



## Legislation Text

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**File #:** 09-1123, **Version:** 1

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Health Services Department recommending Chairman be authorized to sign a letter addressed to the State of California, Department of Alcohol and Drug Program relinquishing the County's Drug Medi-Cal contract with the State, and authorizing the local alcohol and drug service providers to contract directly with the State for Drug Medi-Cal funding.

**FUNDING:** State of California Drug Medi-Cal.

Fiscal Impact/Change to Net County Cost:

Drug Medi-Cal funding was not included in the FY 2009-10 Addenda Budget. There is no Net County Cost associated with Drug Medi-Cal services.

Background:

The County of El Dorado, on behalf of the Health Services Department Alcohol and Drug Program (ADP), has historically contracted with the State of California Alcohol and Drug Program for Drug Medi-Cal funding. The Department has then contracted with local alcohol and drug service providers for Drug Medi-Cal counseling services. The contractors perform the required services, invoice the Department, and receive payment based on the terms and conditions of the service agreements. The County then submits invoices to the State for reimbursement of payments made to contractors for the services performed.

Of the fifty-eight (58) counties in California, currently seventeen (17) have authorized their ADP service providers to contract directly with the State for Drug Medi-Cal funding. The remaining forty-one (41) counties contract with the State and either subcontract for ADP counseling services with local providers or provide counseling services internally using county staff.

For FY 2008-09, the Drug Medi-Cal allocation to El Dorado County totaled \$593,044. Although the Department retains a 10% administrative fee from the Drug Medi-Cal allocation (equating to \$59,304 for FY 08-09), the cost incurred in supporting this contracted program exceeds the administrative fee. Activities include, but are not limited to:

1. **Contract Development/Administration and Board Agenda Processes:** Multiple steps and numerous parties (e.g., Health Services Department, County Counsel, Risk Management, Procurement & Contracts Division, CAO, Board of Supervisors) are involved in processing documents associated with incoming and outgoing funding.
2. **Fiscal Management:** Includes significant Department staff time associated with development and monitoring of budgets; review and authorization of invoices; processing of contractor invoices for payment; reviewing contractor reports/records; invoicing State for reimbursement of payments; cost reporting to State, supporting State audits, etc. Other departments, such as the Auditor-Controller, are also involved in fiscal processing and auditing.
3. **Program Management:** Includes extensive ADP staff participation in review and authorization of program services, reports, etc.

In addition to the above on-going activities, the estimated cost to upgrade hardware and software to

ensure continued compliance with the Drug Medi-Cal system for billing and reporting purposes is in the range of \$100,000 (budgeted, but not expended in FY 2008-09). This estimated cost was not included in the FY 2009-10 budget pending a decision relative to our involvement with Drug Medi-Cal services; however, if the County continues its historical role in Drug Medi-Cal services, an upgrade of the associated electronic systems will be necessary; County I.T. will be unable to support existing systems and ensure compliance in the long term.

Finally, reimbursements from the State for Drug Medi-Cal services have been increasingly delayed in recent years, correlating with the consistently escalating fiscal issues at the State level. As of July 1, 2009, outstanding reimbursement due from the State for FY 2007-08 was \$97,708 and for FY 2008-09 was \$240,203. Although it is anticipated that these amounts will ultimately be paid to the County when the Cost Report reconciliation is finalized (normally 12-18 months following fiscal year end), these delayed reimbursements have significantly impacted the Department's cash flow, essentially resulting in a subsidy of the Drug Medi-Cal Program. These delayed payments from the State resulted in the need for a temporary loan from the General Fund at the close of FY 2008-09.

At this time, all four of the impacted local service providers (EDCA Lifeskills, New Morning Youth and Family Services, Progress House, and Tahoe Youth and Family Services) have agreed in writing to contract directly with the State for Drug Medi-Cal reimbursement.

Reason for Recommendation:

By relinquishing the existing State agreement for Drug Medi-Cal funding, and authorizing the local service providers to contract directly with the State, the County will:

- Eliminate unreimbursed costs associated with fiscal and programmatic planning, oversight and management of the Drug Medi-Cal program.
- Reduce the cash flow impacts associated with delayed Drug Medi-Cal reimbursement.
- Eliminate the effective County subsidy to the Drug Medi-Cal program resulting from the above.

Action to be taken following Board approval:

1. Chairman to sign two (2) original letters to Susan L. King, Manager, Fiscal Management and Accountability Branch, Department of Alcohol and Drug Programs.
2. Board Clerk's office to return one (1) original letter to Department.
3. Department to mail letter to State and distribute copies as appropriate.

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