AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE		BOARD MEETING DATE	AGENDA NUMBER
Receive a proposal to reduce by $1 million annually the County General Fund contribution to Fund 902, the Health and Social Services Fund; Receive the Health and Social Services management restructuring plan; Authorize the Director of Human Resources to reclassify 2.0 FTE Deputy Director Health and Social Services – Social Programs		December 14, 2010	17
Dept: Contact: Phone:	Health & Social Services Patrick Duterte 784-8400	Supervisorial District Number ALL	
	Published Notice Required?	Yes______	No___X___
	Public Hearing Required?	Yes______	No___X___

DEPARTMENTAL RECOMMENDATION:

Health and Social Services (H&SS) recommends that the Board:

1) Receive proposal to reduce by $1 million annually the County General Fund (CGF) Contribution to Fund 902, the H&SS Fund;
2) Receive the H&SS management restructuring plan;
3) Authorize the Director of Human Resources to reclassify 2.0 FTE Deputy Director H&SS Social Programs.

SUMMARY:

Pursuant to Board direction, H&SS has developed a proposal to reduce CGF contribution by $1 million annually through decreasing expenditures by ($350,000) and increasing revenues by $650,000. The Department would reduce expenditures by the elimination of (5.25) FTE management positions, (2.0) under previous Board action and (3.25) as a result of the Human Resources item elsewhere on today's Agenda, resulting in a CGF savings of $350,000 in FY2010/11. The Department proposes to delete an additional (5.0) management positions and add 3.0 FTE line staff positions, for a net additional reduction of (2.0) FTE, on or before July 1, 2011. CGF savings associated with this reduction will be reflected in the FY2011/12 budget. The Department has identified several new revenue generating strategies in order to reduce CGF costs for existing services. Two of these strategies – claiming Federal funding for Public Guardian activities and establishment of Behavioral Health Centers – will generate up to $650,000 in new revenue annually. Revenue projections are based upon full staffing in the Department, therefore, H&SS is requesting approval of specific personnel actions, outlined below, and incorporated in the Human Resources staff report proposed later on today's Board Agenda.

FINANCING:

The revenue enhancement strategies identified in this report, if approved, will generate up to $650,000 annually in additional Federal revenue: $300,000 related to claiming for Public Guardian activities and $350,000 related to establishment of Behavioral Health Centers (FQHC). Revenue projections are based upon full staffing in affected programs. The balance of $350,000 CGF savings will be realized as a result of the management restructuring, under which (2.0) FTE were deleted in September and October 2010 and (3.25) FTE will be deleted pursuant to the Position Allocation List amendments proposed in today's Human Resources staff report. In FY2011/12, H&SS will delete an additional (5.0) management FTE and add 3.0 line staff FTE, for a net reduction of (2.0) FTE; CGF savings related to the net (2.0) FTE deletions will be included in the FY2011/12 budget, and are in addition to the $350,000 savings noted above. In summary, the H&SS proposal to achieve the $1million CGF annual reduction target is as follows:

• Public Guardian additional federal revenue		$300,000
• BHC additional FQHC revenue		$350,000
• Salary savings related to 10.25 FTE management reductions		$350,000
	Total:	$1,000,000

DISCUSSION:
On October 26, 2010, the Board directed that H&SS prepare a proposal for Board consideration to reduce the Department's CGF contribution by an additional $1 million annually. H&SS, in consultation with the CAO, presents the following proposal, which includes revenue enhancements and expenditure reductions, resulting from elimination of management positions.

H&SS County General Fund
H&SS programs are primarily driven by State and Federal government financing. In order to minimize CGF costs, H&SS endeavors to maximize all revenues associated with State and Federal programs and mandates. The H&SS FY10/11 budget includes $28.8 million in CGF (not including $2.55 million in CGF dedicated to fund through June 30, 2011 programs formerly supported by Tobacco Master Settlement Agreement revenues), representing 10.7% of the total H&SS financing. Of the $28.8 million, approximately $8.1 million is required for the County share of public assistance costs, and $14.2 million is set aside for "Maintenance of Effort (MOE)", mandatory local match. MOE and mandated match requirements are related to the State-local Realignment (1991), which shifted responsibility for many human service programs to the counties, along with a dedicated revenue source (sales tax and vehicle license fees) to provide the local match. The CGF and Realignment funds combined make up the "local match". The County is obligated to maintain MOE and mandated match, regardless of the amount of Realignment funding actually received. Over the past several years, local match, both Realignment and CGF, have declined:

H&SS Financing	FY2008/09	FY2010/11	Difference	
Program Revenue	$186,100,000	$202,900,000	$16,800,000	increase
Realignment	$ 41,700,000	$ 35,900,000	($ 5,800,000)	decrease
CGF	$ 35,200,000	$ 28,800,000	($ 6,400,000)	decrease
Total	$263,000,000	$267,600,000	($ 4,600,000)	increase

The balance of approximately $6 million in CGF is utilized for non-claimable costs (for example, the debt service principle payment for the Fairfield campus), local discretionary programs (for example contributions to local agencies) and as local match to draw down additional federal funds, especially in Child Welfare programs. The increase in program revenue has helped to offset losses in Realignment and CGF.

Program revenue

Program revenues are earned, primarily by two methods:

- Time Studies – staff document hours worked in each program/activity and the Department submits a claim for reimbursement of the Federal and State share of the costs.

- Billable units of services provided to clients are billed to various payer sources (such as Medi-Cal and Medicare).

County overhead and Department administrative costs are distributed to all programs in H&SS and included in each program budget. These administrative costs, which include fixed operational expenses such as utilities, DoIT charges, and A87, are included in claiming for Federal/State reimbursement and in setting billing rates. As a result, the majority of the revenues received by H&SS include reimbursement for both the costs associated with the individual employee providing the specific service and all departmental related costs, as well as, direct charges from other County Departments ($9,517,890) and A87 costs ($5,907,063). For example, the average salary and benefits for an Eligibility Benefits Specialist (EBS) is $85,000; however, the actual reimbursement received averages $200,000 per FTE, and therefore funds $115,000 for administrative and fixed costs for every filled EBS position.

While the County receives an "allocation" from the State for many of the H&SS programs, the amount of actual revenue received is dependant upon the actual costs of providing the services, primarily driven by labor costs. Reimbursement rates and methodologies vary be program, and are briefly outlined below.

Eligibility & Employment/Welfare Admin – requires MOE of $1.8 million in CGF; all costs above this amount are reimbursed at 100%, up to the annual allocation, beyond the County's required MOE amount. Funds for administration of CalWORKs, Food Stamp, Medi-Cal and other public assistance programs are allocated to the counties based primarily on caseloads. However, due to staff reductions, H&SS was not able to claim reimbursement for the full amount of the allocation for most of the public assistance programs. As a result, the Department's ability to provide services to clients was negatively impacted, revenues to the County were lost, and there was no savings in CGF. In addition, fixed costs, including Department overhead and A87 costs, were shifted to other H&SS Divisions, and funded by CGF, rather than outside revenue.

All Social Service Divisions are included in the quarterly "welfare claim"; CGF and Realignment provides the local match (percentage varies by program).

In Family Health Services, Mental Health and Substance Abuse programs, costs are reimbursed via billed units of service, primarily through Medi-Cal. FHS costs are reimbursed at 100% of billed units of services, due to the FQHC status. Mental Health adult services are reimbursed at 50% of costs up to a maximum allowable rate. For mental health children's services, the reimbursement is approximately 89%. Substance Abuse services, primarily provided by contractors, are billed at the State's Drug Medi-Cal rates for each type of service provided.

Revenue Enhancement Strategies

H&SS is in the process of implementing four new revenue enhancement strategies in FY2010/11, as presented at the September 21, 2010 Budget Workshop.

1) Behavioral Health Centers (FQHC) in Fairfield and Vallejo - $350,000 Federal Revenue
The "old" clinic sites, occupied by FHS prior to construction of the new facilities in Vallejo and Fairfield, will be used for the Behavioral Health Centers (BHCs). H&SS requested Federal approval to establish the two new clinic facilities as separate sites. This strategy allowed the Department to establish new reimbursement rates for services provided at the two new primary care clinics. The strategy also allows the Department to use the "old" clinic sites, already approved as FQHC sites, as Behavioral Health Centers, providing integrated services through a "medical home" model, consistent with Federal health care reform, and the State's recently approved Section 1115 Medicaid Waiver. H&SS will assign existing staff from FHS, Mental Health and Substance Abuse Divisions to the two BHCs. Costs for services at the BHCs will be billed at the approved rate for each site; H&SS estimates that the BHCs will generate an additional $350,000 annually, and reduce CGF costs by a like amount. Rates for the two new FHS clinic facilities will be set based upon actual costs in the first fiscal year of operation. Due to the County hiring freeze, filling the positions allocated by the Board in May 2010 for the new and expanded FHS clinics was delayed. Currently, costs per unit of service are below the interim reimbursement rate. Full staffing is required in order to achieve the revenue estimates.

2) Public Guardian – $300,000 Federal Health related claiming
H&SS submitted to the California Department of Social Services a revised time reporting plan for Social Service programs, which was approved in May 2010. The approved plan allows the Department to include the cost of Public Guardian (PG) operations in the social services claim effective July 1, 2010. The PG staff will document all services provided to clients; those activities which meet the criteria for Federal health related funding will be included in the claim each quarter. PG staff completed their first time studies in September 2010; H&SS estimates that the PG time studies will generate $300,000 in additional Federal funding for FY10/11. Funding will be ongoing.

3) Intergovernmental Transfer (IGT) - $6 million (FY2010/11) and $5.7 Million (FY2011/12 Federal revenue
In November 2010, the BOS approved an IGT in the amount of $3.8 million for FY2009/10 and FY2010/11, using MHSA funds of $1.8 million and $2 million in CGF. The $3.8 million will draw down $6 million in additional Federal funding in the first year and $5.7 million in year two. All funds, including the amounts transferred by the County, must be used to provide mental health services to Medi-Cal clients. Funds may be reserved for future use; H&SS anticipates that funds will be received late in FY2010/11, and will be used over the FY2010/11 – FY2012/13 period to sustain mental health services. IGT funds have not been incorporated in the FY2010/11 budget, nor included in this proposal, pending Federal approval.

4) Therapeutic Visitation
The Department has developed a plan to provide required visitation services to parents and children served by CWS through a therapeutic model. H&SS will contract with a certified provider for therapeutic visitation services, which will be billed to Medi-Cal (EPSDT). The County share of costs for these services will be reduced from approximately 40% under the

current service delivery method to 11% in the therapeutic model. The savings in CGF will be used to provide the local match to draw down Federal funds for CWS, which will mitigate the impact of the State's significant funding cut in FY2009/10 (sustained by the Governor in FY2010/11). While this strategy does not result in a CGF savings for the County, it allows H&SS to use CGF more effectively and to maintain CWS services, which the BOS has identified as a high priority.

In order to achieve these revenue goals, H&SS requests the following:

1) Restoration of 3.0 FTE fiscal staff positions deleted on October 26, 2010. The additional workload for fiscal management of the BHC billing systems, accounting for the IGT and claiming Federal funding for public guardian activates minimally requires that these positions be restored. These positions provide the fiscal administrative support necessary to claim reimbursement through staff time reporting, bill Medi-Cal and other payers, prepare required Federal fiscal reports; ensure compliance with regulations, and monitor receipt and use of funds.

   Restoration of the 3.0 fiscal line staff positions is offset by the elimination of 3.0 FTE management positions: (1.0) EMS Administrator, (1.0) Substance Abuse Administrator and (1.0) MH Medical Director.

2) Authorization for the HR Director to administratively classify the 3.0 FTE fiscal staff, restored per the Resolution included with the Human Resources staff report for consideration during today's Board meeting, no later than January 31, 2011.

3) Authorization for the HR Director to administratively reclassify as appropriate the following 6.0 FTE positions as recommended by the CAO in the July 27, 2010 Vacant Position Status Report to achieve operational savings:

   Mental Health Nurse (PCN 13452, 13887)
   Office Assistant III (PCN 11445)
   Psychiatrist - Board Certified (PCN 14802)
   Public Health Nurse (PCN 12460, 15208)

<u>Management Restructuring</u>
H&SS has developed a management re-structuring plan to "right-size" the Department, reduce CGF, and meet increasing service demands. The proposal will reduce the number of Divisions in H&SS from seven to five. It contemplates the elimination of (3.25) FTE Senior Management positions by Board action on today's Human Resources staff report, includes the elimination of (2.0) Middle Management positions by previous Board action and the reassignment of duties as set forth below:

Mental Health Medical Director: (1.0) FTE, December 14
Delete; duties will be assigned to the Assistant Health Officer/Physician Manager. Extend assignment pay to an existing 1.0 FTE Psychiatrist as warranted by additional responsibilities.

Substance Abuse Administrator: (1.0) FTE, December 14
Delete; duties will be assigned to an existing manager in Public Health.

EMS Administrator: (1.0) FTE, December 14

Deleted; duties assigned to an existing manager in Public Health. EMS and other emergency response/community health programs will be consolidated under one manager.

H&SS Planning Analyst: (1.0) FTE, October 26

Deleted; duties assigned to other Administration Division staff.

H&SS Hiring Manager: (1.0) FTE September 14

Deleted; duties assigned to other Administration Division staff.

Public Authority Administrator: (0.25) December 14

Reduce from 1.0 FTE to .75 FTE, and fill permanently. Position has been filled on an extra help basis since 2009, pending discussions with Napa County on regionalization. While discussions with Napa on cost saving ideas will continue, at this time there is no benefit associated by consolidating the two programs.

The elimination of the Mental Health Medical Director, EMS Administrator, Substance Abuse Administrator and the H&SS Planning Analyst positions will result in an ongoing $350,000 in CGF savings. The Department will continue restructuring and will recommend, effective on or before July 1, 2011, the elimination of an additional (5.0) FTE management positions and the addition of 3.0 FTE line positions. Savings associated from this additional net staff reduction of (2.0) FTE will be included in the FY2011/12 budget.

The major organizational impacts of the management restructuring are as follows:

Substance Abuse Division

Services are provided primarily through contracts with community based organizations in a managed care model. H&SS staff provides client assessments, authorize specific amounts and types of services, and monitor performance. H&SS proposes to eliminate the stand alone Substance Abuse Division and merge it with the Health Services Division.

Behavioral Health Centers

The new BHCs will be consolidated with the FHS primary care clinics in an integrated model under the Health Services Division. Medical oversight for all clinical programs will be consolidated and the position of Mental Health Medical Director will be eliminated.

Public Health/Health Services

The EMS functions have been combined with other public health emergency response/community health functions and assigned to an existing manager. The newly appointed Health Officer will review the organizational structure for Public Health and Family Health; implement the organizational changes identified in this proposal and make recommendations for modifications in FY2011/12 as appropriate.

Social Services

The social service programs - Child Welfare Services (CWS) and the Older and Disabled Adult Services (ODAS) will be consolidated into one Division. The Deputy Director for Child Welfare Services will assume responsibility for both programs. In 2009, the position of Deputy Director - ODAS was deleted after the retirement of the incumbent, and the existing Social Services

Administrator assumed responsibility for ODAS. Consolidation of these units will provide some efficiency and provide greater flexibility in managing limited resources. The scope of responsibility for the incumbent Deputy will increase significantly through the combination of CWS (106 FTE) and ODAS (62 FTE). In addition, the Department recommends that the Board authorize the HR Director to appropriately reclassify, if necessary, both the Deputy Director for CWS/ODAS and the Deputy Director for Eligibility and Employment in conformance with State merit system regulations, and return to the Board with the appropriate amendments to the Position Allocation List no later than March 31, 2011.

ALTERNATIVES:

The Board could choose to not accept the proposal to reduce CGF by $1 million and direct that the Department return with other options for consideration. This is not recommended because the delay would reduce the savings achievable during FY2010/11.

The reduction of (3.25) FTE management positions today, combined with the (2.0) FTE previously eliminated, will yield structural savings in FY2010/11 and beyond; and the Department has already begun to implement the processes to generate additional revenues as presented at the September 21, 2010 Budget Workshop.

OTHER AGENCY INVOLVEMENT:

The Human Resources Department has included in the Position Allocation List Resolution before you today the personnel transactions requested in this agenda item.

CAO RECOMMENDATION:

APPROVE DEPARTMENT RECOMMENDATION

DEPARTMENT HEAD SIGNATURE:

Patrick O. Duterte

Patrick O. Duterte, Director of Health & Social Services

9 Dec 10

Date