



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: 4-22-08  
Placement: Departmental  
Estimated Tme: 2 Hours  
Continued Item: Yes  
If Yes, date from: 3-11-08  
Vote Required: 4/5

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**TO:** Board of Supervisors

**FROM:** Department Ann Detrick, PhD, Director  
Director(s) Alcohol, Drug & Mental Health Services 805-681-5220  
Contact Info: Marianne Garrity, Assistant Director, Administration 681-5220

**SUBJECT: ADMHS FY 08-09 Restructuring Plan Status Report**

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**County Counsel Concurrence**

As to form: N/A

**Other Concurrence:** N/A

As to form: N/A

**Recommended Actions:**

Consider recommendations regarding core Adult Mental Health services of the Alcohol, Drug and Mental Health Services Department (ADMHS), as follows:

- a. Receive a status report regarding ADMHS' implementation of a Restructuring Plan which brings expenditures in core Adult Mental Health services into balance with available revenue for FY 2008-09;
- b. Approve any necessary Budget Revision Requests to transfer funds for mental health services for FY 2007-2008 in the amount of \$2.3 million. (4/5 vote required)

**Summary Text:**

As outlined in the FY 08-09 Budget and Restructuring Plan, counties across California have been confronted with revenues that are insufficient to meet increased operating costs and continue existing service levels. Counties must then decide to either contribute additional funds or reduce services and expenditures. Fresno County has reduced \$8 million from the Mental Health Budget, eliminated over 140 of 636 mental health staff positions, and curtailed services for about 650 clients with less severe conditions. In Los Angeles County a \$70M shortfall in the county's core mental health budget has resulted in long waiting lists at many clinics, some clients' visits with therapists being reduced by half and others no longer receiving counseling. Santa Clara County ordered its Department of Mental Health to cut \$17M from its budget. Shasta County serves 500 fewer clients because they have had to

**Auditor-Controller Concurrence**

As to form: Yes

divert resources to pay for increased Medi-Cal costs.<sup>1</sup> Sonoma County transferred \$12M in funds to the Mental Health Division and eliminated 70 positions since FY 02-03.<sup>2</sup> The counties of Riverside, Shasta and Glenn have gone as far as threatening to withdraw from the State Mental Health Plan due to insufficient state funding.<sup>3</sup> These examples illustrate the increasingly bleak state of the core mental health system throughout California; challenges which Santa Barbara County must now also face.

At the March 11, 2008 Board of Supervisors hearing, ADMHS presented the Department's FY 08-09 Budget and Restructuring Plan which aligns expenditures with available revenue as directed by the Board of Supervisors. The Board approved the second \$2.3M transfer to offset a current year budget shortfall of approximately \$6.97M in the Adult Mental Health programs. The Board directed ADMHS to return in April with a final report. This status report summarizes: the activities undertaken by ADMHS to reduce costs in the current year; progress toward achieving a balanced budget for FY 08-09, while continuing to provide mandated services such as involuntary hospital services, crisis intervention, and intake and assessment for individuals with severe mental illness; and activities associated with the Plan's implementation process.

**Background:**

As described at previous Board hearings, ADMHS identified a FY 07-08 budget shortfall of approximately \$6.97M in the Adult Mental Health programs. At the February 5 Board hearing, the Board directed ADMHS to provide a plan for a balanced budget for FY 2008-09 and approved the first transfer of \$2.3M. The Plan presented on March 11 focused on the Adult Mental Health programs and provided background information regarding ADMHS mandates; identified various issues that have contributed to the Department's financial challenges; provided information regarding the preliminary FY 08-09 budget; and presented the objectives, process and implementation of the restructuring plan including improvements in ADMHS' business operations.

The Plan demonstrated that available funding for FY 08-09 would be insufficient to maintain the current level of services. As a result, reductions in internal and contract services must be planned for and implemented in order to bring the expenditures of the Adult Mental Health Programs into balance with available revenue for FY 08-09. ADMHS is working to finalize the FY 08-09 Budget in order to allow as much time as possible to plan and implement the required changes, support clients whose services will be altered, and mitigate the impact to individuals and their families to the extent possible.

**FY 08-09 Budget Update**

FY 08-09 Budget reductions are in the core Adult Mental Health Divisions. In prior presentations, ADMHS identified expenditures for these core Adult Mental Health Divisions in the amount of \$34.M, are depicted in the following table.

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<sup>1</sup> (Gold . *LA Times*. 9/16/07. <http://www.latimes.com/news/local/la-me-mental10.0.242474.story>)

<sup>2</sup> Sonoma County FY 07-08 Budget. Department of Health Services, Health and Human Services.)

<sup>3</sup> (Gang, *Riverside Press-Enterprise*, 4/1/08  
[http://www.pe.com/localnews/rivcounty/stories/PE\\_News\\_Local\\_H\\_board02.430192d.html](http://www.pe.com/localnews/rivcounty/stories/PE_News_Local_H_board02.430192d.html) 4/16)

<u>(\$'s in millions):</u>	<u>Adopted Budget 2007/08</u>
Div #02 Administration (an allocated portion)	\$ 3.2
Div #03 Hospital & Jail Services	7.1
Div #04 Adult Mental Health (MH) Programs	<u>24.5</u>
<b>Total Core Adult MH Services</b>	<b>\$ <u>34.8</u></b>

As a point of reference, the total Adopted Expenditure Budget for the entire ADMHS Department (Divisions #01 - #06) in FY 07-08 was \$80.3M.

Significant Changes in the FY 08-09 Budget

The following table summarizes the significant changes to the core Adult Mental Health Services:

<u>(\$'s in thousands):</u>	<u>FY 07-08 Est. Act</u>	<u>FY 08-09 Recomm.</u>	<u>Recomm. vs. Est. Act.</u>
Admin costs alloc. to Adult MH Programs	\$ 3,200	\$ 1,114	\$ (2,086)
Admin costs alloc. to Hosp. & Jail	-	395	395
Div. 03 Hospital & Jail Services	7,356	7,273	(83)
Div. 04 Adult MH Programs	<u>24,297</u>	<u>\$ 17,630</u>	<u>(6,667)</u>
Totals	<u>\$ 34,853</u>	<u>\$ 26,412</u>	<u>\$ (8,441)</u>

- o Administrative costs allocated to core Adult Mental Health Services were reduced from \$3.2M to \$1.5M.
- o The Hospital and Jail Services - Division 03 (including the PHF) are comprised of largely mandated services and therefore savings opportunities are limited.
- o The majority of reductions (approximately \$6.7M) in the Recommended FY 08-09 Budget are in Adult Mental Health Programs - Division 04 and are comprised of the following:

<u>(\$'s in thousands):</u>	<u>FY 07-08 Est. Act</u>	<u>FY 08-09 Recomm.</u>	<u>Recomm. vs. Est. Act.</u>
Clinics	\$ 8,543	\$ 5,603	\$ (2,940)
CARES *	2,395	3,200	805
SHIA/Homeless Support	561	552	(9)
State Hosp./IMD	1,407	1,470	63
Quality Assurance (UR)	709	834	125
Other	149	90	(59)
Total County	<u>\$ 13,764</u>	<u>\$ 11,749</u>	<u>\$ (2,015)</u>
CBO's **	9,929	5,575	(4,354)
Direct Administration costs	604	306	(298)
<b>Total Adult MH Programs</b>	<b><u>\$ 24,297</u></b>	<b><u>\$ 17,630</u></b>	<b><u>\$ (6,667)</u></b>

*Note:*

\* FY 08-09 will be the first full operational year (including extended hours) of the CARES program.

\*\* Includes non-profit and for-profit agencies.

## **Adult Mental Health Services Restructuring**

Given the limited available funding and necessary reductions in expenditures and services, ADMHS has established the following goals for program and business operations in FY 08-09:

- Goal 1: Maintain a balanced budget for FY 08-09 and manage available resources while meeting requirements for the provision of mandated “safety net” services.
- 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.

The FY 08-09 Budget presents significant challenges to adult mental health service delivery in Santa Barbara County. ADMHS is making every effort to mitigate the impact of substantial funding reductions by creating 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.

ADMHS has collaborated with representatives of consumers, families, homeless, represented bargaining units, contracted agencies, and the County Executive Office to establish priorities for the adult mental health service system:

- Address the needs of homeless persons with mental illness as a priority population;
- Preserve access to permanent, affordable supported housing and encourage the leveraging of housing capacity;
- Value consumer driven and operated service approaches;
- Direct fiscal and staffing resources in ways that eliminate duplication of effort and minimize waste;
- Manage lengths of stay in the most intensive services, thereby increasing access to care;
- Offer team approaches that capitalize on the respective strengths of CBO and County staff;
- Follow evidence-based practices demonstrated to achieve specific, measurable outcomes;
- Respond to individuals and families regardless of race, ethnicity, and geographic location.

The changes that will need to occur in the Adult Mental Health programs in order to align the Department’s expenses with available funding are detailed below.

### Mandated/Safety Net Programs

ADMHS will continue the provision of mandated, or “safety net”, 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. Services to the mandated populations will be achieved through continuation of core services including the PHF, CARES North and South and the CARES North crisis residential program.

### ADMHS Clinics and Services

In Santa Barbara County, the majority of adult clients with serious mental illness receive medication administration and monitoring, as well as ongoing care management and support services, through County-operated clinics in Santa Barbara, Lompoc and Santa Maria. Based on new fiscal realities and reduced staffing, the Department has given considerable attention to the service delivery and management design of its clinics.

To gain service efficiencies, clinic staff will form small, multi-disciplinary teams to include a Psychiatrist, Registered Nurse and/or Psychiatric Technician, 2.0 FTE Masters trained Clinicians and a Case Worker. Each clinic will include representation by an Alcohol and Drug Specialist and Peer Recovery Specialist. The composition of these teams in many ways represents the core strength of the county’s system, which is based on ADMHS’ obligation to serve as the clinical “safety net” provider for persons with mental illness while ensuring appropriate cost containment over these services. These teams will have the capacity to provide medication administration and monitoring. However, the team’s capacity to provide care management and support services may be compromised. To optimize resources, County clinical staff and rehabilitation and support staff from Community-Based Organizations (CBOs), will be directed to work more closely together, to decrease duplication, improve communication and assure one unified service delivery plan on behalf of each client.

County clinics currently have the capacity to serve approximately 2,000 clients, of whom 1,500 have severe mental illness. 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. These clients will likely need to be referred for services outside of the County clinic system.

The impact on the ADMHS workforce will be significant. CEO/HR and ADMHS are working with labor organizations and discussing the deletion of approximately 44 funded vacancies and a workforce reduction of approximately 30.25 full-time equivalents (FTE), which will result in the elimination of a total of 74.25 FTE. Administrative consolidations are also necessary within the County’s Adult and Children’s Clinics. The existing clinic management (separate Adult and Children’s Managers in each geographic area) will shift to a Regional Management structure where a single Manager will oversee one integrated Adult and Children’s Clinic in each geographic area. The Manager will be supported by two Team Supervisors to maintain the expertise for the Adult and Children populations. This restructuring has been announced within ADMHS to provide for adequate transition time. The following table illustrates the implementation milestones for this element of the Restructuring Plan:

<b>ADMHS Clinic Implementation</b>
<p><b>County Clinic Staff:</b> Ongoing meetings are underway with ADMHS Team, CEO/HR and Labor Representatives to discuss potential staff reductions and/or alternatives. Discussions began in March; formal meetings began April 2, 2008.</p>
<p><b>County Clinic Team Implementation:</b></p> <ul style="list-style-type: none"> <li>o Teams designed for all clinic sites. May 2008</li> <li>o Rollout of teams structure. By the end of FY 07-08.</li> </ul>

Contracted Services Provided by Community-Based Organizations

ADMHS understands that its fundamental role is to provide appropriate and timely care to adults with severe mental illness and children with serious emotional disturbances. While the ability of the Department to meet this obligation will be tested in FY 08-09, it is proposing a services structure that is designed to meet the most basic and legally mandated needs of county residents with mental illness. The following table reflects the five service areas that will be provided via contract, the allocation for contracts with CBOs, the impact on the number of clients served, and ADMHS' efforts to mitigate these impacts.

<b>Contracted Service/ Description</b>	<b>Funding FY 08-09</b>	<b>Contract Reductions</b>
	<b>Change in Service Capacity</b>	<b>Mitigation Comments</b>
<b>Homeless Services</b> Mental health services to clients who are homeless and living in shelters	\$525,900	(\$76,603)
	Approximately 90% preservation of homeless services	Existing Homeless Outreach staff from ADMHS' CARES program will partially cover service gaps resulting from the 10% contracted reduction
<b>Intensive Residential Services</b> including twenty-four hour, structured residential services to persons at high risk for acute or long-term inpatient care	\$1,322,100	(\$1,380,539)
	<ul style="list-style-type: none"> <li>o Reduction in overall beds from 58 to 34</li> <li>o Average cost per bed reduced from \$46,597 to \$38,885</li> </ul>	Individuals currently living in Intensive Residential settings are being assessed to determine their ability to live in less intensive housing
<b>Assertive Community Treatment (ACT)</b> 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	\$1,311,000 <sup>4</sup>	(\$2,527,000) <sup>5</sup>
	<ul style="list-style-type: none"> <li>o 3 teams supported</li> <li>o 140 clients through existing core dollars and an additional 240 through MHS funding</li> </ul>	Proposed integration of County/CBO operated teams to maximize efficiencies through use of MHS funding. Clients requiring lower levels of care will be transitioned into Supportive Housing Services

<sup>4</sup> Includes contracted services in the core Adult Mental Health program only.

<sup>5</sup> ADMHS has access to a separate funding stream, Proposition 63/MHSA which will maintain ACT services at the 07-08 level of \$3.66M.

<b>Supported Housing</b> Regular staff assistance/supportive services to individuals who live on their own	\$825,000 o From 175 to 250 clients o Average cost per client reduced from \$9,833 to \$3,300	(\$895,882) Current clients living in permanent housing will receive less frequent service contacts at the new funding level
<b>Day Rehabilitation; Consumer Centers</b> Community gathering place where individuals can access recreational activities, social interactions and peer support and in some models, receive other services	\$291,000 Approximately 388 ADMHS clients being served by centers in SB, SM and Lompoc	(\$873,862) Transition from MediCal funded services to consumer-operated resource and peer support centers

Clients

While ADMHS believes the proposed restructuring of clinical and contracted services is based on a solid service foundation, ADMHS does not wish to minimize the potential impact to clients. ADMHS anticipates the following will be consequences of the funding reductions:

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

The program reductions may result in significant impacts to individuals, families, and the community, including:

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

ADMHS is continuing to identify clients who have progressed in their recovery or treatment process and can be appropriately served in less intensive levels of care. ADMHS has begun discussions with contracted agencies regarding clients they have determined are part of this population. Because all clients receive multiple services through the Department’s clinics and contracted services, it is difficult to estimate the absolute change in the number of clients who will receive less intensive levels of care.

This determination will be made by using a combination of professional clinic interviews, self-reporting by clients, information provided by family members, contracted agencies and the Department's Level of Care and Recovery Inventory. This approach is consistent with recent recommendations by the Adult System of Care Committee of the California Mental Health Director's Association<sup>6</sup>.

**Business Operations**

ADMHS' Plan also identified areas where internal controls need to be strengthened in order to realize system efficiencies. Through improved business operations ADMHS can enhance the delivery of services and ensure the right people get the right type and amount of services. To this end, ADMHS has given attention to the areas that can best enhance the Department's ability to manage its resources. These improvements include:

- o Contract redesign including negotiation of contract terms; monitoring and control of contract expenditures, number and type of services; development of new contract format with detailed financial terms, admission/referral/discharge and case management requirements;
- o Utilization Management including development of service delivery criteria, reauthorization criteria, and discharge planning;
- o Fiscal system improvement for real time contract oversight reporting; 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;
- o Enhanced outcome collection, reporting and evaluation process to recommend service changes to decision makers;
- o MIS system enhancement to increase automation and reduce labor intensive manual effort in the above Business Operations areas.

The key areas, recent developments and upcoming activities for this element of the plan are outlined below.

<b>Business Plan Activities</b>
<p><b>Contracts</b> In concert with the Auditor Controller's office and County Counsel the Department has been working on contract language to support new business model and strengthen terms and conditions. New contracts for Adult MH to be rolled out June 2008.</p>
<p><b>Utilization</b> Quality Assurance (QA) staff headed-up by the Medical Director working on development and roll out of admission, continued stay and discharge criteria to be implemented in the utilization and care management program. Target First Quarter of FY2008-09.</p>
<p><b>Outcomes</b></p> <ul style="list-style-type: none"> <li>o Rollout and collection methodologies completed by First Quarter of FY2008-09</li> <li>o Ongoing results reported to QA on a quarterly basis.</li> </ul>

<sup>6</sup> California Adult System of Care Committee Recommended Guidelines for Levels of Service. March 2008.  
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**MIS**

- o Requirements to support business recommendations defined by First Quarter of FY2008-09.
- o Executive Team to prioritize and oversee implementation. Ongoing.

**Fiscal**

ADMHS has been working with the Auditor Controller's office to streamline the ADMHS accounting structure to develop efficiencies. Target First Quarter of FY2008-09.

**Conclusion**

In closing, ADMHS has developed a balanced FY 08-09 Budget to match expenditures to available resources. As outlined in this status report, in order to achieve a balanced budget for FY 08-09, expenditure reductions in services and staffing throughout ADMHS and contracts with CBOs must be implemented. While restructuring presents major challenges to the Department, it is also an opportunity to implement program and business operations that will set up a framework for the future of the system. ADMHS is mindful that these changes will have significant effects for some clients, however, ADMHS is compelled to respond to changes in the availability of resources in order to continue to serve those most in need.

ADMHS requests the Board receive and file this status report on ADMHS' Restructuring Plan and approve the transfer of additional funds in the amount of \$2.3M for Adult Mental Health services to cover FY 07-08 shortfalls.

**Special Instructions:**

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

Alcohol, Drug & Mental Health Services  
ATTN: Contracts Division  
300 N. San Antonio Road Bldg. 3  
Santa Barbara, CA 93110

**Attachments:**

Budget Revision

**Authored by:**

Christina Toma

**cc:**

County Executive Officer