



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



Date: June 10, 2013
Board Meeting Date: July 9, 2013
Special Notice / Hearing: None
Vote Required: 4/5ths

To: Honorable Board of Supervisors
From: Jean S. Fraser, Chief, Health System
Subject: ATR for the Health System

RECOMMENDATION:

Adopt a Resolution authorizing a FY 2012-13 Appropriation Transfer Request (ATR) in the amount of \$6,807,495, transferring \$5,307,495 in General Fund Reserves from various divisions within the Health System, recognizing and appropriating unanticipated revenues of \$400,000 from the Medical Center, and appropriating and transferring \$350,000 in Non-General Fund Reserves from the In-Home Support Services Public Authority, to Other Charges in Behavioral Health and Recover Services to offset revenue reductions for SB90 claiming disallowances.

BACKGROUND/DISCUSSION:

In May 2013, the State Controller's Office reported their initial findings from an audit of the Health System's AB3632/Handicapped and Disabled Students Program. This program provided mental health services to students in special education in local schools through the first quarter of FY 2010-11 when the program responsibility was transferred to local schools. The program was a state mandate, so the cost was to be paid by the State. The State audited FY 2006-07, FY 2007-08, FY 2008-09 and FY 2009-10. The Health System's claims for those years totaled \$12,497,348.

The State's initial findings total \$9,470,772 in disallowed costs. The reasons for the disallowances include duplicate claims, incorrect provider rates and other adjustments that are expected for programs that are claimed in this manner. The State also interpreted some program rules which we will dispute. However, the majority of the disallowance is related to a recent legal decision that is being applied retroactively by the State. Specifically, in May 2011, the Commission on State Mandates determined that social skills training was not a covered service in this program even when provided as part of another service that is covered. The State has retroactively applied this disallowance to social skills training services provided in years before 2011.

We will be disputing many of the audit's preliminary findings. However, after consulting with the expert on SB90 claims, we expect that our disallowance will be approximately \$6,534,606. This ATR moves funds from reserves and savings in Services and Supplies within the Health System to offset this one-time revenue loss. There remains one quarter that may still be audited for FY 2009-10 and we currently estimate the risk for that time period to be \$550,000. This audit will not occur for several years and we will work towards building a reserve for this potential finding.

Approval of this ATR contributes to the Shared Vision 2025 Outcome of a Healthy Community by assuring fair and complete evaluations of claims and audits. It is anticipated that 50% of disputed initial audit findings will be reversed in the County's favor.

PERFORMANCE MEASURE(S):

Measure	FY 2011-12 Actual	FY 2012-13 Projected
Percent of disputed initial audit findings that are reversed.	n/a	50%

FISCAL IMPACT:

There is no change to Net County Cost as the result of this ATR. This will result in a reduction of Health System General Fund reserves of \$5,307,495 and IHSS reserves of \$350,000, leaving the Department with approximately \$7,600,262, or 1% of Net Appropriations.