



# **Health Services Department**

## **FY 08-09 Budget Adjustment Request**

Neda West, Director  
June 9, 2009



# FY 08-09 Budget Overview

## ○ Public Health Division

- Positive year-end fund balances projected in Special Revenue Funds
- Public Health can transfer 10% of its realignment to Mental Health and still maintain core programs/services

## ○ Mental Health Division

- Negative Fund balance projected for non-MHSA Subfund 001
- Positive Fund Balance and fully funded Prudent Reserve projected for MHSA Subfund 003



## Recap of Board Meeting – 12/16/08

- New leadership of newly created Health Services Department advised Board that a serious budget shortfall would occur in Mental Health Division Fund 11-110-001 (non-MHSA)
- Recommended, and Board approved, staff reductions and other cost cutting/loss reduction measures
- Advised Board that even with approved changes/reductions, budget shortfalls were predicted
- Identified transfer of realignment funding from Public Health and General Fund contributions as potential funding options
- Recommended return to Board in February with fiscal updates and additional recommendations for cost savings



## Recap of Board Meeting – 2/23/09

- Recommended, and Board approved, further staff reductions and other cost cutting/loss reduction measures
- Advised Board that even with reductions, serious operating losses and negative fund balance would occur
- Recommended that Board:
  - Adopt resolution authorizing transfer from Health & Welfare Realignment (up to 10% from Public Health & Social Services)
  - Convert an amount from prior \$3.3M advance from GF (loan) into a contribution from GF, enabling adjustment of MH negative fund balance to \$0 at FY 08-09 year-end

Board adopted resolution authorizing realignment transfer, subject to analysis of consequences to impacted departments to be brought back to the Board.

The second recommendation was not implemented, pending further analysis and understanding of MH fiscal situation (originally targeted to occur in May, then later changed to be addressed with budget process).



# FY 08-09 MH Staff Reductions

<b>Total Allocations Prior to FY 08-09 Budget Addenda:</b>	<b>126.90</b>
Regular Allocations Eliminated at FY 08-09 Addenda:	- 12.65
Regular Allocations Eliminated at 11/18/08 Board Meeting:	- 4.00
Regular Allocations Eliminated at 12/16/08 Board Meeting:	- 14.80
Regular Allocations Eliminated at 2/23/08 Board Meeting:	<u>- 10.50</u>
Subtotal Regular Allocations Eliminated in FY 08-09*:	- 41.95
Equivalent Regular Allocations Added in FY 08-09: <i>(Moved from PH and/or PH Staff Performing Work for MH)</i>	+ 5.30
<b>Total Regular Allocations Assigned to Mental Health:</b>	<b>90.25</b>
<b>Percent Reduction:</b>	<b>29%</b>

\* Numerous reductions to Extra Help staff also occurred



# Mental Health Subfund 001 CY Summary

	<b>FY 08-09 Adopted Budget</b>	<b>Conservative Projection at 2/23/09 Mtg</b>	<b>Current Projection for Year-End</b>
Starting Fund Balance	(1,061,288)	(1,381,056)	(1,381,056)
CY Net Operating Loss (Revenue Less Expenditure)	(283,966)	(2,607,299)	(2,758,626)
One-Time & PY Revenues	1,345,254	893,728	750,252
Net CY + One-Time/PY	1,061,288	(1,713,571)	(2,008,374)
Ending Fund Balance	0	(3,094,627)	(3,389,430)

# Subfund 001 Multi-Year Comparison

	<u>FY 06-07</u> <u>Actuals</u>	<u>FY 07-08</u> <u>Actuals</u>	<u>FY 08-09</u> <u>Projection</u>
Starting Fund Balance	3,667,985	1,852,419	(1,381,056)
Revenues (CY & PY) *	11,353,906	12,669,305	11,232,295
Expenditures	<u>13,167,284</u>	<u>15,363,188</u>	<u>13,240,669</u>
Net Operating Loss (Revenue Less Expenditure)	(1,813,378)	(2,693,883)	(2,008,374)
General Ledger Adjustments	(2,188)	(539,592) **	0
Net Loss + Adjustments	(1,815,566)	(3,233,475)	(2,008,374)
Ending Fund Balance	1,852,419	(1,381,056)	(3,389,430)

\* Includes current and prior year revenues

\*\* Audit adjustments to GL

**Prior to new State funding cuts, a balanced budget was submitted for FY 09-10 with no further operating losses anticipated.**



# Factors Contributing to Prior Losses

## Billing Specific:

- One and a half months (½ of Feb '07 and all of Mar '07) of Medi-Cal bills denied due to AVATAR system implementation issues (bills not submitted within required six month time frame for Medi-Cal billings)
  - Now have verbal agreement from State that \$150K of the \$271K Mar '07 billing will be paid as part of 06-07 cost settlement; continuing to pursue balance of these late claims
- “Private-pay” accounts (clients without Medi-Cal or other insurance) remained un-billed
- Services billed, but not paid, not aggressively pursued by Department per County Collections policy
- Lack of timely and/or adequate clinical case notes to support services performed (resulting in unbilled time or disallowed billings)
- Lack of timely or complete follow-up on internal Utilization Review/QA audits (resulting in disallowed billings)





# Factors Contributing to Prior Losses

*(It's not just a simple billing problem!)*

## Other Factors:

- Staffing increased significantly from 2005 to 2008 primarily based on receipt of MHSA funding; however, full use of available MHSA funding didn't occur
  - Transition of service delivery to MHSA wellness and recovery model proved more challenging than anticipated
  - Time charging processes and accounting systems insufficient to ensure that charges accurately recorded in subfund 003 (MHSA) versus subfund 001 (non-MHSA)
- Lack of full payment for AB3632 (26.5) services due to lack of receipt of SB90 revenue for this mandated children's program; especially problematic as realignment revenue declined
- Some non-Medi-Cal services provided (thus, not Medi-Cal reimbursable)
- Some Medi-Cal services provided, but to non-Medi-Cal eligible clients (thus, not Medi-Cal reimbursable)



# Factors Contributing to Prior Losses

*(It's not just a simple billing problem!)*

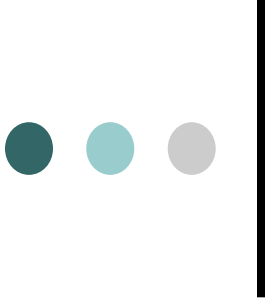
## Other Factors:

- Excessive “non-billable” time by “billable” staff (problem exacerbated this year due to multiple RIF processes, reorganizations associated with incremental down-sizing, program transformations, assignment changes, supervisory changes, etc.)
- Lack of aggressive control of services authorized/provided under contracts and/or lack of adequate tools to monitor and control contract costs
- Decline in Realignment revenue greater than anticipated with serious economic downturn
- High leased facility costs (unsupportable with available revenues)
- Serious Fiscal System Problems: Unrealistic annual budgets; inadequate fiscal systems, processes, and controls; electronic systems not fully functional (and not linked); data unavailable or inadequate; integrity of data questionable; seriously delinquent cost reports



# Improvements for FY 09-10

- Full year of monitoring/managing operations with improved fiscal systems, processes, and controls
- Full year of improved billings (addressing specific problem areas identified previously)
- Continued transition to MHSA approved/funded activities:
  - Community Services and Supports updated plan (full year)
  - Approved Workforce Education and Training plan (full year)
  - Prevention and Early Intervention plan (partial year)
  - Capital and Technology plan (partial year)
- Full year of sustainable savings from downsizing (staffing, facilities, and other associated costs); continuing to address facility issues
- Potential receipt of unbudgeted funding (PY cost settlements and Federal Medi-Cal increase)

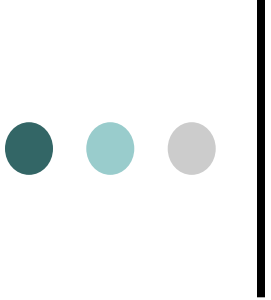


## The FY 09-10 Challenge

*Based on the improvements noted, and significant staffing and other cost reductions implemented, a balanced budget plan was submitted for FY 09-10.*

*However, a number of potential funding cuts and/or payment deferrals are now being proposed at the State level that could have serious impacts on Mental Health programs and services.*

**I will specifically identify potential cuts and deferrals during the budget workshop on 6/10/09**



The Bottom Line: *Mental Health is unable to repay the prior year \$3.3M advance (loan)*

The Board is requested to:

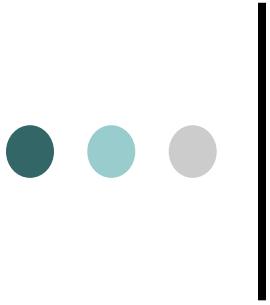
- Approve contribution of \$3.3M to Mental Health
- Approve proposed transfer of \$328K Public Health Realignment funding to Mental Health
- Acknowledge that any portion of above amounts determined to not be required to bring MH Subfund 001 fund balance to \$0 when FY 08-09 books close will be retained/recorded in Subfund 001 (to be addressed in FY 09-10 budget addenda)

**In addition, estimates of continuous cash float that may be needed by MH range from \$2.5M to \$3.5M, depending upon the assumed speed of reimbursement from the State and other funding sources.**



# Board Action Requested

1. Board Chairman to sign Budget Transfer (reflecting any final action taken)
2. Auditor-Controller to post budget adjustments in FAMIS
3. Auditor-Controller to post journal entry from Mental Health transferring General Fund contribution and Public Health Realignment
4. Any positive fund balance that may result from above transactions to be addressed by Mental Health in FY 09-10 addenda budget



**Questions?**