



County of Santa Barbara  
Alcohol, Drug and Mental Health Services  
March 11, 2008

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# **Draft Proposal for**

FY 2008-2009

Preliminary Budget  
and

Restructuring Plan

I.	EXECUTIVE SUMMARY.....	3
II.	INTRODUCTION.....	4
III.	ISSUES/CHALLENGES.....	5
IV.	FY 2008-2009 PRELIMINARY BUDGET.....	7
V.	GOALS/OBJECTIVES.....	9
VI.	PROCEDURES/SCOPE OF WORK.....	10
VII.	IMPLEMENTATION PLAN.....	16
VIII.	EVALUATION.....	17

# I. Executive Summary

The Santa Barbara County Department of Alcohol, Drug and Mental Health Services (ADMHS) has prepared the FY 2008-2009 Preliminary Budget and developed a Restructuring and Implementation Plan for Adult Mental Health Services in order to bring its operations within available funding.

In this report, ADMHS:

- Recaps the financial strains which have challenged ADMHS in recent years;
- Summarizes key features of the FY 2008-2009 Adult Mental Health Budget;
- Outlines a plan to significantly reduce and restructure Adult Mental Health Services in order to achieve a balanced FY 2008-2009 budget; and
- Describes the changes ADMHS is undertaking to improve business operations and safeguard the Department's future organizational and fiscal stability.

As directed by the Board of Supervisors, ADMHS has developed a balanced FY 2008-2009 Budget to match expenditures with available funding resources. In order to achieve a balanced budget for FY 2008-2009, operational cost reductions totaling \$8.4 million must be made in Adult Mental Health Services which are provided by both ADMHS staff and contracted agencies. This represents an approximate 24% reduction in the Adult Mental Health Budget for FY 2008-2009 compared to the FY 2007-2008 Adjusted Budget.

These significant cost reductions have compelled ADMHS to assess the current Adult Mental Health service delivery system and examine ways to sustain basic core services to individuals most in need and to minimize harm to their personal health and safety. The input of contracted Community Based Organizations (CBOs), labor representatives, consumers, family members, and other stakeholders is supporting and advising ADMHS leadership as they weigh very difficult choices about the type and intensity of services to retain in the face of a substantial decline in resources.

Through April 1, 2008, ADMHS will finalize plans for restructuring the Adult Mental Health system in FY 2008-2009. Despite the fiscal pressures, ADMHS is using the crisis facing it as an opportunity to design a service delivery framework, that while diminished in capacity, offers:

- Single point of system access and clinical accountability for each client, and
- Well-organized, targeted, efficient, best practices that can be easily refined and built upon in future years.

The essential components of this system are outlined in this report.

## II. Introduction

### **ADMHS Overview:**

The Mission of ADMHS is to promote the prevention of and recovery from addiction and mental illness among individuals, families, and communities by providing effective leadership and delivering high-quality, culturally competent services. ADMHS is comprised of six divisions: Administration, Alcohol and Drug Programs (ADP), Mental Health Services Act Programs (MHSA), Adult Mental Health Programs, Children's Mental Health Programs, and Hospital and Jail Services.

### **Mental Health Services:**

The ADMHS Mental Health Division provides mandated mental health services, to the extent resources are available, to children with serious emotional disturbance and adults/older adults with serious mental illness as well as all Medi-Cal beneficiaries with mental health needs. Among the services ADMHS provides or contracts for are crisis intervention and stabilization, inpatient psychiatric services, residential treatment services, outpatient recovery services, homeless and housing services, and case management. In FY 2006-2007, County mental health facilities provided 117,426 units of service to a total of 4,776 adult clients. In addition, ADMHS contracted with CBOs in the amount of approximately \$10 million. In FY 2006-2007, CBOs served 1,462 of these clients (782 in North County, 680 in South County).

### **Mental Health Funding:**

ADMHS Mental Health Division funding comes from a combination of Medi-Cal (a fee-for-service federal entitlement program for eligible clients); Early Periodic Screening, Diagnosis and Treatment (EPSDT) revenue (the State funding used to "match" the federal portion of Medi-Cal for children); State Realignment (a State allocation of sales tax revenue to mental health departments); and County General Fund Contribution (GFC). In addition, ADMHS receives Mental Health Services Act (MHSA) funds which must be used for implementation of new services and programs and may not be used for services the Department provided prior to MHSA.

### III. Issues/Challenges

#### **Financials:**

As described in the February 5, 2008 Board Letter, ADMHS has experienced financial shortfalls over the last few years as a result of a combination of factors:

- More uninsured clients;
- Increased costs in out-of-county hospitalizations;
- Increased costs in pharmaceuticals;
- Increased costs in contracted services; and
- Increased costs in temporary doctors and extra help.

Furthermore, persistent delays in State Medi-Cal payments have worsened the financial picture and forced ADMHS to borrow money from the County and incur interest charges on those funds. Since FY 2005-2006, ADMHS has taken a number of measures to realize cost savings:

- Used reserve funding (FY 2005-2006 Reforecast of \$2.4 million);
- Achieved internal revenue and expenditure reductions (FY 2006-2007 Reforecast of \$5.2 million);
- Collaborated with the Department of Social Services to assist individuals with serious mental illness in the Medi-Cal/SSI application process;
- Implemented a medication formulary to control pharmaceutical costs; and
- Implemented utilization management for out-of-county hospitalizations.

Despite the Department's efforts, the Adult Mental Health Division has faced a \$6.97 million shortfall for FY 2007-2008; this shortfall is anticipated to continue into the future should the current system be maintained. ADMHS' financial challenges (and proposed solutions), are found primarily in the adult mental health system due to an over commitment of resources, limited capacity to manage service utilization, and an increasing uninsured population for which the County receives no reimbursement for services provided. Even for those adults receiving Medi-Cal benefits, ADMHS must provide a 50% match for every reimbursed service.

Santa Barbara County is one of a number of counties that continue to find revenue sources are insufficient to meet increased operating costs and continue existing service levels. Counties are being faced with the difficult decision to contribute additional funds or reduce services and expenditures. For example, over the last five years Sonoma County has transferred almost \$12 million in funds from their Health Realignment to the Mental Health Division because "Mental Health Realignment revenues have been insufficient to fund services ... such as in-patient psychiatric care and psychiatric

emergency services.”<sup>1</sup> Sonoma has eliminated 70 positions since FY 2002-2003 due to inadequate funding. As described in the San Joaquin FY 2007-2008 Proposed Budget, “non-MHSA revenue sources are insufficient to meet increased operating costs [and] the FY 2007-2008 budget implements new MHSA programs while reducing costs for ongoing programs.” Similarly, Stanislaus County “has made significant changes in how services are delivered across the [Behavioral Health] Department, including closure of several community programs and redirection of staff.”<sup>2</sup> These examples demonstrate that financial hardships are shared among many California counties. Santa Barbara County has also reached a point at which it must make difficult decisions to ensure financial solvency while responding to continued demand for mental health services.

### **FY 2008-2009 Restructuring:**

ADMHS staff and representatives from contracted agencies previously agreed that there is an urgent need for the County’s Adult Mental Health System to be restructured to ensure the system can deliver cost effective services consistent with best practices. Consequently, ADMHS, along with representatives of consumers, families, homeless, represented bargaining units, contracted agencies, and the County Executive Office, launched a Mental Health Services Redesign effort in December 2007. As directed by the Board on February 5, ADMHS has worked to expedite the process of streamlining the Department’s operations in order to balance the FY 2008-2009 Budget and provide system efficiencies.

### **Business Operations:**

ADMHS has worked to identify areas where internal controls need to be strengthened. By better managing the Department’s resources, ADMHS can enhance the delivery of services and ensure the right people get the right type and amount of services. The areas identified as opportunities for improvement include:

- Contracts Management
- Utilization Management/Quality Assurance
- Information Systems
- Fiscal Management
- Outcomes/Evaluation

The overarching problem facing ADMHS is a lack of integration among these functions which is a result of outdated and incompatible systems compounded by a lack of adequate resources. This plan proposes to address these areas by identifying solutions to promote improved functioning in these business operations such as contract redesign inclusive of ongoing case management, fiscal system improvement for real time contract oversight, and enhanced outcome and evaluation process.

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<sup>1</sup> Sonoma County FY 07-08 Budget. Department of Health Services, Health and Human Services.

<sup>2</sup> Stanislaus County FY 07-08 Proposed Budget. Behavioral Health and Recovery Services.

## IV. FY 2008-2009 Preliminary Budget

ADMHS has developed a balanced FY 2008-2009 Budget to match expenditures to available revenue as outlined below. The overall ADMHS budget including Sources of Funds (Revenues and other funding) and Uses of Funds (Expenditures) along with the Net Financial Impact is depicted below:

	<b>Adopted 2007/08</b>	<b>Adjusted 2007/08</b>	<b>Estimated Actual 2007/08</b>	<b>Recom. Budget 2008/09</b>
<b><u>ADMHS Department:</u></b>				
Sources of Funds (Rev. & other funding)	85.8	88.4	80.4	78.3
Uses of Funds (Expend.)	86.7	89.3	86.6	78.3
Net Financial Impact	(0.9)	(0.9)	(6.2)	0.0

As previously outlined, the significant budget issues and changes are associated with the Adult Mental Health Division. It was determined that the Matching Funds available to the Adult Mental Health Programs were insufficient to sustain the level of programs provided by the Division. Therefore, the FY 2008 - 2009 Recommended Budget required a reduction in the level of program expenditures which will in turn reduce the level of Medi-Cal/Medicare revenues. Total available revenues to the Program budget is expected to be approximately \$27M. Below is a summary of Adult Mental Health uses of the \$27M in available funding. Note that the Department started with a model and compared the model to the Adjusted FY 2007-2008 Budget to develop necessary changes to arrive at the Recommended FY 2008-2009 Budget.

	<b>Model</b>	<b>Adjusted Budget 2007/08</b>	<b>Change</b>	<b>Recomm. Budget 2008/09</b>
<b><u>Adult MH Programs (\$'s in millions)</u></b>				
<b>2007/08 Adult MH Adj. Budget Funding</b>	\$34.80			
2007/08 Reforecast Adjustment	(7.00)		(7.00)	
Adjustment to Matching Fund Limit	(0.80)		(0.80)	
<b>2008/09 Adult MH Recomm. Funding</b>	\$27.00	\$34.80	\$(7.80)	\$27.20
Interest Expense & State Reductions	(0.88)		(0.88)	(0.80)
Increased Retirement Funding	(0.45)		(0.45)	
Business Practices Enhancements	(0.50)		(0.50)	
<b>2008/09 Net Funds Available</b>	\$25.17	\$34.80	\$(9.63)	\$26.40
PHF	4.65	5.05	0.40	5.27
Administration (shown in diff. program)	3.20	3.89	0.69	2.56
Inpatient (State Hosp, IMD)	2.63	2.98	0.36	2.82
Utilization Review	0.65	0.62	(0.02)	1.23
Network Providers	0.45	0.45	0.00	0.45
PHF, Inpatient, Admin, UR	\$11.57	\$13.00	\$1.43	\$12.33
<b>Net Available for Programs</b>	\$13.60	\$21.80	\$(8.20)	\$14.07

	Model	Adjusted Budget 2007/08	Change	Recomm. Budget 2008/09
<b><u>Non-Inpatient Programs:</u></b>				
Clinics	\$5.50	\$9.15	\$(3.65)	\$5.67
CARES	2.60	2.60	-	2.35
SHIA Support	-	-	-	0.55
CBO's (includes CARES Residential)	5.50	10.05	(4.55)	5.50
<b>Total Programs</b>	<b>\$13.60</b>	<b>\$21.80</b>	<b>\$(8.20)</b>	<b>\$14.07</b>

In order to achieve a balanced budget for FY 2008-2009, expenditure reductions to ADMHS and contracts with CBOs must be implemented. It should be noted that the proposed cuts are significant and consumers, family members, labor organizations, and CBOs are concerned with the potential impact on the community.

**ADMHS Internal Expenditure Reductions:**

ADMHS will need to make position allocation changes that will result in Salaries and Benefits reductions of approximately \$2.7 million. This will involve workforce reductions through un-funding approximately 68 full time equivalents (FTE) or approximately 20% of the Department's staffing. Due to past budgetary constraints ADMHS has been prevented from filling 42 needed positions which will continue to remain unfunded; however, the remaining 26 FTE are currently filled. The Department's administrative structure will be reduced by approximately 35 FTE while the Adult Mental Health Division will be reduced by approximately 44 clinical positions. This change will be offset by reassignment to other programs, primarily MHSA and PHF/Utilization Management. Whenever possible, staff will be reassigned or afforded an opportunity to move into existing vacant positions in other programs to contribute to some of the goals outlined within this report.

**ADMHS Contracted Expenditure Reductions:**

ADMHS contracts with CBOs to provide a variety of adult mental health services. The FY 2008-2009 preliminary budget will allocate \$5.5 million for adult mental health contracts, a reduction of \$4.5 million compared to FY 2007-2008. The Department anticipates the funding reductions will result in significant impacts for the CBOs.



## V. Goals/Objectives

The restructuring must accomplish the following: 1) create a more organized, well managed system of care that better matches services to individual client need and minimizes costly services duplication and fragmentation; and 2) establish improved business operations/internal controls within ADMHS. Both elements are integral to one another and must be implemented simultaneously.

ADMHS has established the following goals for FY 2008-2009 which apply to both the restructuring of program and business operations:

- Goal 1:** Maintain a balanced budget for FY 2008-2009 and manage available resources.
- Goal 2:** Provide quality services to the extent resources allow:
- Manage the client admission process;
  - Manage the types and frequency of service delivery consistent with individual need; and
  - Foster client recovery through integrated treatment, rehabilitation and support services.
- Goal 3:** Strengthen internal controls to implement and maintain system efficiencies.

Given the limited timeline in which to develop the ADMHS Restructuring Plan and ensure expenditures are aligned with available revenues in the FY 2008-2009 budget, ADMHS solicited and incorporated input from the Redesign group whenever possible regarding service delivery. Consequently, the following criteria were established to guide the Department in the service restructuring process:

- Value consumer-driven and operated service approaches;
- Direct fiscal and staffing resources in ways that eliminate duplication of effort;
- Manage lengths of stay in the most intensive services, thereby increasing access to care;
- Attend to the highest number of clients at the least amount of cost;
- Assure a single point of clinical accountability and single treatment plan;
- Follow evidence-based practices demonstrated to achieve specific, measurable outcomes;
- Prioritize homeless persons with serious mental illness;
- Ensure services are responsive to individuals and families regardless of race, ethnicity and geographic location; and
- Adopt team models that offer more integrated and efficient service delivery.

## VI. Procedures/Scope of Work

### **Service Restructuring:**

In order to meet the FY 2008-2009 Budget targets, ADMHS must implement internal and external program modifications which will require constricting the services currently offered through the core mental health system. Despite the difficult financial environment, ADMHS has taken a comprehensive approach to the County's adult mental health system. While restructuring presents major challenges to the Department, it is also an opportunity to implement program and business models that will set up a framework for the future of the system. However, ADMHS does not wish to minimize the effects that the significant budget reductions will have on the services the Department provides. ADMHS anticipates the following will be effects of the restructuring:

- Services for uninsured adults will be offered to the extent resources allow;
- Services will require longer waits and less frequent contact with clients;
- Some clients will have to travel to receive services; and
- Case management and other rehabilitative (e.g. supported housing and employment) services will have to be reduced.

### **Mandated/Safety Net Programs:**

The ADMHS Adult Service System will continue the provision of mandated services including involuntary acute care, crisis intervention, and intake and assessment for individuals with serious mental illness and Medi-Cal beneficiaries. State law requires these services be provided by counties. Service to the mandated populations will be achieved through continuation of core services including the Psychiatric Health Facility (PHF), CARES North and South and the CARES North crisis residential program.

### **Community Services:**

Community services are those services provided by ADMHS outpatient clinics and CBOs to members of the community with high mental health needs. The FY 2008-2009 preliminary budget includes reduced funding for the provision of the following services through a combination of internal and contracted resources:

- Single point of clinical accountability for the majority of adult clients with serious mental illness provided by County operated clinics. Services will include assessment, treatment planning, and medication administration and monitoring as well as minimal care management and support services. These County operated services, offered in Santa Barbara, Lompoc, and Santa Maria will be staffed by small, multidisciplinary teams. Clinic staff resources will not permit a high frequency or intensity of services, as staff-to-client ratios will be approximately 1 to 44.

- Consistent with current practice, many clients who receive clinical assessment, treatment and medication services in the County clinics will also access rehabilitation and support services by CBOs, including:
  - Homeless services which ADMHS plans to continue at, or near, 2007-2008 Fiscal Year capacities.
  - Residential and housing support service capacity, including twenty-four hour, structured residential services to persons at high risk for acute or long-term inpatient care as well as supported housing services to individuals who live on their own with regular staff assistance. The configuration of residential services, given reduced resources for FY 2008-2009, will be finalized through April 1, 2008.
  - Reduced level of rehabilitation and support services to individuals of highest need who require assistance with living skills to maintain stability in their communities.
  - Current drop-in, day rehabilitation centers will continue, but with reduced resources. Over the next several years, these programs may transition to consumer-operated resource and peer support centers, consistent with emerging best practices that focus on personal recovery and independence.
  - County clinic staff and CBOs will work in close partnership on behalf of the mutual clients served by their respective programs to minimize duplication of effort, establish one treatment plan, and assure teamwork that integrates medication treatment, rehabilitation and support services for each person.
- Three Assertive Community Treatment (ACT) teams, operating as freestanding programs under one umbrella organization will be offered in three geographic regions in the County. Staffed by a combination of County and CBO employees, this well-researched, evidence-based practice will offer intensive, in-home treatment, rehabilitation, and support services for individuals with complicated, high risk conditions, including co-occurring mental illness, substance use, health issues, and history of homelessness and/or criminal justice involvement. The ACT model allows for a staff-to-client ratio of up to 1 to 10.

### Key Characteristics of All Services

- Holistic
- Accountable
- Comprehensive
- Evidence-Based
- Focus on Co-Occurring Mental Health and Substance Abuse
- Person and Family Centered
- Recovery and Developmentally Focused
- Outreach Capable
- Integrated
- Service decisions made in partnership with each consumer and family

With the current budget limitations, establishment of evidence-based practices is of utmost importance to improve measured outcomes. The Level of Care and Recovery Instrument (LOCRI) was developed by ADMHS as a way to help ascertain the mental health needs of existing clients and to better match them to available services. The ADMHS Adult Service System Restructure is intended to best serve mandated populations under current financial limitations while enabling the Department to manage resources effectively.

### **Implications of Service Restructuring for Clients:**

ADMHS will strive to ensure the restructured service system can provide for the safety of consumers and the community. Any time services must be reduced, there is potential for adverse consequences. The program reductions made in order to balance the FY 2008-2009 Budget may result in significant impacts to individuals, families, and the community, including:

- Relapse of symptoms of mental illness and decreased functioning;
- Acute psychiatric inpatient care;
- Law enforcement involvement (arrests, court, jail);
- Homelessness;
- Emergency room and crisis service use visits;
- Culturally or geographically diverse populations remaining un-served;
- Detox bed days for persons with dual disorders;
- Foster care placement for children of clients who are parents; and
- Costly medical conditions (i.e. cardiovascular disease, diabetes).

The Department's clinics serve a daily capacity of approximately 2,000 clients, 1,500 of them having a serious mental illness. These individuals will understandably receive a level of service different from what they are accustomed to. The balance of the clients (approximately 500), while not having a serious diagnosis, are those who come to the attention of the courts, are referred by other county agencies, or who are a cause of

concern to family members. The Department will very likely need to refer these individuals to local community services.

The CBOs currently serve approximately a third of the clients open to the Department. These represent individuals with the most serious mental illness who are in varying stages of recovery within the system. The reductions to contracted services included in the Preliminary Budget will have impacts on the clients served. ADMHS will accommodate as many of these clients that fit the specified criteria into the restructured service system to the extent resources allow.

## Business Operations:

In order to accomplish the aforementioned goals, ADMHS will have to implement changes to correct the issues that have historically hampered the Department's business operations. However, current use of available resources will not be enough to implement the necessary changes and the proposal includes redirecting resources to enhance these functions. The figure below illustrates the way the restructured business operations will be integrated to deliver an efficient system of complementary elements.



If fully implemented, the restructured management system will enable the Department to realize the following improvements:

- **Contracts Management:** Negotiate contract terms; monitor contract spending, number and type of services; control contract expenditures by planning and directing clients to other resources when contracts are exhausted.
- **Utilization Management/Quality Assurance:** Develop and implement service delivery criteria; establish reauthorization criteria; and establish discharge planning.
- **Information Systems:** Develop system that provides real time data among the systems; deploy sufficient support to assist end users with data entry at earliest possible; develop a centralized training program for internal and external users.
- **Fiscal Management:** Establish monthly meetings with Program management to review financial and operating performance of all ADMHS Programs; review fees and other revenues regularly to ensure full cost recovery; dedicated cost report/audit function; strategic overview of rate setting; develop system efficiencies in billing, monitoring and workload.
- **Outcomes/Evaluation:** Analyze, summarize data; report qualitative outcomes to staff & providers; compare like providers; use outcomes to recommend changes/ decision making to contracts.

## VII. Implementation Plan

The Implementation Plan is intended as a general guideline of major milestones of the Restructuring Plan. The following will be further developed subsequent to the Board's receipt of the Restructuring Plan.

	<b>Description</b>	<b>Time Period</b>
<b>Phase One</b>	Service Restructuring	
	Finalize Service Restructuring Plan and service delivery components	By April 1, 2008
	Complete internal staffing redirection/reductions	By June 30, 2008
	Develop client transition plans (Clinics and CBOs in partnership with clients/families)	By June 30, 2008
	Implement Restructured Service System	By June 30, 2008
	Complete FY 08-09 Contracts	By June 30, 2008
<b>Phase Two</b>	Business Operations Restructuring	
	Redevelopment of contracting processes	By June 30, 2008
	UM/QA process development	By June 30, 2008
	Outcomes process development	By mid FY 08-09
	Fiscal system efficiencies	By mid FY 08-09
	Information Systems development/integration	By June 30, 2009
<b>Phase Three</b>	Ongoing Evaluation and Reporting	Ongoing



## VIII. Evaluation

ADMHS will track key indicators to assess the ongoing impact of the Adult Mental Health System restructuring, including service reductions. The Department will report back to the Board in FY 2008-2009 once trends are recognized. These adult mental health indicators will include:

- Number of acute involuntary psychiatric hospital admissions;
- Number of crisis visits to CARES facilities;
- Incidence of jail recidivism among ADMHS clients; and
- Changes in clients' symptom stability and functioning, as measured by the Level of Care and Recovery Instrument.