Cont'd to 9-18.08

Submitted by Juni

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at Board Hearing of 9-17-08

Budget Maring, paper



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/EPSDT
 - □-\$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



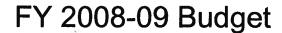
FY 2007-08 Revenues

- 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



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

DESCRIPTION OF THE PROPERTY OF

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'I for new CRF clients
 - 6. Reduction in # uninsured clients / increase in Medi-Cal eligiblity

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 udpates to the Board
- Evaluate internal management structure and options