



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: 1-26-10  
Placement: Departmental  
Estimated Tme: 45 mins  
Continued Item: No  
If Yes, date from: 11-10-09  
Vote Required: Majority

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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: Alcohol, Drug and Mental Health Services Update**

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**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Other Concurrence:** N/A

As to form: Select\_Concurrence

**Recommended Actions:**

Receive and file an update on prior years' potential financial liabilities in the Alcohol, Drug and Mental Health Services Department.

**Summary Text:**

Previously, the Alcohol, Drug and Mental Health Services Department (ADMHS) has reported to the Board of Supervisors on several issues that pose potential financial liabilities. This report provides an update of the status of these issues.

**Background:**

ADMHS has dealt with significant operational and financial challenges over recent fiscal years, a situation faced by other counties across California due to declining revenues amid increasing responsibilities to provide services to individuals with mental illness. ADMHS has kept the Board apprised of the issues and developed improvements to decrease the risk of future financial problems.

**Medi-Cal Reimbursement Process**

ADMHS anticipates it will provide approximately \$31.0 million in mental health services to Medi-Cal beneficiaries this fiscal year. The State has issued requirements for counties to follow in collecting and transmitting claims for reimbursement, however each county is responsible for maintaining its own

system that meets these requirements. Monthly, all of the service data is processed and submitted to the State, which calculates the amount owed to ADMHS based on the number of mental health service units accepted. A reimbursement rate is set for each service type for the department as well as for each contracted service provider. The State provides ADMHS what is, in essence, a provisional payment based on this calculation.

### Audit and Cost Settlements.

The dollars ADMHS collects from the State for mental health services provided to Medi-Cal beneficiaries are subject to a complex and lengthy cost settlement process. ADMHS is required to submit an annual Cost Report which reports all costs associated with providing services for a given Fiscal Year (actual cost). The actual cost is one component that the State reviews when it performs its “cost settlement” process. In this process, the State settles to the lower of:

1. Actual cost;
2. Published Charges which are the fees charged to the general public (as adopted by the Board of Supervisors); or
3. The State Maximum Allowable (SMA) rate, which is set by the State.

The cost settlement process results in a preliminary settlement, which typically takes place two years after the close of a Fiscal Year. However, the settlement is not complete until the DMH “audit settlement” is completed, approximately five years after the close of any given Fiscal Year. This lag time between the delivery of services and final settlement poses problems for mental health agencies because it prevents potential liabilities from being identified in time to take corrective action.

As a result of this protracted process, ADMHS can only estimate the amount it owes or is owed by the State for the services provided to Medi-Cal beneficiaries. The following summarizes the Department’s estimates for several in process or upcoming audits:

- FY 02-03 audit settlement is estimated at \$650,000.
- FY 03-04 and 04-05 audit settlements are in process.
- FY 06-07 preliminary cost settlement (pre-audit) estimated at \$3 million, while FY 07-08 is estimated to be a positive settlement.
- In addition, the FY 08-09 cost report, which would typically be filed by December 31, 2009 has been delayed by the State until February 2010.

ADMHS has taken steps to minimize potential future audit settlements with the State and, in turn, with its contracted service providers. A major focus of ADMHS’ operational improvements was in the financial management area, implemented within the last 18 months. ADMHS has strengthened its financial management in response to fiscal challenges. In conjunction with Auditor-Controller staff, ADMHS developed Policies and Procedures to enable a trained Fiscal staff capable of consistent and timely performance of duties and to prevent/reduce future cost settlements and audit exceptions with the State. There is still much work to do; however, some of the new Policies and Procedures are:

- Cost Report Preparation and Instruction Manual (Mental Health and ADP).
- Annual Cost Settlement process with the State.
- Annual Cost Settlement process with Providers.
- Quarterly rate review and adjustment (reduces probability of ultimate settlements).

- Annual update of ADMHS Published Charges (prevents loss of otherwise reimbursable costs).

ADMHS Disclosures to State Department of Mental Health (DMH). In Fall 2007, after ADMHS discovered and launched an examination of several compliance issues related to reimbursement for services rendered, ADMHS presented its findings to the County Executive Office (CEO), County Counsel and Auditor-Controller. Upon recommendation from County Counsel and the Board of Supervisors, ADMHS notified State DMH of findings related to:

- Documentation issues by a network provider.
- 15% administrative fees.
- Excess FFP/EPSDT.
- Billing for clients dually eligible for Medicare and Medi-Cal.

The self disclosures pose potential liabilities estimated at \$9.3 million, and the County has proposed to the State that they be settled as State audits for FY 02-03 thru 07-08 are performed.

The County discontinued these practices and developed policies and procedures to ensure appropriate documentation, billing and reimbursement processes are carried out. Specifically, ADMHS submitted correct Medi-Cal and Medicare claims for reimbursement of FY 07-08 and 08-09 services for clients who are dually eligible for both Medicare and Medi-Cal benefits (Medi-Medi). Subsequently, an automated billing process was implemented to claim for reimbursement to Medicare prior to Medi-Cal for these clients. ADMHS eliminated the 15% administrative fee from all contracts effective January 2008, and excluded them effective the 07-08 cost report. In addition, each quarter, ADMHS reports changes or developments to the self-disclosed liabilities to the Oversight Committee, comprised of representative of the County Executive Office, Auditor-Controller and County Counsel.

Mental Health Audit Appeals – MISC/CEC. As described above, State DMH audits have taken place approximately five years after the close of any given fiscal year. The FY 02-03 Short Doyle Medi-Cal Audit Report was provided to ADMHS by State DMH in February 2008. The audit contained a significant finding regarding Medi-Cal billing for child/adolescent mental health services provided through the Multi-agency Integrated System of Care Program (MISC/CEC) by ADMHS' interagency partners: Department of Social Services, Probation and Public Health. The finding represents a potential multi-year financial liability estimated at \$12.2 million for FY 02-03 through 07-08.

In light of the audit findings, the County discontinued this program shortly after the State report was produced. In its response to the 02-03 Audit Report, the County submitted a proposed settlement to eliminate the liability for the multi-year period of 02-03 through 07-08. In addition, the County is appealing the FY 02-03 adjustment of \$2.2 million, and an Audit Settlement hearing has been rescheduled to May to provide additional time for discovery by the County's legal team.

### Operations Improvements

ADMHS has undertaken a number of initiatives to improve operations and help mitigate the potential of future financial problems. These improvements span numerous divisions, including clinical, programmatic information systems, finance, contracts and quality assurance to increase fiscal accountability, monitor service delivery and spending and better manage limited resources. ADMHS' progress in these areas is described in the following sections.

## Information Systems

Information Systems was an additional area identified as in need of enhancement in order to support the Department's operations. ADMHS and its contracted service providers enter data related to delivered mental health services into ADMHS' Information System (IS). Service providers enter service data and clinician notes into Clinician's Gateway. ShareCare is the software program which serves as the claiming/billing and reporting system. Since implementation of the ShareCare product in the summer of 2007, the system has gone through a series of additional testing and modification to ensure compliance with State and County requirements. Issues that arose after implementation were in part responsible for the delays in claiming for services.

The systems have been operating effectively and enabled the establishment and compliance with performance measures regarding timeliness of claims for reimbursement to Medi-Cal and Medicare. Over the last six months, ADMHS has improved its timeliness in the submission of claims to the State, to an average of 26 days. This improvement resulted in significant improvement in ADMHS' cash position at September 30, 2009, however, a lag in payments from the State continues to pose a cash flow problem to the County. For example, as of the date of this report, the last payment received was on January 15, 2010 for August 2009 services. The County is awaiting payment for claimed services performed during the months of September through November 2009.

ADMHS has undertaken additional initiatives related to the IS systems which will continue to improve the utility and efficiency of the Department's software systems.

- Private Insurance. The module has been completed which will enable adjudication of services delivered to individuals with health insurance coverage. Because ADMHS primarily provides services to Medi-Cal and indigent clients, less than 1% of services are covered by private insurance.
- External System Review. As an additional check, ADMHS is seeking a qualified contractor to carry out an external information system review.
- Management Reports. Management reports customized to ADMHS' needs continue to be developed.

## Accounting Systems

The importance of appropriate financial oversight cannot be overstated in a department such as ADMHS which is accountable to State and Federal agencies. Several projects and improvements have taken place, in addition to those described above, including the following:

- Clearly defined duties of Managers and staff to enable focused improvements in the areas of: Cost Reporting, Audits and Compliance, Contract Monitoring and Medi-Cal/Medicare claiming activities.
- Filled open positions and recruited appropriate staff. More than 50% of the Fiscal staff is new to the Department (hired within past 2.5 years).
- Reconciled State and Federal payments over the past five years.
- Specified ADP as separate fund (previously included with Core Mental Health fund - 0044).
- Closed FY 08-09 in line with budget (did not require additional General Fund Contribution).

- Established a Prudent Reserve for MHSA programs (currently \$3.4M and will increase in FY 2009/10).
- Developed process for standard Allocation of Administrative costs between ADMHS funds.
- Initiated new performance measures to monitor timely Medi-Cal claiming.

#### Contract Management.

As presented to the Board at previous hearings, during FY 07-08 and 08-09, ADMHS Contracts Division developed new contracts for mental health and ADP services. The new contracts included a variety of provisions designed to strengthen ADMHS' ability to ensure compliance with regulations, including:

- New Statements of Work detailing services, type and number of clients, admission/discharge criteria, length of stay in treatment.
- Standardized Financial Provisions and Schedule of Rates to identify units of service, specific funding by program and cost reporting/audit policies.
- Reporting requirements for contractors.

Further, ADMHS has worked to provide additional oversight on contractor performance, including:

- ADMHS has developed reporting templates to assist contractors in providing the appropriate information.
- Developed a standard Provider "Scorecard" which enables comprehensive overview of each contractor's actual performance against contract requirements.
- Contracts and Fiscal staff provide analysis of contractor reports to monitor and exchange feedback with contractors quarterly regarding their programmatic and fiscal performance.

#### Quality Assurance.

ADMHS has increased overall accountability for service delivery and documentation by strengthening Quality Assurance (QA) activities. In FY 08-09, the QA Division:

- Developed or revised the department's policies & procedures to meet State DMH requirements including Compliance Plan, Utilization Management Plan, Quality Assurance Plan
- Conducted Medi-Cal documentation training for nearly 700 County and contractor staff, more than three times as many staff as in FY 06-07.
- Reviewed 4,500 clinician notes to verify appropriate documentation of medical necessity for services provided.
- A certified compliance officer now oversees the QA division.

### Clinic Operations.

The Department has initiated projects to increase the efficiency of clinic operations that are related to business operations:

- **Clinician Scheduling.** ADMHS is exploring options for the implementation of an electronic clinician scheduling system. The system will connect the clinic appointment schedule with clinician notes generated from client appointments which serve as documentation for billing. The system will correlate with HIPAA security as well as provide increased internal controls regarding scheduled appointments and delivered or undelivered clinical services. The project includes the following anticipated milestones:
  - Pilot testing at one clinic site – First quarter of 2010;
  - Roll out to remaining sites and training – Second quarter of 2010.
- **Client Intake Process.** This project will address the front end operations in the ADMHS facilities that provide direct services to clients. ADMHS is making improvements in documenting and streamlining the process from a client's entry into an ADMHS facility through end of the appointment. This process improvement will include client registration and collection of appropriate documentation. The following are upcoming milestones in this project:
  - Document and Flowchart Policies and Procedures regarding intake and patient maintenance responsibilities - First quarter of 2010;
  - Develop modified business and billing practices, including those to accommodate State mandates - Second quarter of 2010.

### Conclusion.

Over the last few years, ADMHS has made strides to strengthen internal controls in order to reduce the likelihood of future financial liabilities. ADMHS will continue to monitor the status of the prior years' potential liabilities, as well as implement business enhancements, monitor progress and report back to the Board as directed.

**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:** ADMHS Update PowerPoint Presentation

**cc:** County Executive Office