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| 2008-09 Spending Plan | Agency Name: Office of Mental Health |
| | Agency Head: Commissioner Michael Hogan |

A. Overview of Proposed Plan

A.1 Overall Approach

The Office of Mental Health's (OMH) financial management plan balances budget cuts and financial restraint against key policy and management objectives. Importantly, the plan achieves greater productivity in both the State and community systems by promoting efficiency, controlling costs, and targeting cuts to ensure funding is preserved for key initiatives required to reshape the mental health system and improve access to care.

A.2 Achievement of Savings on a Recurring Basis

OMH's plan will achieve \$39.4 million in All Funds savings in the 2008-09 Budget including the required recurring across-the-board cuts to State Operations (\$13.3 million) and Local Assistance (\$16.4 million) and an additional non-recurring reduction to spending projections for the Sex Offender Management and Treatment Act (SOMTA) (\$9.7 million). In State Operations, the plan imposes efficiencies and controls to achieve recurring savings while preserving the ability of hospitals to meet federal quality standards and increasing service access. In Aid to Localities, the plan targets cuts to certain community services and administration while preserving critical resources for clinic restructuring, cost-of-living adjustments, and housing.

A.3 Protecting Key Priorities

OMH's highest priority is to preserve funding for core operations and several key initiatives in the 2008-09 Budget which stabilize existing programs, set the stage for the transformation of the mental health system, and selectively fill gaps in care (e.g., housing). Importantly, the financial management plan has been developed to protect the goals of system transformation.

A.4 Treatment of New Initiatives

Spending targets for new initiatives funded in the Budget are reduced by 50% against their original funding levels contained in the Executive Budget Recommendation. The reduction totals \$4.9 million (\$1.7 million for State Operations and \$3.2 million for Local Assistance) which is included in the recurring savings for the financial management plan.

OMH's plan manages these reductions whenever possible to ensure that key policy objectives are preserved. Even with these reductions, there is still a commitment to the initiative to restructuring funding to clinics which is the first step in a multi-year approach to reducing barriers to access for low-

cost mental health services and positioning the OMH outpatient system for the conversion to a new payment methodology more consistent across the various Medicaid reimbursed outpatient systems, as well as improving the integration of care for co-occurring health problems.

B. Summary of State Operating Funds Impacts¹

| STATE OPERATING FUNDS -- SAVINGS SUMMARY | | | |
|--|-----------------------|---------------------|---------------------|
| | Required Reduction | 2008-09 Savings | 2009-10 Savings |
| Local Assistance | (16,185,000) | (16,185,000) | (16,185,000) |
| Personal Service | (14,290,000) | (14,290,000) | (8,290,000) |
| Non-personal Service | (2,260,000) | (2,260,000) | (1,260,000) |
| Fringe Benefits | (6,509,000) | (6,509,000) | (3,965,000) |
| Total State Operations | (23,059,000) | (23,059,000) | (13,515,000) |
| Capital (State Facilities) | N/A | N/A | N/A |
| Capital (Community Facilities) | N/A | N/A | N/A |
| Total Capital (002) | N/A | N/A | N/A |
| TOTAL | (39,244,000) | (39,244,000) | (29,700,000) |

| STATE OPERATING FUNDS -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS ² | | | |
|--|----------------------|-------------------------------|-------------------|
| | 2007-08 Actual | Revised 2008-09 Projection | Percent Change |
| Local Assistance | 997,693,000 | 1,032,963,000 | 3.5% |
| Personal Service | 1,042,343,000 | 1,064,838,000 | 2.2% |
| Non-personal Service | 293,836,000 | 301,730,000 | 2.7% |
| Fringe Benefits | 475,233,000 | 485,489,000 | 2.2% |
| Total State Operations | 1,811,412,000 | 1,852,057,000 | 2.2% |
| Capital (State Facilities) | 34,982,000 | 32,007,000 | -8.5% |
| Capital (Community Facilities) | 3,577,000 | 5,000,000 | 39.8% |
| Total Capital (002) | 38,559,000 | 37,007,000 | -4.0% |
| TOTAL | 2,847,664,000 | 2,922,027,000 | 2.6% |

¹ "State Operating Funds" in this exercise includes major OMH operating funds including General Fund as well as three major Special Revenue Funds Other – the MH Patient Income Account, MH Program Fund Account, and Health Care Reform Act Fund. Capital is Hard Dollar.

² Fringe Benefits were not considered to be a part of OMH's State Operating Budget prior to 2008-09. For comparability purposes, Fringe Benefits for 2007-08 have been estimated by applying the 2008-09 percentage rate against 2007-08 actual Personal Service spending.

C. Identification of Proposed State Operating Fund Actions

| | 2008-09 Cash | 2009-10 Cash | 2010-11 Cash |
|--|---------------------|---------------------|---------------------|
| STATE OPERATING FUNDS | | | |
| Local Assistance | | | |
| 1. Targeted cut to State Aid funding for sheltered workshops. | (1,178,000) | (1,570,000) | (1,570,000) |
| 2. Targeted cut to State Aid funding for certain community support services and non-Targeted Case Management (TCM) programs. | (2,521,000) | (3,363,000) | (3,363,000) |
| 3. Targeted cut to State Aid funding for local government administration. | (480,000) | (640,000) | (640,000) |
| 4. Reduce certain Medicaid rate add-ons to outpatient programs. | (260,000) | (1,040,000) | (1,040,000) |
| 5. Initiate restructuring of Medicaid rates for Continuing Day Treatment (CDT) programs. | (312,000) | (1,250,000) | (1,250,000) |
| 6. Convert State Aid funding to Medicaid. | (2,042,000) | (3,500,000) | (3,500,000) |
| 7. Manage community program development for efficiencies and savings. | (6,142,000) | (2,822,000) | (2,822,000) |
| 8. Delay implementation of new funding in 2008-09 Budget and reduce new funding for the Co-occurring Disorders Project and the Child and Family Clinic Plus initiatives. | <u>(3,250,000)</u> | <u>(2,000,000)</u> | <u>(2,000,000)</u> |
| Sub Total³ | (16,185,000) | (16,185,000) | (16,185,000) |
| State Operations | | | |
| 9. Promote program operating efficiencies and economies and absorb administrative costs within existing resources. | (1,850,000) | (3,025,000) | (3,025,000) |
| 10. Strengthen controls for overtime/stand by-on call. | (1,530,000) | (3,105,000) | (3,105,000) |
| 11. Manage position fills to essential hiring and backfills. | (7,272,000) | (4,435,000) | (4,435,000) |
| 12. Eliminate discretionary nonpersonal service spending and promote physical plant efficiencies. | (1,000,000) | (1,250,000) | (1,250,000) |
| 13. Reduce funding for 2008-09 new initiatives. | (1,674,000) | (1,700,000) | (1,700,000) |
| 14. Reduce projections for Sex Offender Management and Treatment Act (SOMTA) spending. | <u>(9,733,000)</u> | <u>(0)</u> | <u>(0)</u> |
| Sub Total | (23,059,000) | (13,515,000) | (13,515,000) |
| Capital Projects | | | |

³ Of this subtotal, the share that is a reduction to General Fund support is estimated to be \$2.2 million subject to local implementation of these savings.

| 2008-09 Cash | 2009-10 Cash | 2010-11 Cash |
|-----------------|-----------------|-----------------|
|-----------------|-----------------|-----------------|

Capital projects have not been subject to specific savings targets as part of the financial management plan. However, all projects are being assessed with respect to need and only projects essential to: the health and safety of patients, employees and the general public; continuation of essential services; and long-term planning will be advanced.

D. Summary of Impact on Other Funds⁴

| OTHER FUNDS -- SAVINGS SUMMARY | | | |
|--------------------------------|-----------------------|--------------------|--------------------|
| | Required Reduction | 2008-09 Savings | 2009-10 Savings |
| Local Assistance | (155,000) | (155,000) | (155,000) |
| State Operations | N/A | N/A | N/A |
| Capital (State Facilities) | | N/A | N/A |
| Capital (Community Facilities) | | N/A | N/A |
| Total Capital (389) | | N/A | N/A |
| TOTAL | (155,000) | (155,000) | (155,000) |

| OTHER FUNDS -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS ⁵ | | | |
|--|--------------------|-------------------------------|-------------------|
| | 2007-08 Actual | Revised 2008-09 Projection | Percent Change |
| Local Assistance | 36,457,000 | 36,550,000 | 0.3% |
| State Operations | 4,816,000 | 4,501,000 | -6.5% |
| Capital (State Facilities) | 206,019,000 | 220,866,000 | 7.2% |
| Capital (Community Facilities) | 33,966,000 | 51,000,000 | 50.2% |
| Total Capital (389) | 239,985,000 | 271,866,000 | 13.3% |
| TOTAL | 281,258,000 | 312,917,000 | 11.3% |

⁴ "Other Funds" in this exercise include miscellaneous OMH operating funds including Special Revenue Funds Federal and Special Revenue Funds Other not cited in the prior footnote. Capital funds are bonded dollar.

⁵ Values represent funds appropriated in the OMH budget and does not include funds that are initially appropriated in other agency budgets and subsequently sub-allocated to OMH.

E. Identification of Proposed Other Fund Actions

| | 2008-09 Cash | 2009-10 Cash | 2010-11 Cash |
|--|-----------------|-----------------|-----------------|
| OTHER FUNDS (Note the fund/s affected by each proposal, in parentheses at the end of each entry) | | | |
| Local Assistance | | | |
| 1. Reduce the Special Revenue Other (SRO) fund for the Medication Grant Program. | (155,000) | (155,000) | (155,000) |
| <p>Note: The Federal grant award for the Community Mental Health Services (CMHS) block grant was reduced by an additional \$438,000 requiring reductions in Local Assistance funding beyond the financial management plan.</p> | | | |

State Operations

Not applicable.

Capital Projects

Capital projects have not been subject to specific savings targets as part of the financial management plan. However, all projects are being assessed with respect to need and only projects essential to: the health and safety of patients, employees and the general public; continuation of essential services; and long-term planning will be advanced.

F. Plan to Manage the Workforce

F.1 Overall Approach

Workforce management efforts will entail a three-pronged approach:

1. New Hires – All potential new hiring anticipated in the 2008-09 Enacted Budget has been reviewed and reduced to the degree practicable. The phase-in assumptions for new positions that must be filled to meet critical mission related objectives will also be closely managed to limit 2008-09 spending.
2. Staffing Targets – Payroll period - specific staffing targets have been issued to all psychiatric centers. Actual fill levels will be monitored in relation to these targets throughout the fiscal year.
3. Filling/Refilling Vacancies - Guidelines have been issued to all facilities to ensure that individual hiring decisions will be made consistent with the tenets of Budget Bulletin B-1178. Hiring will be strictly limited to only those essential positions necessary to ensure health and safety or to meet core agency requirements.

F.2 Plan for Refill of Vacant Positions (both current and anticipated vacancies)

See above.

| Workforce Impact -- All Funds | |
|--|---------------|
| a. Initial 2008-09 Year End Target | 17,267 |
| b. Current Fills PP# 2 | 17,056 |
| c. Recurring impact of proposed actions (see Parts C & E) | 0 |
| d. Recurring impact of vacancy-refilling plan (see F.1) | 111 |
| e. Total FTEs March 31, 2009 (line b minus line c, plus/minus line d) | 17,167 |
| f. Change from Initial 2008-09 Target (line a minus line e) | -100 |

G. Monthly Projections: All Funds Workforce; General Fund State Operations/Local/Capital

See attached spreadsheet.

H. Assumptions Underlying the Proposed Plan

Most savings measures outlined in this financial management plan can be handled administratively. However, any efforts to change Medicaid rate methodologies will require regulatory amendments (14 NYCRR).

I. Management of Risks Inherent in the Plan

OMH internal fiscal and programmatic reviews demonstrate that the array of services targeted for reduction in this plan will not compromise the mission of OMH. Nevertheless, these reductions will impact service providers and counties as they will have to share in the achievement of program efficiencies and make difficult choices about how these services are delivered.

As an operator of more than 5,000 inpatient beds and an array of community services, OMH must balance its mandate to achieve savings while protecting patient and employee health and safety and ensuring the delivery of appropriate care. One program where future growth is not entirely predictable is services that OMH must provide under SOMTA. While current year SOMTA savings is assumed due to census levels being lower than previously projected, program history is brief and insufficient to reliably forecast future resource needs.

J. Additional Savings Opportunities for 2008-09

OMH will continue to actively pursue savings measures in the current year for State Operations and Aid to Localities as part of the financial management plan. These ongoing efforts will identify opportunities to eliminate less essential activities and increase efficiency wherever possible.

K. Potential Future Savings Opportunities/Operational Improvements (indicate if statutory change is required)

OMH is engaged in a comprehensive ongoing reform agenda for mental health care designed to improve access to and efficiency of care while rationalizing reimbursement, measuring performance, and improving outcomes.

As part of this agenda, OMH is conducting a full scale review of the Medicaid paid ambulatory care system for mental health services, developing a Comprehensive Children's Mental Health Plan, seeking opportunities to restructure traditional residential services in favor of supported housing and specialized alternatives, and focusing on more efficient use of state operated services. These efforts in some cases will lead to recommendations for consideration in future Executive Budgets. These efforts will improve access to and integration and efficiency of care, but will be considered in the context of cost containment.

G. Monthly Projections: All Funds Workforce; State Operating Funds - State Operations/Local/Capital

(\$ in 000s)

| | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | TOTAL |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| A. Workforce - All Funds | | | | | | | | | | | | | |
| Est FTEs Month-end | 17,028 | 17,100 | 17,167 | 17,167 | 17,167 | 17,167 | 17,167 | 17,167 | 17,167 | 17,167 | 17,167 | 17,167 | 17,167 |
| B. State Operations | | | | | | | | | | | | | |
| Personal Service | | | | | | | | | | | | | |
| 1st PP | 44,310 | 40,225 | 40,223 | 40,903 | 40,915 | 40,654 | 40,922 | 40,618 | 40,922 | 41,053 | 41,132 | 41,885 | 493,762 |
| 2nd PP | 39,677 | 40,354 | 40,127 | 40,915 | 40,857 | 40,618 | 40,915 | 40,107 | 41,904 | 41,306 | 41,502 | 40,669 | 488,951 |
| 3rd PP (if applies) | 2,471 | - | - | 38,214 | - | - | 2,252 | - | 39,188 | - | - | - | 82,125 |
| Subtotal PS | 86,458 | 80,579 | 80,350 | 120,032 | 81,772 | 81,272 | 84,089 | 80,725 | 122,014 | 82,359 | 82,634 | 82,554 | 1,064,838 |
| Fringe Benefits | 80,244 | | | 122,664 | | | 140,360 | | | 142,221 | | | 485,489 |
| NPS | 13,979 | 26,552 | 22,328 | 22,328 | 22,328 | 22,328 | 22,630 | 22,841 | 23,203 | 27,759 | 35,302 | 40,152 | 301,730 |
| Total Disbursements -- State Ops | 180,681 | 107,131 | 102,678 | 265,024 | 104,100 | 103,600 | 247,079 | 103,566 | 145,217 | 252,339 | 117,936 | 122,706 | 1,852,057 |
| C. Local Assistance | | | | | | | | | | | | | |
| State Aid | 11,219 | 45,781 | 33,000 | 104,081 | 28,699 | 55,404 | 74,416 | 9,344 | 7,434 | 70,808 | 109,038 | 88,739 | 637,963 |
| Medicaid State share transfer | 0 | 0 | 0 | 0 | 0 | 98,750 | 0 | 0 | 98,750 | 98,750 | 98,750 | 0 | 395,000 |
| Total Disbursements - Local | 11,219 | 45,781 | 33,000 | 104,081 | 28,699 | 154,154 | 74,416 | 9,344 | 106,184 | 169,558 | 207,788 | 88,739 | 1,032,963 |
| D. Capital Projects | | | | | | | | | | | | | |
| Capital Projects Fund | | | | | | | | | | | | | |
| Community | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 500 | 500 | 5,000 |
| State Operated | 1,545 | 1,246 | 1,009 | 1,214 | 2,818 | 1,761 | 1,683 | 1,923 | 2,777 | 1,288 | 1,920 | 12,823 | 32,007 |
| Subtotal Capital Projects Fund | 1,945 | 1,646 | 1,409 | 1,614 | 3,218 | 2,161 | 2,083 | 2,323 | 3,177 | 1,688 | 2,420 | 13,323 | 37,007 |
| MH Capital Improvement Fund | | | | | | | | | | | | | |
| Community | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 5,000 | 5,000 | 50,000 |
| MH Cap Improvement Authority | 4,896 | 6,877 | 5,395 | 5,480 | 7,354 | 4,467 | 5,773 | 5,567 | 4,850 | 5,520 | 7,796 | 6,025 | 70,000 |
| MHCIF Direct | 21,457 | 18,846 | 5,782 | 14,493 | 7,735 | 5,937 | 13,052 | 10,260 | 4,549 | 15,357 | 17,496 | 15,902 | 150,866 |
| Subtotal MH Cap Improv Fund | 30,353 | 29,723 | 15,177 | 23,973 | 19,089 | 14,404 | 22,825 | 19,827 | 13,399 | 24,877 | 30,292 | 26,927 | 270,866 |
| Total Disbursements -Capital | 32,298 | 31,369 | 16,586 | 25,587 | 22,307 | 16,565 | 24,908 | 22,150 | 16,576 | 26,565 | 32,712 | 40,250 | 307,873 |