



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST BUDGET MODIFICATION

(Revised: 8/18/11)

Board Clerk Use Only

Meeting Date: 6/21/12
Agenda Item #: R.4
Est. Start Time: 9:55am
Date Submitted: 6/6/12

Agenda Title: BUDGET MODIFICATION # DCHS12-29 requests Verity Contingency Transfer of \$2,507,743; increasing Mental Health and Addiction Services Division (MHASD) Federal/State Appropriation.

Note: For all other submissions (i.e. Notices of Intent, Ordinances, Resolutions, Orders or Proclamations) please use the APR short form.

Requested Meeting Date: June 21, 2012
Time Needed: 15 minutes
Department: County Human Services
Division: Mental Health and Addiction Services
Contact(s): Kathy Tinkle
Phone: 503.988.3691 **Ext.** 26858 **I/O Address:** 167/1/240
Presenter Name(s) & Title(s): David Hidalgo, Interim MH Director and Joan Rice, MHASD Senior Operations Manager

General Information

1. What action are you requesting from the Board?

The Department of County Human Services (DCHS) recommends approval of budget modification DCHS12-29, increasing Mental Health and Addiction Services Division's (MHASD) Federal/State appropriation to recognize the transfer of \$2,507,743 from Verity (Fund 3002 Beginning Working Capital) Contingency.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

The Department of County Human Services, Mental Health and Addiction Services Division is requesting authority to utilize \$2,507,743 of Verity (Fund 3002) Contingency to cover unanticipated expenses in both Program Offer #25062 – Mental Health Services for Adults, Adult Inpatient Treatment services and Program Offer #25057 – Inpatient, Sub-acute & Residential MH Services for Children.

The majority of the increased expenses in Program Offer #25062 is due to the unanticipated increase of Adult Inpatient Treatment service bed days used by an additional 1,897 bed/days. This is estimated to result in an additional cost of approximately \$1,777,000 (1,897 bed/day @ an average blended rate of \$937/bed/day).

There are two major unanticipated increases in Program Offer # 25057's inpatient services for children. The first is an increase in Psychiatric Residential Treatment Services (PRTS) beds by approximately an additional 1,148 days. This is estimated to result in an additional cost of approximately \$424,000 (1,148 days @ an average rate of \$370/bed/day). The second is an unanticipated increase in the total Children's Sub-Acute bed days by 575 days. This is estimated to result in an additional cost of approximately \$333,000 (575 beds @ an average rate of \$580/bed/day).

3. Explain the fiscal impact (current year and ongoing)

Projected Fiscal Year 2012 expenses are anticipated to exceed current budget authority and additional contingency funds are necessary to cover expenses. In order to reduce Fiscal Year 2013 expenses, so as not to exceed revenue and utilize Verity Contingency funds for ongoing expenses, the following action steps are being implemented effective July 1, 2012:

- Reducing Fiscal Year 2013's number of authorized Adult Inpatient bed/day utilization by 397 days and reducing the average blended Adult Inpatient Rate by approximately 29% to \$667 for an overall total estimated reduction of \$1,586,989 (397 bed/days @ \$937/bed/day = \$371,989 & 4,500 bed/day @ new rate of \$667/bed/day = \$1,215,000) in Fiscal Year 2013's projected expenses.
- Daily monitoring of Verity Utilization of Adult Inpatient services is in effect and clients will be transition to lower level services and funding sources and, if necessary, an additional reduction in blended Adult Inpatient bed rates will be implemented early Fiscal Year 2013.
- Reducing the number of authorized bed days from 90 days to 74 days for PRTS, which is approximately a 17% reduction in the number of bed days per client or 1,116 bed days for an overall estimated reduction of \$413,478 (1,116 @ \$370.50/bed/day) in Fiscal Year 2013's projected expenses. Clients will be moved to lower level services and other funding sources if necessary in order to stay with in budget. Providers will only be authorized for a 74 day stay.
- Reducing the number of authorized bed days from 14 days to 9 days for Children's Sub-Acute beds, which is approximately a 36% reduction in the number of authorized bed day per client or 975 bed days for an overall estimated reduction of \$565,500 (975 @ \$580/bed/day) in Fiscal Year 2013's projected expenses. Clients will be moved to lower level services and other funding sources if necessary in order to stay with in budget. Providers will only be authorized for a 9 day stay.

4. Explain any legal and/or policy issues involved.

N/A

5. Explain any citizen and/or other government participation that has or will take place.

Verity Financial Reports, including revenue and expense projections, are shared monthly in provider CEO meetings. Individual meetings with providers and CEOs have been held to discuss potential risk sharing options.

On April 30, 2012 a mailing was sent to 54,000 Verity households to educate members on the use of Urgent Walk-In Clinics instead of use of the Emergency departments to help decrease the denial of hospital payment authorization for individuals placed on emergency hospital holds.

Budget Modification

If the request is a **Budget Modification**, please answer all of the following in detail:

- **What revenue is being changed and why? If the revenue is from a federal source, please list the Catalog of Federal Assistance Number (CFDA).**
The OHP (Medicaid) fund will increase by \$2,507,743. CFDA number – N/A.
- **What budgets are increased/decreased?**
Program Offer #25062 - Mental Health Services for Adults - increases by \$1,630,033; pass-thru increases by \$1,553,194; Department Indirect increases by \$37,800; and Central Indirect increases by \$39,039.
Program Offer #25057 – Inpatient, Sub-acute & Residential Services for Children – increases by \$877,710; pass-thru increases by \$836,335; Department Indirect increases by \$20,354; and Central Indirect increases by \$21,021.
- **What do the changes accomplish?**
Approval of this budget modification provides budget authority to Verity (Fund 3002 Beginning Working Capital) contingency funds to ensure that DCHS-MHASD Fiscal Year 2012 unanticipated expenses do not exceed available budgeted funding.
- **Do any personnel actions result from this budget modification? Explain.**
No personnel actions result from this budget modification.
- **If a grant, is 100% of the central and department indirect recovered? If not, please explain why.**
Yes, Verity Contingency funding is subject to Central and Department Indirect charges. All indirect charges are recovered.
- **Is the revenue one-time-only in nature? Will the function be ongoing? What plans are in place to identify a sufficient ongoing funding stream?**
The request for Verity Contingency funding is one-time-only in nature to fund unanticipated Fiscal Year 2012 expenses. Reduction strategies noted in section 3 under “General Information” explain estimated Fiscal Year 2013 impact and ongoing funding of services.
- **If a grant, what period does the grant cover? When the grant expires, what are funding plans? Are there any particular stipulations required by the grant (i.e. cash match, in kind match, reporting requirements etc)?**
Verity reserve/contingency is for unanticipated MH expenses and is one-time-only in nature.

Contingency Request

If the request is a **Contingency Request**, please answer all of the following in detail:

- **Why was the expenditure not included in the annual budget process?**

The Fiscal Year 2012's budget was based on Fiscal Year 2011's client utilization data. The increase in clients accessing the Adult Inpatient services and Children Inpatient services was unanticipated.

- **What efforts have been made to identify funds from other sources within the Department/Agency to cover this expenditure?**

The division was able to utilize funding available via our State Mental Health Grant (SMHG) to the fullest extent possible. These actions resulted in reducing the projected over expenditure by \$500,000.

- **Why are no other department/agency fund sources available?**

N/A

- **Describe any new revenue this expenditure will produce, any cost savings that will result, and any anticipated payback to the contingency account. What are the plans for future ongoing funding?**

N/A

- **Has this request been made before? When? What was the outcome?**

N/A

NOTE: If a Budget Modification or a Contingency Request attach a Budget Modification Expense & Revenues Worksheet and/or a Budget Modification Personnel Worksheet. If it is a General Fund Contingency Request, a memo from the Budget Office must be submitted.

Bud Mod: #DCHS 12-29

Required Signature

**Elected Official
or Dept Director:**



Date: 06/07/12

Budget Analyst:

Jennifer Unruh /s/

Date: 06/07/12