



Health Services Department FY 09-10 Fiscal Uncertainties and Associated Recommendations

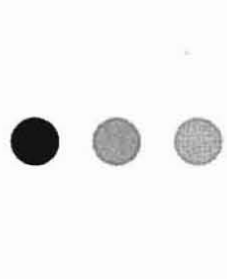
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Major Fiscal Uncertainties for FY 09-10

- Potential State funding cuts/deferrals to both Public Health and Mental Health are significant (details to follow)
- Many service mandates will remain despite funding losses
- Some State funding impacts will have a direct affect on other County departments (e.g., Probation) and sub-contracted service providers previously receiving pass-through funding from Health Services
- Late receipt of State contracts/funding authorizations and payments will impose risk to County and will negatively impact cash flow
- Unfavorable State contract language allows for retroactive cancellation without fiscal obligation to State
- Realignment Revenue (Sales Tax/VLF), a primary source of discretionary revenue for both Public Health and Mental Health, continues to decline



Potential State Cuts to Public Health

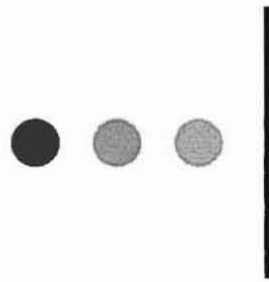
	<u>Potential Cut Reported 6/10</u>	<u>Latest Status (Based on Conf Comm Action)</u>
<u>Alcohol/Drug Programs:</u>		
o Prop 36	\$454K	Cut (may get Fed \$)
o Offender Treatment Program (OTP) *	\$101K	Do not expect cut
o Cal Works	\$177K	Some cut expected
o ADP Misc (Admin, Drug Medi-Cal, etc.)	\$ 20K	Cut expected
<u>Other PH Programs</u>		
o Healthy Families (now supports CCS clients)	\$100K	Some cut expected
o Child Protective Services/Nursing (From HS)	\$111K	Do not expect cut
o HIV/AIDS State General Fund (SGF)	\$ 57K	Some cut expected
o Immunization SGF	\$ 50K	Cut; backfill with Fed \$
o Maternal/Child Adolescent Health SGF	\$ 22K	Cut expected
o Maternal/Child Adolescent Health Fed Match	\$ 80K	Do not expect cut
o Nursing Services at EDUHSD (school funds)	\$ 23K	Do not expect cut
o State funding for PH Lab CIWMB grant	\$ 18K	Uncertain (EMD impact)
o Certified Application Assistance	\$ 10K	Cut expected

* OTP is an enhancement to Prop 36 (unclear how enhancement remains if program is cut)



Recommended Approach for Public Health

- Act now to minimize potential operating losses beginning July 1st
- Reduce staffing for the following (RIF process takes time):
 - ADP programs/services considered highly likely to be impacted by State cuts
 - Alcohol Drug Program Area also supports Cal Works and HIV/AIDs workload
 - Non-mandated services dependent upon discretionary funding
 - Administrative support
 - Outreach/enrollment efforts to secure health insurance for children ages 6-18
 - Non-mandated disease investigation support



Recommended Approach for PH (Cont'd)

- Use unrestricted fund balance and discretionary funding to maintain core and mandated services that may experience funding cuts/deferrals, but that are deemed lower risk for elimination/reduction, while awaiting State budget action
- Continue to closely monitor State budget actions; Department to return to the Board with further updates and recommendations as needed



Proposed Public Health Allocation Reductions

○ Community Health Advocate (WS - filled):	1.0
○ Department Analyst (SLT - filled):	1.0
○ Health Program Specialist * (2 WS, 1 SLT - all filled)	3.0
○ Health Education Coordinator (1 WS, 1.4 SLT - 1 filled)	2.4
○ Public Health Nurse (all vacant)	<u>1.5</u>
Total Proposed Allocation Reductions	8.9 FTEs

* Department is requesting approval for a Deviation from Retention Points for the Health Program Specialist job class to retain staff with substance abuse counselor certification.



Savings Associated With Staff Reductions

- Salary and benefit savings approximately \$500K in FY 09-10 (partial year as RIF process takes time)
- Leased facility cost savings approximately \$15K (partial year, based on termination of leased space and movement of ADP staff into Spring Street facility)
- Other cost savings by eliminating service and supply costs associated with staff



Primary Consequences of Public Health Cuts

- Proven, successful drug court programs and other addiction treatment services may be reduced or eliminated (likely resulting in higher costs of emergency care, law enforcement, and incarceration)
- HIV/AIDS prevention activities will be reduced or discontinued
- Children's health initiative activities will be reduced (including insurance outreach, enrollment, retention, and utilization activities)
- Other health promotion and disease investigation, may be reduced
- Administrative support services will be reduced
- Program restructuring, staff losses, and assignment changes may result in inefficiencies and reduced ability to respond effectively to public health emergencies



Budgeted ADP & HIV/AIDS Provider Contracts Recommended to be Held (Pending Final State Action)

	<u>Approx.</u>
○ Prop 36	
● County Probation Department	\$180K
● Progress House	\$ 80K
● Sierra Recovery Center	\$ 30K
● The Effort	\$ 7K
○ Offender Treatment Program	
● County Probation Department	\$ 9K
● Progress House	\$ 90K
● Sierra Recovery Center	\$ 10K
○ HIV/AIDS Prevention	
● Conley Consulting	\$ 3K



Budgeted Children's Health Initiative Contract Recommended to be Discontinued

- Insurance premiums for CaliforniaKids insurance product (\$40K budgeted – using discretionary funds)
 - Covers children in families with incomes between 250 - 300% of the Federal Poverty Level (may be lower income for undocumented not eligible for Medi-Cal or Healthy Families)
 - Department pays premiums (using Tobacco Settlement funding)
 - Currently 40 children enrolled at \$52 per child, per month (\$2,080 monthly; approx. \$25K annually)



Steps to Discontinue CaliforniaKids Insurance

- Modify contract as needed (may continue use for families with kids ages 0-5, provided First 5 funding remains available)
- Discontinue outreach, enrollment, retention, and utilization services for kids ages 6-18
- Send families with kids only 6-18 a 60-day notice of enrollment termination
- Discontinue paying insurance premiums for dis-enrolled kids after the 60 day notice period (approx. 8/31/09)
 - Two-month contribution for kids currently enrolled = \$4,160.
 - Cost savings for balance of FY 09-10 approx. \$36K (\$40K budget less two months of premium payment for current enrollees only)



Incoming State Contracts/Funding Authorizations At Risk Due to Late Receipt or Unfavorable Budget Contingency Language

- Children's Medical Services (CCS/CHDP) - Budget/funding auth typically late
- Maternal Child Adolescent Health (MCAH) - Budget/funding auth typically late
- Immunization Action Plan - Contract timely, but with budget contingency clause
- Tobacco Control Program - 3 yr contract in place; payment held for State budget
- ADP Net Negotiated Amount - Budget/funding authorization typically late
- Comprehensive Drug Court Implementation - Contract timely, but with budget contingency clause
- Dependency Drug Court - Contract timely, but with budget contingency clause
- Emergency Preparedness - Various contracts typically received late

Department recommends proceeding with program activity pending receipt of State contracts/funding authorization; re-evaluate and report to BOS at Addenda.



Potential State Impacts to Mental Health

	<u>Potential Cut Reported 6/10</u>	<u>Latest Status (Based on Conf Comm Actions)</u>
o Managed Care Allocation	\$788K	Cut portion (% TBD)
o AB 3632/Chapter 26.5 (Advance)	\$429K	Full year deferral
o Healthy Families	\$120K	Uncertain – Some cut likely
o Cal Works	\$ 26K	Uncertain – Some cut likely
o Early and Periodic Screening Diagnostics and Treatment	\$ 44K	Uncertain – Some cut likely (Impacts kids Medi-Cal for MHSA)
o MHSA Funding (Deferral)	N/A	One month deferral (We have fund bal avail)



Major Contract Issue Impacting Mental Health

- The Mental Health Division's managed care contract (addressing specialty mental health services for Medi-Cal beneficiaries of EDC) expires 6/30/09; the State has not yet sent proposed new contract
- Representatives of the California Mental Health Director's Association (CMHDA) and the State Dept of Mental Health (DMH) have been conducting Mental Health Plan (MHP) contract negotiations for the past year; draft State contracts were anticipated to be released to counties soon; however, amendments will now be necessary to implement significant proposed budget reductions
- CMHDA recommends that counties forward letters to DMH indicating their intent to continue operating as the MHP pending receipt, review, and Board approval of the final State contract – EDC County Counsel is currently reviewing this issue and will provide legal guidance



Major Funding Issues Impacting MH Budget

- o Managed care allocation (significant source of funding for traditional services, non-MHSA) will be cut by State; anticipate only receiving up to 40% of budgeted \$788K allocation
- o Realignment revenue, including sales tax and VLF (also a significant source of funding for traditional services, non-MHSA) continues to decline; was \$3.8M in FY 08-09 budget, but expect no more than \$3.2M in FY 09-10
- o Juvenile Detention Services (per Title 15, Sec. 1437 in coordination with health administrator, mental health director, and facility administrator) are required to be provided by the Mental Health Division, without a specific funding source; particularly problematic in view of declining revenue for traditional services



Major Funding Issues Impacting MH Budget (Cont'd)

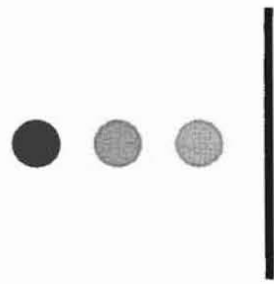
- AB 3632/Gov't Code Chapter 26.5 funding (for mental health services required by Individualized Education Plans for special-ed children) will be deferred for FY 09-10; SB 90 funding, also intended to provide reimbursement for this mandated service, will likely not be received; Approx. \$1.3M AB 3632 program is intended to be funded by:
 - Medi-Cal/Healthy Families - approx. \$500K - some HF at risk
 - Federal IDEA grant - approx. \$80K
 - State AB 3632 advance - approx. \$330 to \$430K - Will be deferred
 - State payment of SB 90 claim - balance (up to approx. \$400K)
Not included in FY 09-10 budget due to risk of receipt

Going forward, recommend SB 90 be transferred to MH if received by County



Recap of FY 09-10 Mental Health Budget *(prior to serious State impacts)*

- Submitted balanced budgets in Subfund 001 (traditional) and Subfund 003 (Mental Health Services Act); budgets considered viable, but require very aggressive control, to ensure:
 - Full year of improved billing operations (addressing all identified problem areas contributing to prior operating losses)
 - Continued focus on Medi-Cal clients/services and rapid transition to MHSA approved/funded programs
 - Full year of sustainable savings from prior downsizing of staffing, facilities, and associated costs (and continued pursuit of additional cost savings opportunities for facility rents, and similar expenses)
 - Full year of intensive monitoring/managing of operations using improved fiscal systems and processes



Our Realistic Assessment

Due to the severity of proposed State cuts and deferrals, and in view of the substantial cost cutting and revenue improvement measures already implemented/planned in Mental Health to achieve the proposed balanced budget, the Division will require supplemental funding in order to meet mandated service levels and maintain a balanced budget.



Why address supplemental funding (rather than potential staff/service cuts)?

- Although State funding will be cut, mandates for service remain
- Further staff cuts (over the nearly 30% cut last year) will result in an inability to perform mandated services
- Cutting staff will not resolve the bottom line; expenses may decline, but so will corresponding revenue generated by billable staff time
- Cutting mental health services for our severe population (seriously mentally ill adults and seriously emotionally disturbed children) will have significant, unintended consequences *and will result in cost shifting to other systems*



Statutorily Mandated and Contractually Required Services

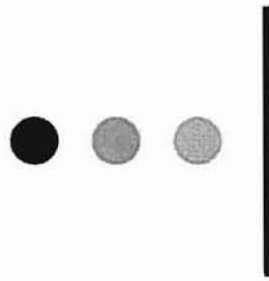
- County MH responsibilities to incompetent, poor, indigent and those incapacitated by age, disease, or accident (W&I Code 17000)
- Services to individuals involuntarily committed for 72 hours because they pose a danger to themselves or the community (W&I Code 5150)
- Services to special-ed children identified as needing mental health services by their Individualized Education Plan (AB 3632, Ch 26.5)
- Medi-Cal specialty mental health services for children (Federally-mandated Early and Periodic Screening, Diagnostic and Treatment [EPSDT] services)
- Juvenile Detention Services (per Title 15, Sec. 1437 in coordination with health administrator, mental health director and facility administrator)
- Annual County mental health services performance contract (W&I Code 5650)



Potential, Serious (Unintended) Consequences of Reducing Mental Health Services

- Decompensation of clients (symptom relapse, decreased functioning, high risk behavior, suffering, and death)
- Increased use of ambulance services, emergency rooms, and crisis services
- Increased placements in high-cost settings such as institutions for mental disease (hospitals), jails, and juvenile halls
- Increased school failure and drop-outs
- Increased use of expensive, out-of-home placements for seriously emotionally disturbed children and youth
- Increased homelessness and unemployment
- Increased impact on law enforcement and entire criminal justice system

Decreasing Mental Health services results in cost shifting!



Recommended Approach for Mental Health

- Closely monitor State budget actions and impacts
- Continually evaluate and monitor the Division's operations and fiscal status to ensure appropriate services, limit expenditures, and maximize revenues
- Work with County Counsel on potential legal actions to address late Mental Health Plan contract and other issues associated with unfunded service mandates
- Commit to supplemental funding to maintain statutorily mandated and contractually required services in view of State funding cuts or deferrals



Options for Supplemental Funding

- Public Health realignment revenue (10% transfer of FY 09-10 PH Realignment expected to be approx. \$300K)
- Tobacco Settlement (TS) funding, previously allocated for health programs (expect over \$1M in PH Special Rev Fund at FY 08-09 close)
 - Use of TS fund balance is a “one-time” option (not viable for sustainable Mental Health expenses)
 - Best use would be “loan” to temporarily backfill for deferred State funding (AB 3632 advance and SB 90 reimbursement)
 - Negatively impacts ACCEL/Children’s Health Initiative ability to use remaining TS funding
 - Eliminates TS fund balance as potential source for Public Health State funding losses or “cash float” within Public Health Special Revenue Fund



Potential Funding Considerations for FY 09-10 and/or Subsequent Years

- Consider directing FY 09-10 and subsequent year SB 90 claims (for reimbursement of AB 3632 services) to be transferred to Mental Health
- Consider General Fund support to Mental Health Division services at the Juvenile Hall and Juvenile Treatment Center
- Recognize continued need for General Fund “cash float” (for both Public Health and Mental Health) due to delayed payments by State that impact program funding even when official funding deferral has not been declared by State



Next Steps

1. Adopt proposed Resolutions modifying the Authorized Personnel Allocation for the Health Services Department
2. Take action on other Department or Board recommendations relative to managing the Department's budget in FY 09-10
 - Hold identified Prop 36, OTP, and HIV/AIDS contracts
 - Discontinue County payment for CaliforniaKids insurance
 - Acknowledge Dept will proceed with other recommended cost savings measures as addressed (unless exception taken by BOS)



Next Steps - Continued

3. Approve supplemental funding recommendations for Mental Health involving use of PH Realignment and Tobacco Settlement fund balance, as needed
4. Direct Department to work with County Counsel to identify options for legal action and return to Board with recommendations
5. Request Health Services Director to report back to the Board regularly during FY 09-10 with fiscal and operational updates and recommendations, with next update in July '09
6. Direct Department to incorporate required adjustments to the FY 09-10 budget during the Budget Addenda process and continue to review need for additional funding required to meet mandates



Questions?