COUNTY OF EL DORADO

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Administration & Finance
Behavioral Health
Community Services
Protective Services
Public Health
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Date: February 15, 2021

To: Honorable Board of Supervisors

From: Don Semon, HHSA Director

RE: FY 2020/2021 Behavioral Health Division Mid-Year Budget

On January 19, 2021, HHSA developed and sent a memorandum to the Chief Administrative Officer (CAO) regarding FY 20-21 Midyear projections. Within that memo, I noted that the department was projecting a $1.3m revenue shortfall for the current fiscal year (FY 20/21) in our Behavioral Health Division, as well as an anticipated shortfall for FY 21/22. On February 4, 2021, at the request of the CAO and as part of a subsequent memo, I provided the CAO's Office with an overview of the reasons for these shortfalls, along with the actions already taken to mitigate them, and my recommendations on how to address the current FY 20/21 shortfall.

The purpose of this memo today is to provide a detailed overview of my recommendations to address the FY 20/21 shortfall for the Board of Supervisors in support of the upcoming discussion during the February 23rd Mid-Year Budget Board Item.

Reason 1: $1.25m Less Medi-Cal Revenue than Budgeted for SUDS Staff Services

The first and largest contributing factor involves our Behavioral Health Division's SUDS Program budgeting $1.25m more in expected Medi-Cal revenue than we are currently projected to receive during this fiscal year. This program provides mandated services under the Drug Medical Medi-Cal-Organized Delivery System (DMC-ODS) and the Substance Abuse Block Grant (SABG) contract with the Department of Health Care Services (DHCS). It should be noted that this budget projection was submitted back in November 2019, just six months after our Behavioral Health Division went to the Drug Medi-Cal Organized Delivery System. At the time, and at the recommendation of the State, our then Assistant Director of Behavioral Health established this projection based on the experiences other counties were having as they transitioned to DMC-ODS. It should also be noted that our Behavioral Health Division SUDS staff began providing Medi-Cal billable services under the DMC-ODS Waiver in January 2020.

Based on the original DMC-ODS plan sent to the State and management forecasts of staff activities, the FY 20-21 budget estimated Medi-Cal revenues for these services to be $1.4m. The result, however, was recently identified as a current Medi-Cal revenue projection of only $150K for these services, a difference of $1.25M from budget. Our Behavioral Health Director is concerned that while it might appear as if there is not enough of a demand for these services, she believe that the community need for services is much higher than the current demand being experienced. The community may not be fully aware of these services for a number of reasons, including impacts attributed to the statewide stay-at-home orders. As communities have been instructed to stay home and isolate, it has been reported that fewer individuals are reaching out for substance use treatment services. Thereby, it is our belief that the pandemic has had a significant impact on this budget shortfall.

Beyond these primary factors, it is important to note that the Behavioral Health Division historically has not provided outpatient substance use treatment services. This effort started in the current fiscal year with county sites receiving their DMC certification from DHCS and staff being allocated to providing direct treatment services. Often times, behavioral health programs require time to develop and incorporate robust engagement and outreach strategies to help with growing the program census. Being a newly launched program coupled with navigating its launch during the state issued 'stay-at-home orders' have been key drivers to the projected budgetary impacts, where our County Outpatient SUDS staff have been seeing far fewer clients than were projected.

In response to these factors and their impacts, our strategies to address this shortfall are as follows;

• **Delete 5.0 FTE Currently Vacant Positions**
Our Behavioral Health Division has identified five current vacancies (1.0 FTE MH Clinician, 1.0 FTE Health Educator, 2.0 FTE Health Program Specialists, & 1.0 FTE Fiscal Technician) that will not be filled during the rest of this current fiscal year, and will be deleted in the FY 21-22 recommended budget. Two of these vacancies were filled for a portion of the current fiscal year which impacted the projected salary and benefit costs in the original mid-year. The formula used to extrapolate SUDS salary and benefits costs for the remainder of FY 20-21 was revised to eliminate the year-to-date cost of these two employees going forward. This not only reduced salary and benefit costs in the revised mid-year, it also reduced allocated administrative and indirect costs.

- **FY 20/21 Impact - $109k savings**
- **FY 21/22 Impact - $198k savings**

• **Increase Medi-Cal Billing Based on December 2020 Billing**
Drug Medi-Cal claiming by SUDS staff has increased from $15k in October to $30k in December. The SUDS Program Manager is confident that her staff will be able to continue to bill at or above this level going forward. As a result, we have increased our projected SUDS Medi Cal revenue to assume $30k in Medi-Cal claiming for the remainder of this fiscal year.

- **FY 20/21 Impact - $83k increase in projected revenue**
- **FY 21/22 Impact - $203k increase in projected revenue**

• **Increase DMC QA/UR Claiming by Shifting 1.0 FTE to QA**
Our Behavioral Health Division is shifting a 1.0 FTE Health Educator from DMC to DMC QA/UR. In addition, DMC QA/UR claiming for the existing DMC QA/UR staff is coming in higher than in the original mid-year.

- **FY 20/21 Impact - $98k increase in projected revenue**
- **FY 21/22 Impact - $128k increase in projected revenue**

• **Add DMC-ODS Admin Claiming**
Drug Medi-Cal (DMC) Administrative costs have historically only been claimed on the annual DMC cost report and paid at the time of cost report settlement years later. Our HHSA Fiscal Accounting Team has confirmed that they have now billed DMC Admin for the 1st and 2nd quarter of FY 2020-21. DMC Admin revenue was not included in the original mid-year.

- **FY 20/21 Impact - $100k increase in projected revenue**
- **FY 21/22 Impact - $100k increase in projected revenue**

• **Increase AB109/CCP revenue to match full budget**

The original mid-year projected AB109/CCP revenue at last year's actual amount, however based upon the plan to shift additional current DMC-ODS staff to AB109/CCP, this amount has now been increased to the AB109/CCP full budgeted amount.

° **FY 20/21 Impact - $138k increase in projected revenue**
° **FY 21/22 Impact - $138k increase in projected revenue**

Reason 2: $760k Less Medi-Cal Revenue for the Psychiatric Health Facility (PHF)

The second contributing factor is a decrease in Medi-Cal reimbursement revenue in the amount of $760k for clients staying at the PHF, which provides mandated services. The decreased ability to draw down Medi-Cal funds is due to more LPS conserved individuals staying in the PHF on "administrative" days, which are not Medi-Cal reimbursed. "Administrative" days in the PHF occur when our Behavioral Health Division is unable to find appropriate placements for individuals at a facility with a lower level of care. This is both a state-wide and national problem. This problem was exacerbated by the COVID-19 pandemic as many of the facilities normally available to us for placements, refused to accept new patients during the pandemic. We have identified an increase of 36% ($273k) more administrative stay days due to the pandemic. This situation should not occur during FY 21/22.

° In response to this situation, our Behavioral Health Division is increasing the collaboration between the PHF provider, Telecare, Public Guardian and our Mental Health staff to evaluate the most appropriate "Level of Care" need for any individual that no longer requires an acute inpatient setting. We are increasing our ability to appropriately identify those individuals who can discharge to our community with intensive outpatient treatment services. During the pandemic, we are unable to impact the decreased availability of more intensive 24/7 treatment such as IMD placements.

°It should be noted that both the "Increased IMD Placements" and the "Decreased Medi Cal Revenue for the PHF" situations are being impacted by long-standing operational norms in El Dorado County, where our justice system relies heavily on expecting individuals to be placed on LPS conservatorships and that our Behavioral Health Division will ensure and pay for all treatment. This system dynamic has been identified as a result of the recent and ongoing assessment by IDEA Consulting and will be discussed in greater detail during our upcoming Board presentation on March 9th. In addition, they will be making recommendations to the BOS, which have the ability to address this issue long-term.

• **Increase in PHF-related Medi-Cal reimbursement revenue**

While a significant reduction of "administrative" days in the PHF should be part of a broader discussion around the local ‘level of care’ system in El Dorado County including Crisis Residential, Respite Care, and the need for a "cultural" shift from using conservatorship and IMD placements as a safeguard to allowing individuals to receive intensive treatment services in our community, the 36% increase in "administrative" days at the PHF, which came as a result of the COVID-19 Pandemic this current fiscal year, is not something we should forecast in FY 21/22.

° **FY 20/21 Impact - TBD**
° **FY 21/22 Impact - $273k increase in projected revenue**

Reason 3: Net $500k Increase in Contracted Traditional Children’s Services

The third contributing factor involves a net increase in contracted traditional children’s services costs of $500k. The $500K increase is the net cost increase to our Traditional (Realignment funded) programs. As of the midyear budget, we are on pace to spend $1m more than budgeted.

Offsetting this amount with 50% Medi-Cal revenue results in a net cost increase of $500K. Again, these are mandated services. Medi-Cal beneficiaries, including children and youth, who request services and meet eligibility criteria must be served by the Behavioral Health Division. Our contract providers have all reported that families are experiencing increased stressors due to the COVID-19 pandemic. This has created an increased use of Realignment fund balance.

- The increased fiscal burden on Realignment funds is being addressed going forward through intensified fiscal oversight of our contracted providers. The Behavioral Health Division is carefully monitoring utilization of services to ensure that providers are addressing service needs appropriately and with MHSA funded intensive outpatient treatment, whenever possible.

• **<u>Decrease in Contracted Traditional Children's Services</u>**

Our Behavioral Health Division has implemented the following strategies:

- Ongoing communication with the contract providers to clarify their responsibilities to implement prudent internal utilization review processes to ensure adherence to the identified "Not To Exceed" (NTE's) on their respective contracts
- Increased and improved monthly county program utilization reviews to identify any concerns about NTE expenditures early and immediately address with the contracted provider

    - **FY 20/21 Impact - unknown**
    - **FY 21/22 Impact - $500k net decrease in projected expenditures**

<u>Reason 4: $830k Increase in Adult Placements</u>

The fourth contributing factor is an increase of $830k in our adult placement expenditures for our conserved Public Guardian clients into Institutes of Mental Disease (IMDs). These are mandated services as our Behavioral Health Division is required to fund placements when individuals meet the "Level of Care" requirements for an inpatient setting. An increasing number of individuals placed on LPS conservatorship as well as the COVID-19 pandemic are contributing factors to this situation, as well.

- In response to this situation, the Behavioral Health Division is increasing the collaboration between its Public Guardian and Mental Health programs to improve the ability to determine if an individual meets criteria for LPS conservatorship, when an LPS conserved individual requires an IMD placement, as well as when IMD placed individuals are able to leave their respective placements. IMD placements by federal law are non-Medi-Cal funded and are paid for entirely through Realignment funds. We are unable to provide an estimate of a potential reduction in costs at this time.

- It should also be noted that IDEA Consulting, who is currently performing an assessment of our Behavioral Health Services, has identified this issue as a major systemic challenge in El Dorado County. As a result, they will be making additional recommendations to the BOS on March 9th, which have the ability to address this issue long-term.

If our efforts to increase collaboration between Public Guardian and Mental Health Programs are successful, it would likely make available additional IMD beds in other institutions. As a result, this would have a positive impact on our other acute hospital inpatient days which are increasing due to the Psychiatric Health Facility (PHF) being full. An improved ability to discharge individuals from the PHF more timely, reduces the administrative days, and more beds in the PHF become available. This would then allow us to draw down additional Medi-Cal revenue since the PHF is a Medi-Cal certified facility, while other acute inpatient hospital stays for adults are paid out of Realignment.

Reason 5 - One-Time Reduction to the Substance Abuse Block Grant (SABG) Allocation

The annual Federal SABG Allocation of just over $1M has historically been administered using the Federal Fiscal Year of October – September. During the State Fiscal Year 2018-19, the State moved from an advance to a reimbursement payment for SABG funding. It was within a July 2020 correspondence from the State that they clarified that the State had also moved the claiming period from a seven quarter to four quarter reporting period. As a result, many California counties were unable to receive reimbursement for the last claiming period. The changes at the Center for Medicare and Medicaid Services (CMS) impacted the ability for the state to process payments. HHSA fiscal managers met with the state and provided proof of contract compliance, but the lack of federal funding prevents the state from reimbursing the county. The result of this timing and reporting period change was that the Behavioral Health Division was unable to claim and receive $400K of the SABG allocation for the prior fiscal year's activities. This is a one-time hit to our current FY 20/21 budget situation and will not happen in FY 21/22.

- **FY 20/21 Impact - $400k decrease in reimbursed revenue**
- **FY 21/22 Impact - $400k more in projected revenue**

Current FY 20/21 Status

Since learning of this situation on January 8, 2021, our Behavioral Health Division leadership, HHSA Fiscal Division and I have been working to mitigate the immediate $1.3m projected shortfall impacting this current fiscal year. We have already taken steps to reduce the estimated $1.3m shortfall down to a $749k projected shortfall.

Recommendation

To address the current FY 20/21 projected $749k revenue shortfall, HHSA requests that the Board of Supervisors authorize the utilization of the 10% Realignment Transfer Authority. The County has the ability to utilize the legislated 10% transfer authority of Public Health 1991 Realignment and Social Services 1991 and 2011 Realignment to temporarily cover this shortfall. This strategy is commonly used by all California counties, including in El Dorado County historically, as it was legislated to provide a tool to address situations just like the current one we find ourselves in.

Rather than evoke the 10% Transfer Authority and transfer only the $749k needed to cover the current fiscal year projected shortfall, HHSA recommends that we transfer the maximum 10% so that we can also mitigate some of the FY 21/22 anticipated budget shortfall. HHSA would bring a Board item, requesting to enact the full 10% Transfer Authority to transfer a total of $1.55m into Behavioral Health;

- 10% 1991 Realignment transfer from Public Health Realignment to Behavioral Health (est. $400K)

- 10% 1991 Realignment transfer & 2011 Realignment transfer from Social Services to Behavioral Health
(est. $1.15m)
    - $900k 1991 Realignment
    - $250k 2011 Realignment

The result of this transfer would fully address the current fiscal year projected budget shortfall of $749k, leaving an additional $801k in Behavioral Health fund balance. There would be no immediate impact to services by the use of the 10% Realignment Transfer Authority. If approved, the transfer would leave the following projected fund balances in Behavioral Health, Public Health, and Social Services:

FY 20/21 Behavioral Health Beginning Fund Balance	FY 20/21 Projected Fund Balance Use	FY 20/21 Fund Balance Result	Mitigation Steps (Savings)	(FY 20/21) 10% Transfer Authority	Behavioral Health Fund Balance Result
$2.4m	($3.7m)	($1.3m)	$551k	$1.55m	**$801k**

	FY 20/21 Beginning Fund Balance	FY 20/21 Projected Fund Balance Use	Remaining Fund Balance
Public Health	$8.4m	($1.56m)	**$6.8m**
		($400k) 10% Transfer	**$6.4m**
Social Services	$3.4m	$94k	**$3.5m**
		($1.15m) 10% Transfer	**$2.3m**

FY 21/22 Status

Should HHSA's recommendation be approved, addressing the revenue shortfall of $749k for this current fiscal year has a corresponding positive impact on the anticipated shortfall for FY 21/22 by carrying forward $801,000. HHSA has already determined that the shortfall will be more than the $801,000, however a clear understanding of what the impact of the carryover funding would be is to be determined as HHSA staff are currently preparing the upcoming FY21/22 budget. As a part of that process, staff will soon provide a final estimate of what the projected shortfall is anticipated to be, as well as how much of an impact the carryover amount of $801,000 would have, resulting in an opportunity for HHSA to then consider how to address whatever shortfall amount remains. Recommendations will be considered and made once that final information is available. Having a clear picture of the FY 21/22 challenge will be critical as there are many other variables that could potentially impact this shortfall over time, including;

- Additional Realignment revenue
- The continued ongoing management of efficiencies
- Increased Medi-Cal revenue
- Implementation of IDEA Consulting assessment recommendations
- Utilization of State funded grants that may allow the department to cover any projected shortfall while also adding services in the community.