



HEALTH SERVICES DEPARTMENT

PUBLIC HEALTH & MENTAL HEALTH DIVISIONS

Neda West, Director

931 Spring Street, Placerville, CA 95667 (530) 621-6156 / Fax (530) 626-4713

DATE: June 18, 2009

TO: Board of Supervisors and
Chief Administrative Officer

FROM: Neda West, Director
Health Services Department

SUBJECT: Departmental FY 09-10 Budget Recommendations

Background

At the Board of Supervisor's budget workshop meeting on June 10, 2009, the Health Services Department presented its FY 09-10 budget and advised the Board of potential, significant State funding cuts and/or deferrals impacting both the Public Health and Mental Health Divisions. The information that was presented to the Board reflected current estimates of potential cuts/deferrals of approximately \$1.2M in Public Health and \$1.4M in Mental Health. The Department provided an itemized listing of the programs that were considered, at the time of the June 10th meeting, to be potentially subject to State cuts/deferrals. New information relative to potential State actions is being monitored on a daily basis.

At the June 10th budget meeting, the Department also advised the Board of other significant risks associated with State funded programs. The following concerns were addressed:

- Many State contracts and/or funding allocation documents are historically not received by the Department until months after the effective date (this applies to a variety of preparedness programs, categorical nursing programs, etc.)
- Recent language incorporated by the State into contract documents allows for retroactive cancellation of programs by the State (without financial obligation to pay for work performed prior to cancellation)
- The State is warning counties to proceed at their own risk in advance of final executed contracts and/or final funding allocation authorization documents; payments to the County will be deferred pending receipt of such documents.

The Department recommended that it return to the Board on June 23, 2009 with further updates and information relative to potential State actions, as well as recommendations for steps to be taken by the Department to manage fiscal and contractual impacts. The following sections summarize the recommendations for both the Public Health and Mental Health Divisions.

Updated Information and Recommendations for Public Health Division

Based upon later information received in regard to potential State actions, the Public Health Division is anticipated to be at risk of funding cuts in the range of \$300K to \$1.2M. Information from the State is changing on a regular basis; therefore, on June 23rd, we will provide the latest updates available and will supply a breakdown of the potential cuts, by program. What we know with certainty is that some level of reduction will occur, and that late State contracts and payments are also impacting our risk and cash flow. In view of this, the Department recommends early implementation of cost savings measures associated with the following:

- Programs/services considered highly likely to be impacted by State cuts (in order to minimize the risk of operating losses in these areas)
- Non-mandated services that are dependent upon funding from discretionary special revenue fund sources (in order to free-up funding that can be used for other mandated services that remain unfunded or under-funded).

On June 23, 2009, the Department will present to the Board recommended changes to the Department’s total authorized personnel allocation of 194 FTEs (including 103.75 presently assigned within Public Health and 90.25 assigned within Mental Health). At this time, the following 8.9 position allocations are recommended for a reduction in force, all presently assigned within the Public Health Division.

Position	Current Allocation	Proposed Reduction	Proposed New Total	Filled	Vacant
Community Health Advocate	1.0	-1.0	0	1.0	0
Department Analyst	7.0	-1.0	6.0	7.0	0
Health Education Coordinator	10.0	-2.4	7.6	9.4	.6
Health Program Specialist	8.0	-3.0	5.0	8.0	0
Public Health Nurse	9.9	-1.5	8.4	7.4	2.5
Total Proposed Reduction		-8.9			

This represents an 8.6% reduction to the Public Health Division’s current allocation of 103.75. This is in addition to significant staffing reductions that have already occurred in Public Health in the last year.

The proposed position reductions stem from the need to reduce expenditures in the following program areas within the Public Health Division:

- Communicable Disease (Community Health Advocate)
- Administration (Department Analyst)
- Alcohol/Drug Programs (Health Education Coordinators and one Health Program Specialist)
- Children’s Health Initiative (two Health Program Specialists)
- Community Nursing (Adult Protective Services Support and Misc Nursing Programs)

In regard to the proposed Health Program Specialist reductions, the Department is requesting that the Board of Supervisors approve a Deviation from Retention Points in accordance with Article 12.E of the Memorandum of Understanding between the County of El Dorado and the El Dorado County Employees’ Association, Local #1. This deviation has been requested to retain employees with certification from an accredited agency as substance abuse counselors. The deviation is necessary to ensure the availability of staff who are required to perform assessment and treatment services for clients impacted by alcohol and drug addiction.

Programs that may require certified substance abuse counselors include various drug court programs (e.g., the Adult Felony Drug Court, DUI Court, and possibly Prop 36 and Offender Treatment Program Drug Courts), as well as behavioral courts or other MHSA programs involving clients with co-occurring disorders.

The estimated FY 09-10 savings associated with the proposed staffing reductions is approximately \$500,000. With these staffing reductions, consolidation of office space is being pursued; this is expected to reduce leased facility expenditures by almost \$15,000. As additional clarity is received relative to the State budget, and specific funding impacts to Public Health, we will continue to evaluate whether further reductions are needed and will respond accordingly.

In regard to the contractual risks associated with State-funded programs (as addressed in the background section above), on June 23, 2009, the Department will specifically identify significant incoming contracts/funding authorizations anticipated to be received after the start of the fiscal year, along with recommendations regarding program performance in advance of such contracts. We will also separately identify any specific outgoing contracts for services that the Department recommends be held (not executed) pending greater certainty of the funding status for State-funded programs.

Updated Information and Recommendations for Mental Health Division

Based upon later information received in regard to potential State actions, the Mental Health Division is anticipated to be at risk of funding cuts or deferrals in the range of \$800K to \$1.4M. Much uncertainty remains relative to potential total cuts/deferrals, as well as the methodology that will be used to determine the specific cuts within individual counties. On June 23rd, the Department will provide the latest updates available and will supply a breakdown of the potential cuts/deferrals, by program.

What we do know, and as discussed during the budget meeting with the Board on June 10, 2009, is that the Mental Health Division's FY 09-10 balanced budget is a very aggressive budget; continuation of the significant cost cutting and revenue improvement measures that began in FY 08-09 will be needed in order to ensure achievement of the proposed budget. Extensive work is continuing to transform programs and service delivery in a manner that allows effective use of available funding. Significant, proven fiscal systems and controls are being implemented to ensure efficient billing operations and improved fiscal monitoring and management. During the past year, the regular staffing allocation in the Mental Health Division was cut by approximately 29% and numerous reductions in Extra Help also occurred. The Department leadership strongly recommends against further staffing cuts at this time; to do so would result in the inability to perform mandated services and would not produce the net savings desired due to the corresponding loss of revenue generated by staff performing services.

Due to the severity of proposed State cuts/deferrals, and in view of the challenges already being faced by the Mental Health Division relative to achieving the proposed FY 09-10 budget, the Division will require supplemental funding in order to meet mandated service levels and maintain a balanced budget.

One recommended source of such supplemental funding is Public Health realignment revenue. It is anticipated that it will be necessary to transfer 10% of the FY 09-10 Public Health realignment revenue to Mental Health in the upcoming year (approximately \$300K) as allowed by law and consistent with the transfer recently approved by the Board in FY 08-09. On June 23, 2009, the Board will also be presented with other options for supplemental funding. These options will include a review of special revenue fund balance presently available within the Public Health Division; such fund balance may present a one-time option to offset revenue cuts/deferrals anticipated in Mental Health in FY 09-10. It is important to note this one-time nature, as fund balance is not a sustainable source of funding for ongoing operations. Such funding should be considered primarily as a source to temporarily backfill for State

funding that is anticipated to be deferred (such as the AB 3632 and SB 90 funding). Greater detail will be presented to the Board during the June 23rd meeting regarding potential supplemental funding options.

Additional information will also be presented during the June 23rd meeting relative to the mandated services being performed by Mental Health and the criticality of maintaining these services for our County's seriously mentally ill adults and seriously emotionally disturbed children in order to promote health for this population and avoid the potential, serious (unintended) consequences that result from an insufficient mental health system of care. These consequences include not only the devastating human effects associated with decompensation of clients, but also the increased costs of caring for these clients in other high cost systems (including hospitals, criminal justice systems, etc.). An insufficient mental health system of care will result in cost shifting to these other systems, rather than real cost savings.

The leadership of the Health Services Department is committed to pursuing every reasonable way to control costs and maximize revenues in the Mental Health Division, while ensuring appropriate and quality services that are consistent with mandates. As our challenging work continues to transform the Mental Health Division into a fiscally sound operation, we request the Board's continued support for exploring viable financial plans and appropriate funding solutions.

Board Action Requested

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.
3. Recommend that the Director of Health Services report back to the Board on a regular basis during FY 09-10 with fiscal updates and any additional recommendations for maintaining an operationally and fiscally sound Health Services Department, with the next update to occur during July 2009.

The Health Services Department will incorporate the required adjustments to the FY 2009-10 budget in the Budget Addenda process.