

Alcohol, Drug and Mental Health Services Update

Board of Supervisors Presentation
March 20, 2012



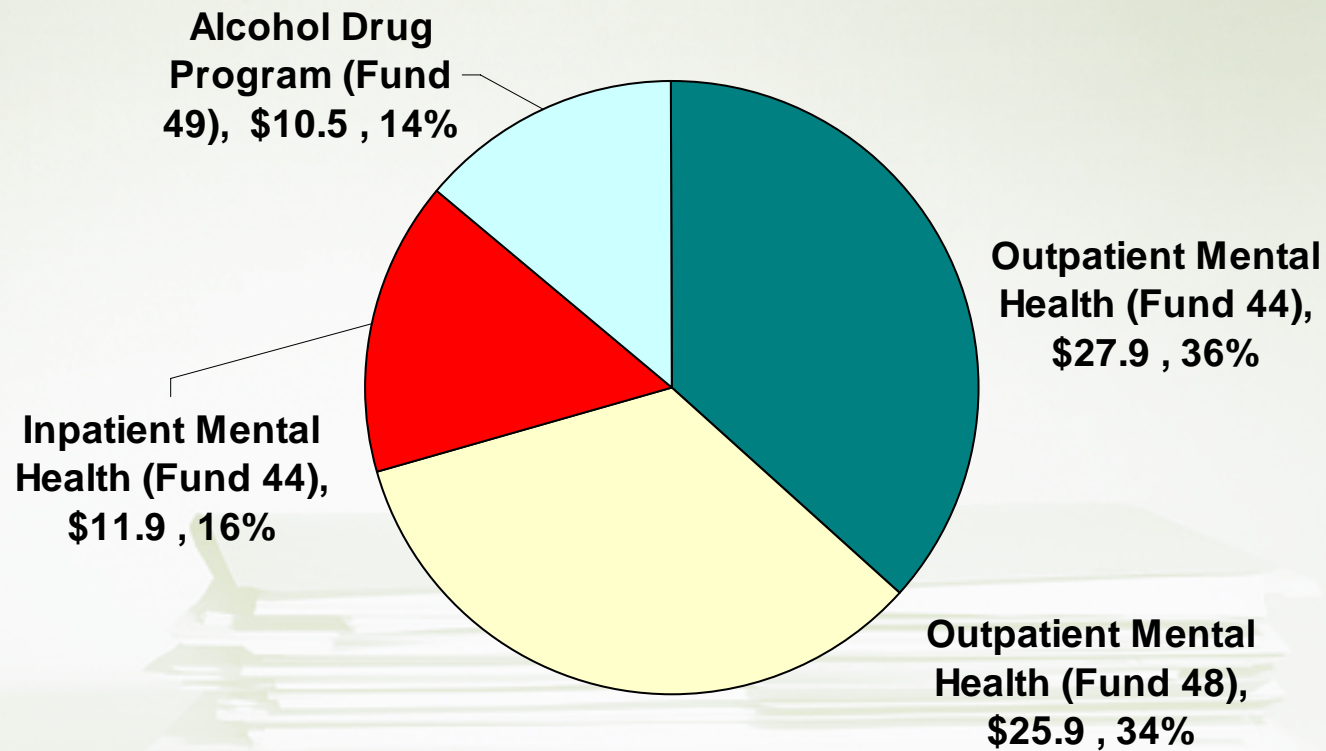
Summary

- I. Overview of ADMHS
- II. Historical financial challenges and operational improvements
- III. Current financial condition
- IV. Proposed solutions, future risks and opportunities

I. ADMHS Overview

- Specialty Mental Health Services to Medi-Cal beneficiaries with mental health needs, and
- To the extent resources allow, uninsured who are:
 - Children with serious emotional disturbance (SED)
 - Adults and older adults with serious mental illness (SMI)
- Alcohol and Drug Services to Drug Medi-Cal beneficiaries, court-ordered and grant participants

ADMHS Budget FY 11-12 \$76.2M*



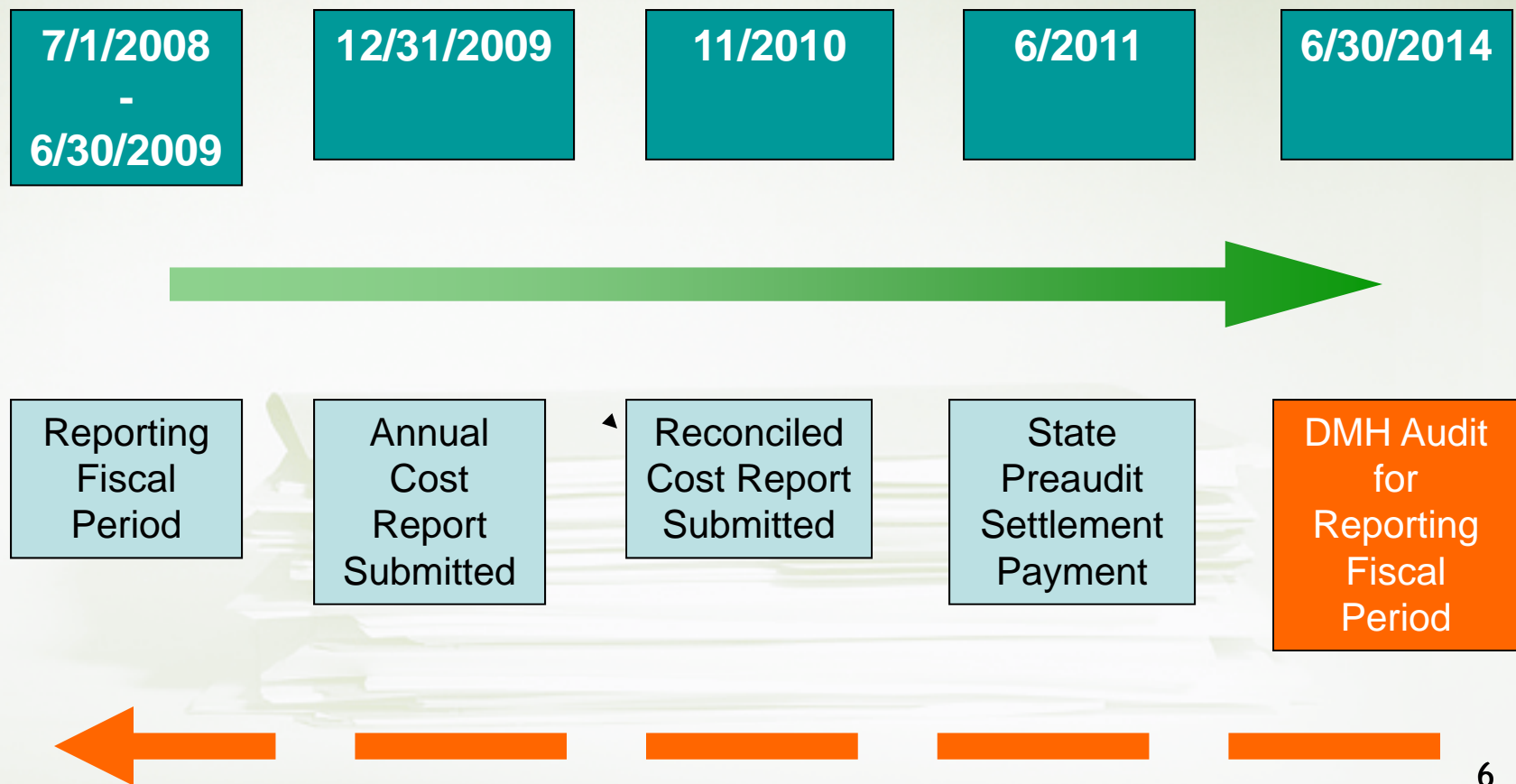
* Estimated Actual Expenses in Millions, excluding designations and transfers between ADMHS funds.

State Medi-Cal Reimbursement & Settlement

- Monthly claim submitted to the State (24,000 lines)
- Provisional reimbursement received throughout year
- Annual Cost Report and Settlement
 - Calculates settlement of provisional payment
 - Service units subject to State validation
 - Settlement is finalized six years after service is provided through State audit
- Ongoing State Medi-Cal claiming system changes

Timeline for State Settlement

Example for FY 2008-09 Services



II. Historical Financial Challenges

- FY 02-03 through FY 06-07: Incorrect billing activities, which resulted in increased annual cash flow; discovered in FY 07-08 and self disclosed to the State
- FY 05-06: \$2.4M deficit, depleted ADMHS fund balance
- FY 06-07: \$5.2M budget reforecast reducing revenue & expenditures
- FY 07-08: A pivotal year for ADMHS

FY 07-08 Challenges and Responses

	07-08	08-09	09-10	10-11	11-12
CBO's					
Clinics					
Inpatient					
Business Operations	•				

- ADMHS converts to new Medi-Cal billing system
- ADMHS self-discloses billing issues to DMH \$9.3M
- DMH disallows MISC/CEC partner agency costs as of FY 02-03 \$12.2M
- Budget shortfall of \$7M reported to BOS; GFC transfer approved
- Annual State Cost Settlements estimated at \$7.8M
- Total identified issues estimated at \$36.3M
- Initiate Adult system redesign for Adult CBO and clinic services

FY 08-09 Challenges and Responses

	07-08	08-09	09-10	10-11	11-12
CBO's		◇			
Clinics		◇			
Inpatient					
Business Operations	x	◇			

- ◇ ADMHS Restructuring Plan started
- ◇ Adult Outpatient system of care revamped
- ◇ Adult CBO contracts and outpatient clinics (Fund 44) reduced and eliminated non Medi-Cal allocations
- ◇ Evidence-based programs funded by MHSA implemented
- ◇ New CBO contracts specify reporting, cost, staffing, service expectations
- ◇ Projects w Auditor-Controller staff to improve fiscal/business operations

FY 09-10 Challenges and Responses

	07-08	08-09	09-10	10-11	11-12
CBO's		x	Δ		
Clinics		x			
Inpatient			Δ		
Business Operations	x	x	Δ		

- Δ New State Medi-Cal claiming system Dec. 2009
- Δ Inpatient costs hit all-time high of \$9.3M
- Δ Daily management and triage of inpatient resources
- Δ Dedicated staff added for contract monitoring scorecards, rate reviews, cost reporting and audits
- Δ ADMHS Published Charges updated for first time since 2000
- Δ Established formal settlement procedures with Auditor-Controller

FY 10-11 Challenges and Responses

	07-08	08-09	09-10	10-11	11-12
CBO's		X	X	<input type="checkbox"/>	
Clinics		X		<input type="checkbox"/>	
Inpatient			X	<input type="checkbox"/>	
Business Operations	X	X	X	<input type="checkbox"/>	

- Tools for real-time revenue/expense monitoring
- Clinic appointment scheduling system
- Client intake/registration/billing process standardized
- New accrual methodology used
- CMS Acute Hospital audits of PHF lead to increased costs
- New Regional Management structure with three key leaders

FY 11-12 Challenges and Responses

	07-08	08-09	09-10	10-11	11-12
CBO's		X	X		●
Clinics		X		X	●
Inpatient			X	X	●
Business Operations	X	X	X	X	●

- New State MC 5010 claiming system Jan. 2012
- \$1M Children's contracts reduced to align costs and services, based on monitoring process
- Progress with State on MISC/CEC and self disclosure matters

III. Current Financial Condition

- \$3.7M - Accruals
 - \$1 million for FY 09-10
 - Denied claims appeared to be valid and resubmitted
 - State slow to respond and resubmissions denied
 - ADMHS continues to appeal
 - \$2.7 million for FY 10-11
 - Change in accrual methodology
 - Claimable services not making it to claim
 - Higher rate of State denials
 - Lower level of services (May & June 2011)

Current Financial Condition

- \$2.7M in FY 11-12 impacts
 - \$1.5M - inpatient system of care cost increases and revenue decreases
 - Psychiatric Health Facility (PHF) audit
 - Decline in Medicare revenue
 - Uninsured care
 - \$630K - primarily in lack of staffing vacancies
 - \$570K - reduced clinic claiming due to furlough

FY 11-12 Use of Realignment, General Funds (Fund 0044)

REVENUE SOURCES

State Realignment/ VLF:	\$10.1M
State Managed Care:	\$ 0.5M
County General Fund Contribution:	\$2.2M
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Total	\$12.8M

Matching Medi-Cal: (\$6.8M)

Total Available Revenue:	\$6.0M
Non Medi-Cal Services Expenses:	(\$8.7M)
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Revenue Shortfall (\$2.7M)

NON MEDI-CAL EXPENSES*

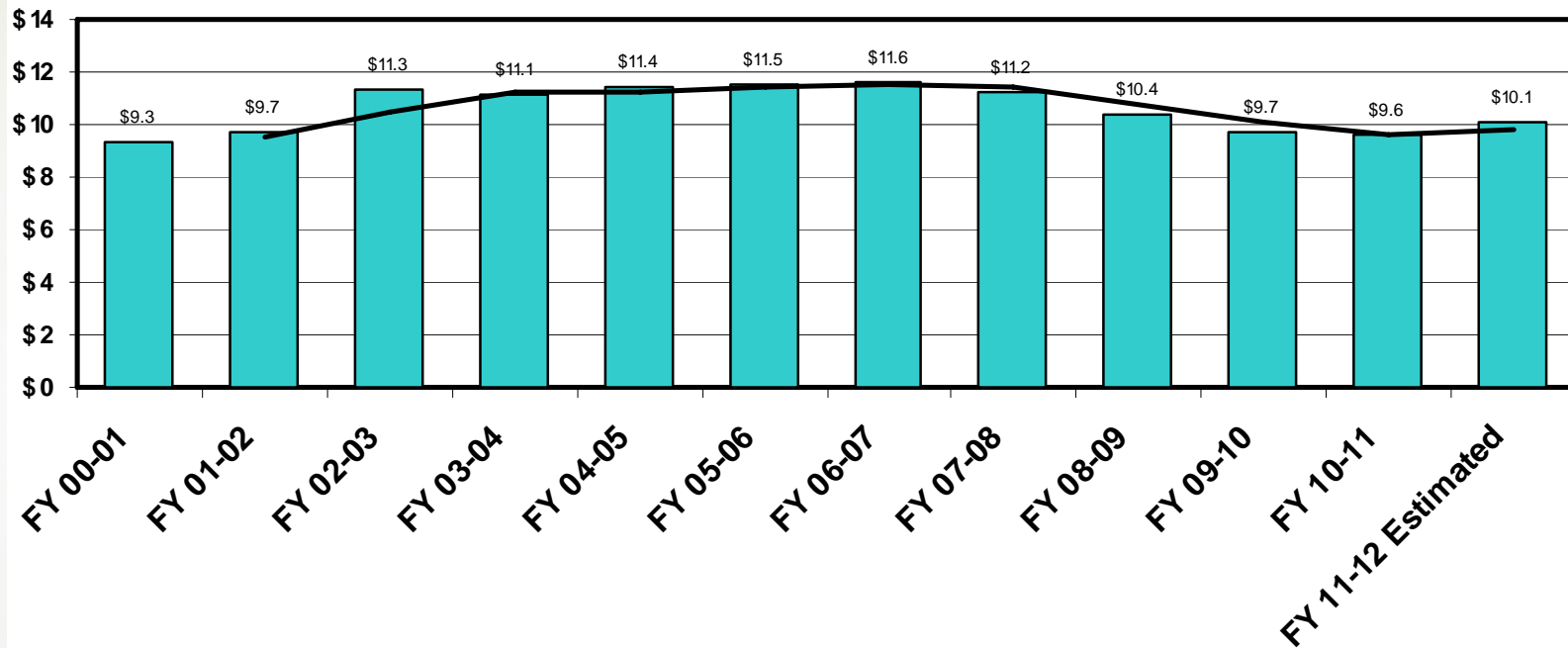
Psychiatric Health Facility	\$4.8M
Out of County Hospitals	\$1.0M
State Hospital/IMDs	\$1.1M
Outpatient services	\$1.2M
Homeless Services	\$0.6M
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Non Medi-Cal Services Expenses:	\$8.7M

*QA and Administrative Expenses are allocated to all operating programs.

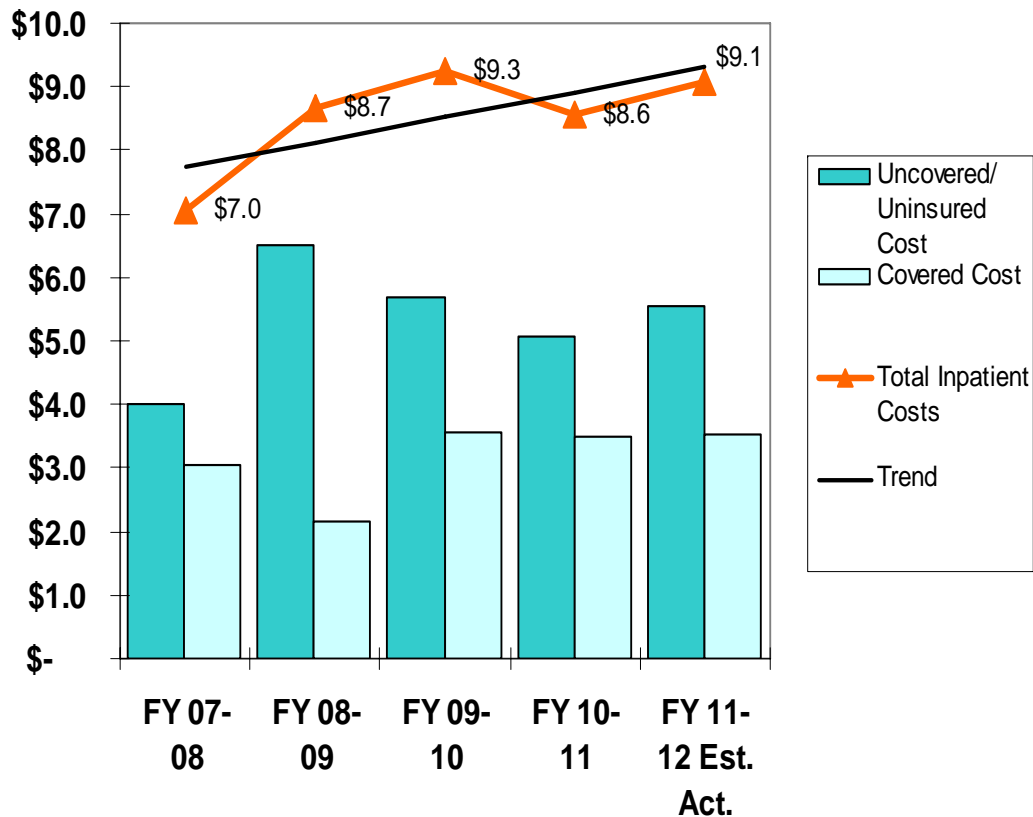
History of Realignment Revenue 2000-2011

- Realignment is used to match Medi-Cal and to cover non Medi-Cal costs

\$'s in millions



Inpatient Costs



- Inpatient costs increased \$2M since FY 07-08
 - \$1.5M increase for inpatient uncovered/uninsured services
- Limited realignment or GFC must cover these costs

IV. FY 11-12 ADMHS Proposed Solutions

- \$6.4M shortfall, \$3.1M in solutions identified
 - \$1.2M - release ADMHS Fund Balance to offset reimbursement losses related to concessions
 - \$1.4M - move ADMHS Crisis and Recovery Emergency Services (CARES) from Mental Health Fund 0044 to MHSA Fund 0048
 - \$500K - higher than estimated EPSDT allocation from the State for children's services

Closing the FY 11-12 Gap

- Balance of \$3.3M - Department cannot solve by year end
- Drastic program reductions may yield \$488K monthly savings (requires minimum 30 day notice):
 - Eliminate acute hospital, long term care, homeless programs and various residential programs
- Additional General Fund Contribution

FY 12-13 Estimated Gap

- Estimated \$2.7M in FY 12-13 and future years
- Permanent move of CARES to MHSA reduces gap by \$1.4M
- Balance of \$1.3M through a combination of:
 - Eliminate acute hospital, long term care, homeless programs and various residential programs
 - Additional General Fund Contribution

Ongoing Risks

- Mitigating exposure due to accruals
- Pending liabilities
 - CEC/MISC
 - Self disclosures
 - Cost settlements
- State Medi-Cal claiming system
- Increasing uncovered/uninsured needs

Future Opportunities

- ADMHS Steps
 - Continue weekly monitoring of service levels
 - RFP to build on existing improvements
 - Community outreach and involvement
 - Inpatient system of care opportunities
 - As funds become available, Budget for settlements/audits
- Changing State and Federal Landscape
 - FY 12-13 State Realignment changes
 - AB 1297 (Chesbro) intended to allow counties to draw down more Federal Medicaid dollars
 - CSAC/CMHDA advocacy on behalf of counties at State level
 - Affordable Care Act (Health Reform) expands Medicaid to individuals who do not currently qualify, effective Jan. 2014

Recommendations

- Receive and file this report
- Direct ADMHS to return to the Board in May 2012 with further information on the Department's financial projections and implementation of budget adjustments, as appropriate

