

Behavioral Wellness Annual Liabilities Update

County of Santa Barbara
March 21, 2017



SANTA BARBARA COUNTY
DEPARTMENT OF
Behavioral Wellness
A System of Care and Recovery

Recommended Actions



- Receive and file the report updating known and estimated liabilities of the Behavioral Wellness Department.



Overview

- On March 15, 2016, Behavioral Wellness presented information regarding the Department's known and projected financial liabilities of \$2.2 million, as of January 31, 2016. The purpose of this presentation is to provide an update on extinguished (paid), known and estimated liabilities as of January 31, 2017.
- Since the March 2016 report, liabilities have decreased to \$1.5M. This decrease primarily resulted from liabilities being finalized at a lesser amount than previously anticipated coupled with minimal new liabilities.
- Prior year liabilities amounted to \$19.4M, as reported in May 2012, and have steadily declined to \$9.5M in December 2013, \$7.5M in June 2015, and \$2.2M in March 2016. Liabilities in this current update are \$1.5M; significantly lower than in prior years.

Funding Sources



- Behavioral Wellness has many external funding sources that account for 97% of revenue received and therefore has high audit exposure.
- Each funding source has specific guidelines and restrictions and is audited separately.
- The cost report is the final claim for reimbursement of Medi-Cal programs, including Mental Health Services Act (MHSA) programs that use Medi-Cal funding as leverage.
- The Department's largest liability exposure relates to cost report audits and settlements for Federal Financial Participation (FFP). The majority of remaining liabilities are related to cost report audits and settlements.
- MHSA was recently examined in the Triennial Review. Preliminary feedback from the program review was very positive; however, financial components remain unaudited and MHSA continues to be a high exposure area due to the large dollar amount received and complex funding restrictions.

Mental Health Cost Report Example



Sample Fiscal Year 2009/10



- Cost report settlements, audits, and appeal timing is controlled by the State.

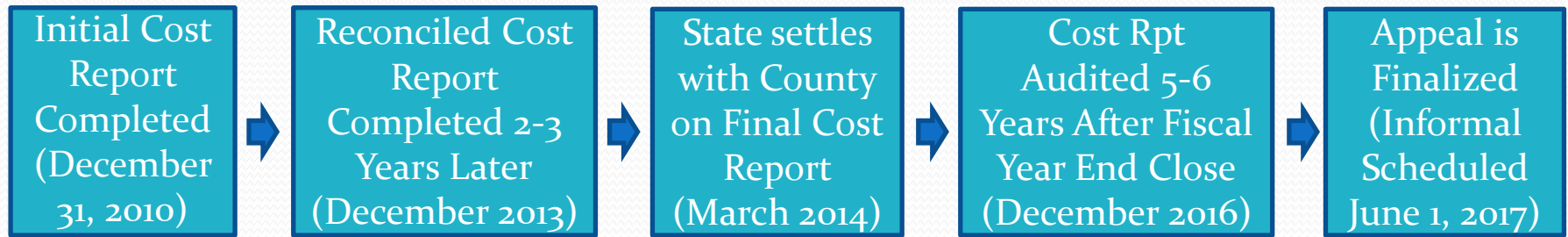
3.6 Years: Average time for State to complete the cost settlement process.

- Last completed settlement is FY 2010/11.
- Cost report settlements are expected to be minimal in future years, however some degree (1-2%) of cost settlement should be anticipated annually due to variability in claiming and costs. The Department is reimbursed provisionally at an estimated rate and must settle to a final rate.

Mental Health Cost Report Example



Sample Fiscal Year 2009/10



5.8 Years: Average time for State to audit County records.

- Last completed audit is FY 2009/10.
- Behavioral Wellness doesn't receive notice of the State's perceived unallowable items until the audit is finalized 5-6 years later.

7.8 Years: Average time until audit appeals are finalized.

- Last completed audit appeal is FY 2005/06. FY 2002/03 – 2005/06 settled with a 43% refund to the County.
- Validity of adjustments is unknown until a decision is rendered at a judicial hearing and any appeal to Superior Court is resolved. Prior appeals have all settled.



Currently Known & Estimated Liabilities

Known and Estimated Behavioral Wellness Liabilities (In Millions)	As of January 2016	Adjustments	Extinguished/ Paid	New	As of January 2017	Funded	Unfunded
Total Liabilities for Cost Report & Audit Settlements	\$2.2	-\$0.6	-\$0.2	\$0.1	\$1.5	\$1.5	\$0.0

- As of January 2016, liabilities were \$2.2M.
- \$0.6M in liabilities were adjusted:
 - ✓ FY 2009/10 cost report liability was \$623,468 lower than anticipated as fewer adjustments were posted in the State audit.
- \$0.2M in liabilities were extinguished/paid:
 - ✓ FY 2014/15 Psychiatric Health Facility (PHF) audit of \$221,791.
 - ✓ FY 2012/13 Alcohol & Drug Program (ADP) cost settlement of \$14,354.



Currently Known & Estimated Liabilities

Known and Estimated Behavioral Wellness Liabilities (In Millions)	As of January 2016	Adjustments	Extinguished/ Paid	New	As of January 2017	Funded	Unfunded
Total Liabilities for Cost Report & Audit Settlements	\$2.2	-\$0.6	-\$0.2	\$0.1	\$1.5	\$1.5	\$0.0

- \$0.1M in new liabilities:
 - ✓ FY 2011/12 ADP audit of a contract provider amounting to \$37,783.
 - ✓ FY 2014/15 outpatient chart review of County operated clinics of \$35,118.
- As of January 2017, liabilities are \$1.5M.
- Liabilities are 100% funded through reserves established in prior years.



Looking Forward

- The Department has improved controls over cost reports and estimates cost settlements for FY 2012/13 and beyond will be positive.
- Future audit recoupments are anticipated to be less; however, this is contingent on State audit procedures and interpretations.
- Many counties face challenging audits due to State interpretations of law and audit protocol.
- Audits for FY 2006/07 through FY 2009/10 are in various stages of the State's administrative appeals process.
- The Department was successful at challenging State audit findings in the FY 2008/09 informal appeal resulting in a refund of \$759k. The remaining balance of the audit (approx. \$2.3M) will be appealed at a formal hearing scheduled for October 2017.

Recommended Actions Summary



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Questions?