



Cont'd to 9-18.08

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at Board Hearing of 9-17-08
Budget Hearing. TAPC



Mental Health Budget

September 17, 2008



FY 2007-08 Budget Performance

- Actual revenues were \$2.5M short of budgeted
- Actual expenditures were \$232K over budgeted
- Overall \$2.7M over budget at year end
- Depleted fund balance from \$1.3M to -\$1.4M

FY 2007-08 Budget Performance

- \$2.5M revenue shortfall
 - -\$1.5 MediCal/EPSTD
 - -\$460K Utilization Review / MAA
 - -\$146K Private insurance payments
 - -\$85K Realignment
 - -\$214K Negative interest earned

FY 2007-08 Revenues

- Budgeted revenues assumed increases of \$2.1M over FY 2006-07 actuals
 - \$720K Provisional rate increases
 - \$648K Increased staff productivity
 - \$540K Billings for new clinical staff
 - \$201K Revised billing practices for Day Rehab Services

FY 2007-08 Revenues

- Billing system conversion
 - \$562K estimated loss of Medi-Cal revenues
 - \$360K loss in Utilization Review revenues
 - \$146K loss in private insurance payments
 - \$100K MAA revenues
 - \$214K interest payments

Cash Performance

- Beginning cash balance of \$422K
- Ending cash balance of -\$3.3M
- General Fund cash advance required at year end

FY 2008-09 Budget

- Revised revenues -\$699K
- Reduced appropriations -\$1.02M
- Return of \$328K to Department fund balance by year end

FY 2008-09 Revenues

- Estimated Medi-Cal/EPSDT based on FY2007-08 actual billings adjusted for:
 1. 2% provisional rate increase
 2. Recent clinical staff hires
 3. 8% Denial/disallowance rate (based on PY)
 4. 10% productivity increase
 5. Add'l for new CRF clients
 6. Reduction in # uninsured clients / increase in Medi-Cal eligibility

FY 2008-09 Appropriations

- Appropriation reductions of \$1.02M include:
 - Eliminate 11.65 vacant positions \$621K
 - Reduce overtime, training and travel \$65K
 - MIOCR, other \$340,956

FY 2008-09 Structural Deficit

- Department addenda proposal includes \$944K in one time revenues
- \$328 return to fund balance at year end
- \$616 used to fund ongoing operations

Other Addenda Proposals

- **Manage Service Utilization**

- Authorize medically necessary services
- Avoid unneeded, unreimbursed care
- Maximize cost effectiveness of service
- Cost avoidance, no identified cost savings

Other Addenda Proposals

- **Amend the MHSA Plan**
- **Transform the existing system of care**
- **Shift current staff costs from traditional to MHSA funded programs**

Other Addenda Proposals

- **Mandated Services to Children (AB3632)**
 - Estimated program cost of \$1.3M in FY08-09
 - Offsetting revenues of \$771K
 - Balance funded from Realignment \$606K
- **Department proposes a General Fund contribution vs. use of Realignment funds**

Conclusions

- **FY 2007-08 budget performance was inadequate**
 - Revenue tracking tools lacking
 - No regular monitoring
 - Inaccurate reporting to the CAO and Board
- **Gaps in information and understanding of prior year history**

Conclusions

- Insufficient information to support the requested budget
- Confidence level for FY 2008-09 is low
 - Department's fiscal management structure
 - Anticipated budget performance

Recommendations

- Direct Mental Health to identify an additional \$600K in budget reductions to eliminate structural deficit
- Return to Board in October with 1st Quarter report and additional budget reduction options

Recommendations

- CAO staff to participate in weekly financial reviews with Department
- Monthly financial reports to the CAO
- Quarterly financial updates to the Board
- Evaluate internal management structure and options