

# Alcohol, Drug and Mental Health Services Department (ADMHS)

Financial Status Update  
February 18, 2014



# Mental Health

- Mandated to serve all Medi-Cal beneficiaries with specialty mental health needs, and
- To the extent resources allow:
  - Adults who require or are at risk of requiring crisis services or acute inpatient care because of psychosis or the likelihood of suicide or violence
  - Children with serious emotional disturbance (SED)
  - Adults and older adults with serious mental illness (SMI)

# Children's Mental Health

- Residential treatment
- Crisis services (SAFTY)
- Array of Outpatient services, including:
  - ADMHS Outpatient Clinics
  - Therapeutic Behavioral Services
  - Wraparound
  - Intensive In-Home
  - Juvenile Justice Mental health
  - Katie A. (new for FY 13-14)

# Adult Mental Health

- Acute psychiatric inpatient hospital (PHF and contracted)
- Long term IMD (including nursing facilities)
- Intensive Residential
- Crisis services
  - Crisis Triage Teams (new for FY 13-14)
- Array of Outpatient services
  - ADMHS Outpatient Clinics
  - Assertive Community Treatment (ACT)
  - Supported Housing
  - Homeless

# Historical Financial Challenges

- Structural funding imbalance
  - Costs exceed budgeted funding for three main reasons:
    1. Services to the indigent
      - CARES to MHSA in FY 11-12 resolved Outpatient
    2. Homeless shelter beds and services
      - Cost reductions attributed to increase in Inpatient cost
    3. Inpatient services (PHF and out-of-County)
      - Non-PHF costs continue to increase

# FY 11-12 Use of Realignment, SGF, GFC

## EXPENSES\*

Matching Medi-Cal:	- \$13.4M
Homeless Services	- \$ 0.6M
Inpatient Services:	- \$ 5.8M
• PHF	- \$3.5M
• Inpatient Facilities	- \$1.2M
• State Hospital/IMDs	- \$1.1M
<b>Total</b>	<b>- \$19.8M</b>

## REVENUE SOURCES

Realignment/VLF:	\$ 9.9M
Managed Care:	\$ 0.5M
EPSDT/State GF:	\$ 3.8M
County General Fund:	\$ 2.2M
<b>Total</b>	<b>\$16.4M</b>

**Balance** **- \$ 3.4M**

\*QA and Administrative Expenses are allocated to all operating programs. Outpatient non-Medi-Cal costs are not included in this analysis, but still require the use of Realignment or GFC.

# FY 12-13 Use of Realignment, SGF, GFC

## EXPENSES\*

Matching Medi-Cal:	\$12.0M
Homeless Services	\$ 0.6M
Inpatient Services:	\$ 6.3M
• PHF	\$3.7M
• Inpatient Facilities	\$1.4M
• State Hospital/IMDs	\$1.2M
<b>Total</b>	<b>\$18.9M</b>
<b>Balance</b>	<b>\$ 1.8M</b>

## REVENUE SOURCES

Realignment/VLF:	\$17.6M
<u>County General Fund:</u>	<u>\$ 3.1M</u>
<b>Total</b>	<b>\$20.7M</b>

Change from Prior Year	
Revenues	+\$4.3M
Medi-Cal Match	-\$1.4M
PHF	+\$0.2M
Other Inpatient	+\$0.3M
<b>Net Change</b>	<b>+\$5.2M</b>

\*QA and Administrative Expenses are allocated to all operating programs. Outpatient non-Medi-Cal costs are not included in this analysis, but still require the use of Realignment or GFC.

# FY 13-14 Use of Realignment, SGF, GFC

## EXPENSES\*

Matching Medi-Cal:	\$13.3M
Homeless Services	\$ 0.6M
Inpatient Services:	\$ 6.0M
• PHF	\$2.6M
• Inpatient Facilities	\$1.6M
• State Hospital/IMDs	\$1.8M
<b>Total</b>	<b>\$19.9M</b>

**Balance (\$ 1.6M)**

## REVENUE SOURCES

Realignment/VLF:	\$16.4M
<u>County General Fund:</u>	<u>\$ 1.9M</u>
<b>Total</b>	<b>\$18.3M</b>

Change from Prior Year	
Revenues	-\$2.4M
Medi-Cal Match	+\$1.3M
PHF	-\$1.1M
Other Inpatient	+\$0.8M
<b>Net Change</b>	<b>-\$3.4M</b>

\*QA and Administrative Expenses are allocated to all operating programs. Outpatient non-Medi-Cal costs are not included in this analysis, but still require the use of Realignment or GFC.



# Historical Financial Challenges

- During the last 10 years, ADMHS received \$30 million from Board of Supervisors above and beyond the budgeted GFC.
  1. Used to cover operating deficits due to structural funding imbalance.
  2. Used to pay Medi-Cal cost report settlements.

# Historical Financial Challenges

- Reasons for Cost Report Settlements:

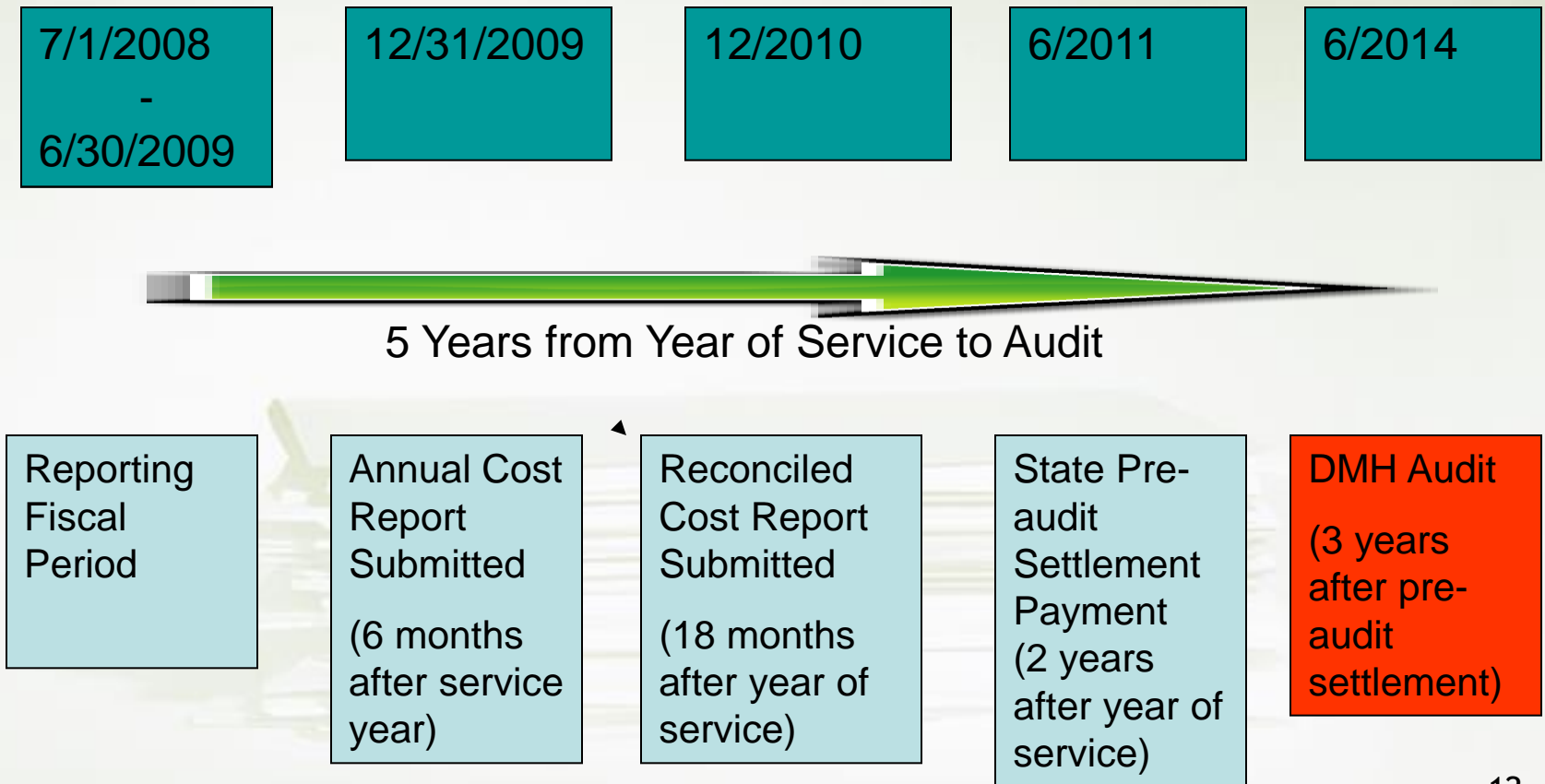
1. Cost report settlements due to receiving too much Medi-Cal revenue.
2. ADMHS used extra revenue to fund part of structural funding imbalance rather than setting additional revenue aside to pay back later.

# Medi-Cal Payments

- Provisional payment (monthly)
  - advance payment **received** throughout year based on units of service (UOS) that are approved at a specified rate (\$/UOS).
- Cost Report (annual)
  - Calculates payment **earned** based on eligible costs multiplied by % of clients who have Medi-Cal.
- Settlements (reconciled & audited)
  - Payments **received** are reconciled against payments **earned** 2 years after services are provided and finalized 5 years after services are provided.

# Timeline for State Settlements

## Example for FY 2008-09 Services



# Medi-Cal Cost Settlement Amounts

Fiscal Year and Cost Report Status	Amount
FY 06-07: Audited cost report (final audit report issued)	-\$3.5 million
FY 07-08: Audited cost report (final audit report issued)	-\$1.7 million
FY 08-09: Reconciled cost report filed (settlement issued)	-\$1.2 million
FY 09-10: Reconciled cost report filed (updated estimate)	-\$1.4 million
FY 10-11: Initial cost report filed (preliminary estimate)	-\$0.8 million
FY 11-12: Initial cost report filed (preliminary estimate)	+\$0.5 million
FY 12-13: In process of filing (preliminary estimate)	+\$0.5 million

# Current Financial Challenges

Factors causing projected deficit	Projected Amount
Reduction in 2011 Realignment revenue (actual)	-\$1.2 million
Increase in inpatient contract bed costs (projected)	-\$1.6 million
Decrease in Medi-Cal revenue and increase in operational costs (projected)	-\$1.2 million
<b>Total Projected Deficit for the Mental Health Fund</b>	<b>-\$4.0 million</b>
Restore General Fund Contribution back to FY 12-13 level (request)	+\$1.2 million
<b>Remaining Projected Deficit for the Mental Health Fund</b>	<b>-\$2.8 million</b>

# Actions to Address Projected Deficit

- Increase ADMHS' General Fund Contribution by \$1,257,218 to offset the loss of 2011 Realignment revenue and lower Medi-Cal revenue (Recommendation C).
- Continue to work to limit the increase in inpatient contract bed costs.
- Continue to monitor the level of Medi-Cal revenue.
- Continue to identify cost savings.
- ADMHS to return in May with update.

# Recommended Actions

- Receive and file a report regarding the financial status of the Alcohol, Drug and Mental Health Services Department (ADMHS);
- Approve a Budget Revision Request (BRR # 0003246) to Increase budgeted revenues of \$1,257,218 in ADMHS, Mental Health fund by a release of General Fund Contingency Committed fund balance account, and Decrease budgeted revenues of \$1,257,218 in ADMHS, Mental Health fund in Intergovernmental Revenue-State and Charges for Services;
- Direct the Department to return to the Board in May 2014 with further information on the Department's financial projections and implementation of budget adjustments, as appropriate.



# Questions

