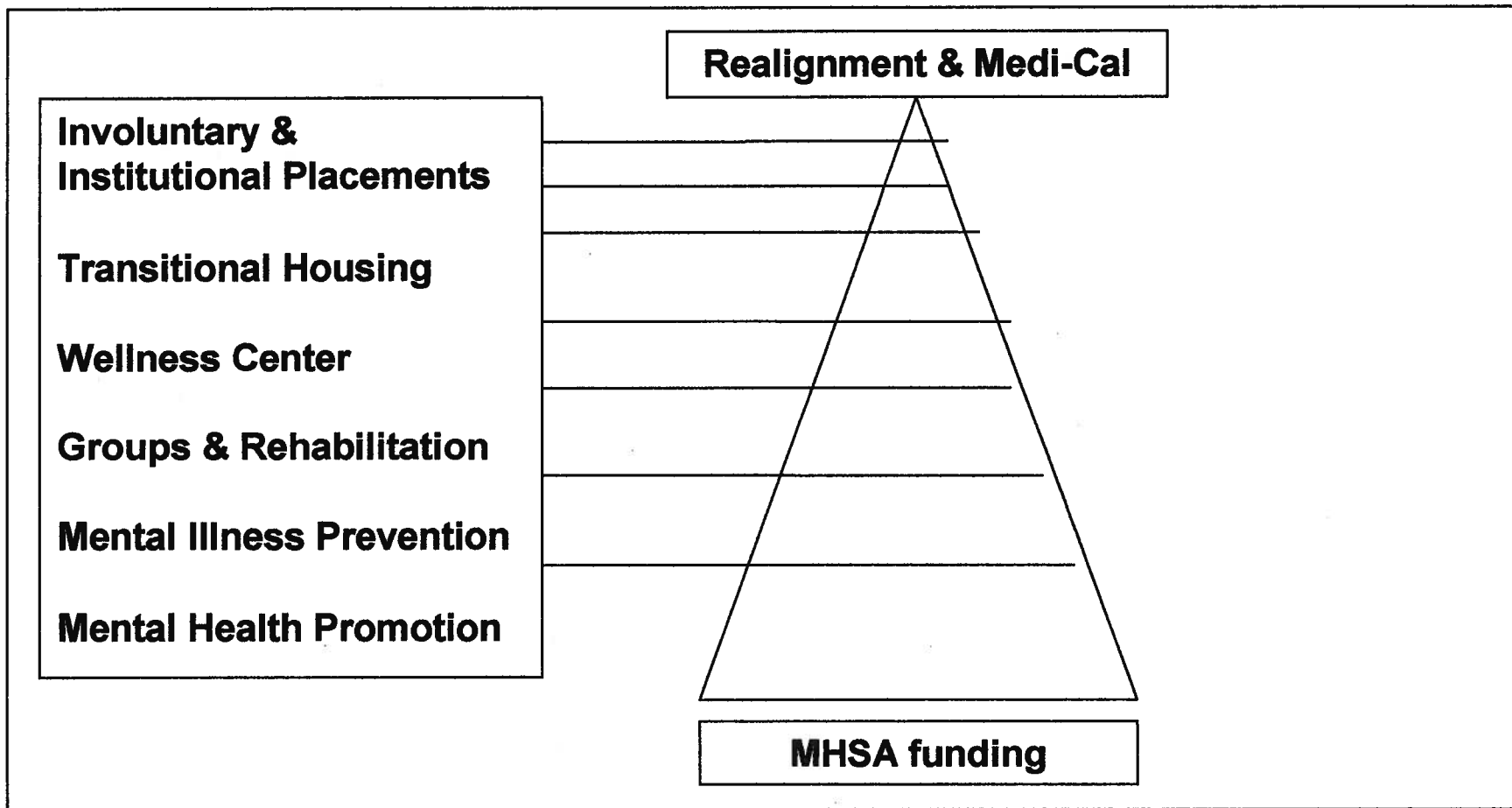
MHSA Transformation Recommendation

- Amend current plan to strategically and appropriately use MHSA funds to
 - Transform Current System of Care
 - Facilitate Mental Health Recovery
 - Prevent Mental Illness
 - Promote Mental Health

Before Transformation



After Transformation



Next Steps

- Approve Department's Recommendations
- Prepare MHSA Plan Amendment
 - Community Planning Process
 - Mental Health Commission Review
 - 30-day Public Comment
 - BOS Review and Approval
 - State DMH Review and Approval