



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST (short form)

Board Clerk Use Only

Meeting Date: 5/1/14
Agenda Item #: R.6
Est. Start Time: 11:15 am
Date Submitted: 4/18/14

Agenda Title: **Board Briefing on Mental Health and Addiction Services: Managing Risk in a Changing Environment**

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title.

Requested Meeting Date: May, 1 2014 **Amount of Time Needed:** 30 minutes
Department: Non Departmental **Division:** Auditors Office
Contact(s): Judy Rosenberger
Phone: 83320 **Ext.** **I/O Address:** 503/601
Presenter(s): Steve March County Auditor, Mark Ulanowicz Principal Management Auditor, Nicole Dewees Senior Management Auditor and David Hidalgo Mental Health Director

General Information

1. What action are you requesting from the Board?

Board Briefing

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.

Mental Health and Addictions Services Division (Division) operates a mental health insurance plan that covers approximately 90,000 Oregon Health Plan (OHP) members in Multnomah County. The Division faces the financial risks associated with running an insurance plan. If the premiums collected by the plan are not greater than the claims and expenses paid, the County must make up the difference out of reserves or other funds.

The Division has been running the insurance plan as a part of an integrated mental health system that includes community mental health services, such as crisis response and commitment monitoring. The integration blurred the separation between the insurance plan and the other system components and decreased the focus on clearly defining which activities and costs should be included in the insurance plan. Without clearly defined activities and appropriate financial information, the County loses its ability to readily determine how well the insurance plan is performing or to make the most informed decisions about managing costs and financial risks, something that has become even more important with the transformation and expansion of OHP.

We found that the insurance plan financial statements have not accurately reflected plan operations, making it difficult to know the extent to which plan premium revenue has covered plan costs. The financial statements did not accurately reflect the insurance plan's operations because the Division included some non-insurance program expenses in the statements and left some insurance plan expenses out.

We also found that the Division did not always categorize insurance plan administrative costs appropriately. In the insurance industry, administrative costs are a key indicator of efficiency because lower administrative costs allow for more money to be spent on care. In the insurance plan financial statements, some administrative costs that were not categorized as such, which gave a false impression about total administrative costs. We reorganized the financial statements to better reflect insurance definitions of administrative costs and compared our numbers with industry benchmarks. Although comparisons should be viewed cautiously because of differences between the County's insurance plan and benchmark plans, we found that the County's administrative costs were higher than benchmark costs, but they were within the minimum standards set in the Affordable Care Act.

Properly managing the costs and financial risks associated with the mental health insurance plan has become more important with the transformation and expansion of OHP. With the transformation, the Division has lost control over some of its most important financial risk management tools: the ability to set limits on how much is paid for each type of insurance claim and which types of medical claims will be covered. The Division will also likely see additional changes in the number and acuity level of its insurance plan members. It is important that the Division be able to manage costs and risks, because it directly impacts its ability to provide mental health care services to insurance plan clients.

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

N/A

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.

N/A

Required Signature

**Elected Official or
Department/
Agency Director:**



Date: April 14, 2014