



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: 5/20/14
Placement: Departmental
Estimated Tme: 1 hour
Continued Item: No
If Yes, date from:
Vote Required: 4/5 Majority

TO: Board of Supervisors
FROM: Department Takashi Wada, MD, MPH, Interim Director
Director(s) Alcohol, Drug and Mental Health Services
Contact Info: Michael C. Evans, CFO/Deputy Director, Finance 805-681-4517
SUBJECT: ADMHS 3rd Quarter Financial Status Update

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: CEO

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file a report regarding the financial status of the Alcohol, Drug and Mental Health Services Department (ADMHS);
- B. Approve a Budget Revision Request (BRR # 0003357) to Increase Appropriations of \$4,686,938 in ADMHS Mental Health Fund for Salaries & Benefits (\$132,158), Services & Supplies (\$3,609,570), and Other Charges (\$945,210) funded by Intergovernmental Revenue (\$592,532), Charges for Services (\$1,958,386), Other Financing Sources (\$1,600,000) and Miscellaneous Revenue (\$536,020). Increase appropriations of \$1,600,000 in the General County Programs General Fund for Other Financing Uses funded by a release of Committed Fund Balance.
- C. Direct the Department to return to the Board in August 2014 with further information on how the Department ended FY 13-14.

Summary Text:

ADMHS continues to have a structural funding imbalance in the Mental Health Services Fund 0044 (Mental Health Fund) and faces the same issues as described previously in the March 2012 presentation to the Board of Supervisors, the Fiscal Outlook Reports for FY 12-13 and FY 13-14, the FY 12-13 and FY 13-14 budget hearings, and the FY 13-14 first, second, and third quarter Budget Update reports. This board letter provides a third quarter update on ADMHS' projected year-end financial status.

Background:

ADMHS is the County's Mental Health Plan designated by the State of California Department of Health Care Services (DHCS), to provide Specialty Mental Health Services to:

- Medi-Cal beneficiaries with specialty mental health needs; and
- To the extent resources allow, services to uninsured individuals who are:
 - Children with serious emotional disturbance;
 - Adults and older adults with serious mental illness.

ADMHS also provides Alcohol and Drug Program (ADP) Services to Drug Medi-Cal beneficiaries, court-ordered and grant participants.

ADMHS has aimed to preserve core elements of the local mental health system within the constraints of limited funding and regulatory requirements. Specialty outpatient programs were created with the implementation of the Mental Health Services Act (MHSA), passed by California voters in 2004. These programs are funded by the Mental Health Services Act Fund 0048 (MHSA Fund), which receives no General Fund Contribution.

During this time, ADMHS has faced a structural imbalance in the Mental Health Fund, driven by limited funding available to cover non-Medi-Cal reimbursable costs such as services to the indigent, homeless shelter and services, and costly inpatient services. ADMHS also has a history of problems associated with Mental Health Medi-Cal cost report settlements and audits. These two issues have resulted in the Department requiring more than \$30 million in General Fund/Strategic Reserve funding over the last 10 years above and beyond the annual General Fund Contribution allocation included as the part of the regular budgeting process.

3rd Quarter Update:

ADMHS is projecting a -\$1.6 million FY 13-14 budget deficit for the Mental Health Funds as follows:

Year-End Projected Revenue Budget Increases	Projected Amount
Increase in State revenue	+ \$0.6 million
Increase in Charges for Service revenues	+ \$2.0 million
Increase in settlement revenues	+ \$0.5 million
Total Projected Revenue Budget Increase for the Mental Health Fund	+ \$3.1 million

Year-End Projected Expense Budget Increases	Projected Amount
Increase in inpatient contract bed expenses	- \$2.5 million
Increase in Extra Help expenses	- \$0.8 million
Increase in temporary nurse staff expenses	- \$0.5 million
Increase in support services expenses from other departments	- \$0.3 million
Increase in cost report settlement expenses	- \$0.6 million
Total Projected Expense Budget Increase for the Mental Health Fund	- \$4.7 million

Total Projected Deficit for the Mental Health Fund	- \$1.6 million
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Increase in revenues: \$3,086,938

ADMHS is increasing the budgeted revenue in the Mental Health Fund for Intergovernmental Revenue – State by \$592,532 based on receiving unexpected 1991 Realignment Mental Health Subaccount Growth revenue, Vehicle License Fee Collection for Mental Health revenue, and Disproportionate Share Hospital revenue, as well as transferring 2011 Realignment Mental Health revenue budget from the Mental Health Services Act (MHSA) Fund.

ADMHS is also increasing the budgeted revenue in the Mental Health Fund for Charges for Services by \$1,958,386 based on an increase in administrative revenue from the MHSA Fund and Alcohol Drug Program (ADP) Fund, as well as charges for mental health services provided to other ADMHS funds, County departments, and private insurance companies, offset by a decrease in Medicare and Medi-Cal revenues.

ADMHS is also increasing the budgeted revenue in the Mental Health Fund for Miscellaneous Revenue by \$536,020 based on an increase in prior year cost report settlements with the State and with Community Based Organizations (CBOs).

Increase in expenses: \$4,686,938

The Department is projecting to exceed the amount budgeted for personnel costs and support services from other County departments by \$1,576,912, due mainly to the use of extra help and temporary staff associated with the Department's "System Change" effort, nursing staff at the Psychiatric Health Facility (PHF) and administrative support from other departments. These costs are offset by the increased revenue listed above. ADMHS is also projecting to exceed the amount budgeted for cost report settlements by \$628,621, which will be offset by the revenue listed above.

As mentioned in prior financial status reports, ADMHS historically spends more on out-of-County inpatient contract beds than is budgeted, and this trend continues. ADMHS is projecting to exceed the amount budgeted for inpatient contract beds by \$2,481,405 for FY 13-14. Part of these costs are offset by the remaining \$881,405 revenue listed above that is not used towards additional personnel costs,

support services costs and cost report settlements. ADMHS is requesting \$1.6 million from the General Fund Contingency be allocated, but only actualized to the extent needed to cover the remaining inpatient contract bed costs.

Fiscal Analysis:

ADMHS is currently projecting a year-end deficit of \$1.6 million in the Mental Health Fund and is requesting the use of \$1.6 million from the General Fund Contingency Committed fund balance account to offset the projected deficit. Only the amount actually needed to balance the Mental Health Fund at the end of the year will be transferred to ADMHS.

Attachments:

BRR # 0003357

Authored by: M. Evans

cc: