



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: ADMHS
Department No.: 043
For Agenda Of: 6-5-07
Placement: Departmental
Estimated Tme: 30 min
Continued Item: No
If Yes, date from:
Vote Required: No Vote Required

TO: Board of Supervisors

FROM: Department Douglas C. Barton, Interim Director
Director(s) Alcohol, Drug & Mental Health Services 805-681-5220
Contact Info: Marianne Garrity, Assistant Director, Administration 681-5220

SUBJECT: **ADMHS Financial Status Update**

County Counsel Concurrence

As to form: N/A

Other Concurrence: Select_Other

As to form: Select_Concurrence

Recommended Actions:

Receive and file report regarding the multi-year Financial Status Update for the Mental Health Division of the Alcohol, Drug and Mental Health Services Department and provide direction as appropriate.

Summary Text:

In March 2007 ADMHS presented the department's FY 2007-08 Proposed Budget to the County Executive Office. In order to balance the FY 2007-08 Budget, it was necessary to propose budgetary reductions of approximately \$1.2 million. This report provides a recap of the Mental Health Division's recent budgetary challenges and summarizes the department's financial status and proposed solutions.

Background:

FY 2005-06 Budget Shortfall

In June 2006, the FY 05-06 year-end actual reflected a \$2.4 million shortfall which was primarily due to lower than expected revenues from adult Medi-Cal and children's Early Periodic Screening, Diagnosis and Treatment (EPSDT) Medi-Cal. The decrease in Medi-Cal revenue is attributed to a high number of ineligible clients, approximately 30% of the total clients. The increase in uninsured clients is driven in part by the CARES South program, where only 35-40% of the clients of are Medi-Cal beneficiaries. This \$2.4 million shortfall was covered by the department's fund balance, which resulted in a zero fund balance at the beginning of FY 06-07.

FY 2006-07 Budget Reduction and General Fund Loan

In August 2006, given the prior year's revenue shortfall, the department reassessed the revenue assumptions of the FY 06-07 proposed budget. The review revealed a higher number of uninsured clients than expected when the budget was prepared in early 2006, increases in out-of-county hospitalizations, higher pharmaceutical costs, increased costs due to hiring of temporary doctors to meet staff shortages and higher extra help costs. These increased costs were compounded by chronic delays in Medi-Cal reimbursement and resulting interest charges on funds borrowed to meet normal operating costs. Accordingly, expenditure reductions, designed to manage a \$5.2 million projected shortfall for FY 06-07, was submitted and approved by the Board in September 2006.

In January 2007, unexpected Medi-Cal, EPSDT and Medicare audits of cost report settlements relating to five prior fiscal years resulted in a cost settlement of \$1,327 million in favor of the State. In April 2007, the Board of Supervisors approved an operating transfer from the General Fund Strategic Reserve in the amount of \$1.0 million to fund the cost settlement contingent on repayment to the General Fund Strategic Reserve with funds that have been approved by the State but not yet received for favorable SB 90 audit settlements, or any funds received in the core Mental Health fund in excess of expenditures.

FY 2007-08 Budget Challenges

In order to balance the FY 07-08 Proposed Budget, the department again carefully reviewed its program revenues and adjusted expenditures to achieve a balanced budget. Some of the very difficult budget balancing actions include a decision not to open a planned crisis residential program to be located on the second floor of the CARES building in Santa Maria. Despite such actions, the department had to identify additional solutions to meet a \$1.2 million projected shortfall. The proposed solutions include program restructuring, expenditure reductions and an additional \$120,000 in Vehicle License Fee revenue.

Expenditure reductions:

The proposed budget includes various expenditure reductions totaling \$388,000 which includes a reduction of contractual services. In addition, pharmaceuticals costs were reviewed for potential reductions since these costs had increased from approximately \$350,000 annually to \$1.2 million in FY 06-07.

In an effort to contain these increasing costs, and to address the FY 07-08 shortfall, the FY 07-08 Proposed Budget includes a plan to establish and adhere to a Statewide & Federally Recognized Formulary. Consequently, a reduction in pharmacy expenses in the amount of \$150,000 is included in the Proposed Budget. Patients treated with medication through the ADMHS clinics typically have coverage for pharmaceuticals through Medi-Cal or Medicare formularies. Through stricter adherence to these formularies and their systems for "exceptions", a higher percentage of prescribed medications will be covered by Medi-Cal or Medicare. Many uninsured persons with psychiatric disturbances are among the "unserved" or previously "underserved", and consequently \$200,000 of the Mental Health Services Act (MHSA) fund has been budgeted for financial aid for medications (primarily for the homeless and new recipients of care at PHF and CARES). Another method of obtaining medication for the uninsured will be use of pharmaceutical samples or coupons while an application for Patent Assistance Programs can be completed. For those who remain ineligible, ADMHS will pay for medications if prescribed from the designated formulary (ies). Physicians treating uninsured individuals will also be able to request off-formulary medications through ADMHS. For instance, clients already taking certain off-formulary medications will need to continue them to prevent functional set-backs.

Furthermore, with cooperation from the Department of Social Services, ADMHS will actively work with the uninsured to apply for and obtain Social Security benefits and Medi-Cal. During the year-long

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window in which Patient Assistance Programs can be utilized, ADMHS will explore developing its own pharmaceutical dispensary to enable purchase of many medications in bulk at reduced prices. While attention is being focused on obtaining medications for uninsured patients, the goal is to use an identified, accepted formulary for all patients, regardless of ability to pay and to utilize alternate methods to obtain payment for medications. Application of prudent prescribing and use of alternate payment methods has, in one clinic, resulted in a steady reduction in pharmaceutical costs from a high of \$32,600 in September 2006 to \$8,400 in March 2007.

Program Restructuring:

The Casa del Mural facility, located on the Calle Real Campus in Santa Barbara, is owned by the County of Santa Barbara. Federal Housing Urban Development (HUD) continuum of care funding, through the County Housing & Community Development department (HCD) provided some of the funding for the facility. In addition, a State HCD grant, overseen by Santa Barbara Community Housing Corporation (SBCHC), funded building rehabilitation in the early 1990's and attached regulatory requirements governing the use of the facility. The program originally operating at the facility was run by Sanctuary Psychiatric Centers, which was replaced by the current program.

The existing program at the Casa del Mural facility is operated by a contracted provider, Work Training Programs (WTP). The program is an enhanced licensed board and care facility that provides residential and mental health rehabilitation services to 12 severely mentally ill adults who were formerly homeless. The program provides stable long term housing in a non-institutional setting, stressing safe and secure housing and 24-hour care and supervision for its residents. Residents' daily functioning is assessed, and assistance, instruction or prompting is provided as needed to maintain safe and successful functioning. Clients are provided a set structure for activities of daily living, including medication times and meal times. The contract with WTP for operating this program is \$530,000 annually. At additional cost, ADMHS provides funding for facility expenses and a team of staff to provide intensive case management, psychiatric and medication services.

ADMHS' FY 07-08 budget plan proposes to continue to use the Casa del Mural facility as a resource for permanent housing of severely mentally ill, homeless people, under a different model of service delivery. Under the proposed plan, Casa del Mural would serve as the housing component for up to 12 adults. Services would be provided by the Santa Barbara Supportive Housing Initiative Act (SHIA) Collaborative comprised of the Mental Health Association in Santa Barbara County, Sanctuary Psychiatric Centers, WTP, Transitions Mental Health Association and ADMHS. The SHIA program originated as a three-year State grant and has been continued for three years past the grant term, making it the only funded SHIA grant in the State. SHIA member agencies provide intensive Assertive Community Treatment (ACT) model services including community-based treatment, rehabilitation and support services to help mentally ill clients live independently in the community.

The SHIA Program provides intensive case management and psychiatric services for those community members who meet the highest level of care for ADMHS due to the acuity and severity of their mental illness and co-occurring addiction. Program services are provided where the client lives rather than having the client come into an office and many clients are seen in their own homes or other places in the community up to three times per day. WTP and Transitions have existing contracts with ADMHS to provide SHIA services to 130 clients throughout the County, including 65 in South County. **The South County SHIA team has the capacity to serve an additional 12 clients within the existing budget and with no additional cost.**

In bringing the SHIA program services to Casa del Mural residents, SHIA would provide individualized services customized to meet the unique needs of each client who is determined to be eligible and may include mental health, physical health, substance abuse services, and goal-oriented recovery planning. In addition, case management services would be coordinated to assist clients with life skills including medication management, transportation and housing services, educational and vocational/ employment services. Following best practices in mental health, the program would feature a multidisciplinary team to serve as the point of responsibility for all client care, including medication and medication monitoring to ensure stability of debilitating psychiatric symptoms.

The proposed plan to transition the Casa del Mural services from WTP to SHIA would include a three-month process of overlapping SHIA services onto the existing program. This would begin in the first quarter of FY 07-08. The existing program would continue to operate while the SHIA team assesses each existing resident to determine their eligibility for SHIA team services. During this interim phase, one (1.0 FTE) staff member of the existing program would be assigned to work exclusively as part of the SHIA team. Once the team determines each resident is appropriate for SHIA, an engagement and educational process will be initiated and, if interested in participating, the client will be accepted into SHIA services. ADMHS, in partnership with WTP, will provide all existing Casa del Mural residents with full transition assistance to either enroll in the new program or to another appropriate level of care in the community. SHIA and ADMHS will coordinate appropriate staffing for 24/7 coverage. SBCCHC, which continues to play a major role in assuring that all regulatory agreements are met, will determine that the proposed program is consistent with requirements to maintain the annual HUD grant.

Additional Revenue:

The department will receive \$120,000 in additional VLF revenue which is now included as a part of the solution to the projected \$1.2 million shortfall.

Performance Measure:

Performance measures for the SHIA program include the following:

- Decrease number of incarceration days.
- Decrease number of inpatient/acute care days and length of hospital stay.
- Increase number of days in stable/permanent housing.
- Increased success in establishing and maintaining meaningful social activities and relationships.
- Increase skills needed to engage in vocational and educational activities.

Fiscal and Facilities Impacts:

Budgeted: Select_Budgeted

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
Fees			
Other:			
Total	\$ -	\$ -	\$ -

Narrative:

The cost of the Casa del Mural program for FY 06-07 is projected to be \$576,000 which includes the WTP contract and other facility operating costs. Implementation of the new service model and terminating the existing WTP contract would result in a savings to the County of \$530,000. The existing SHIA contracts will be able to absorb the additional clients and corresponding costs without additional cost to the County. ADMHS will continue to receive the \$115,000 HUD continuum of care grant funds for Casa del Mural. \$45,000 of the HUD grant will continue to be applied to facility costs while the remaining \$70,000 would cover costs of additional SHIA services coverage to ensure Casa del Mural tenants remain stable in the new model.

Special Instructions:

Please send one (1) copy of the minute order to:

Alcohol, Drug & Mental Health Services
ATTN: Contracts Analyst
300 N. San Antonio Road
Santa Barbara, CA 93110

Attachments:

Authored by:

cc: