



Aid to Localities

	GF/Mental Hygiene Program Funds	Other Funds	Total Operating	Capital Funds
2008/09 Available	\$1,027,898,000	\$53,087,000	\$1,080,985,000	\$56,000,000
2009/10 Executive Recommendation	\$1,093,322,000	\$53,087,000	\$1,146,409,000	\$71,075,000
CHANGE:	\$65,424,000	\$0	\$65,424,000	\$15,075,000

Note: These highlights reflect Financial Plan cash spending projections for OMH Aid to Localities funding in the 2009/10 Executive Budget.

Overview

Community mental health services supported by Aid to Localities funding in the 2009/10 Executive Budget are engaged in sweeping changes to reorient programs toward recovery and resiliency, provide sustainable funding models, and make care more consumer and family driven. The proposed Executive Budget Recommendation accomplishes these changes while dramatically reducing the rate of growth in spending by promoting efficiencies in certain high cost services and by deferring new spending commitments until they are affordable.

Major themes of reform advanced in this budget include:

- ◆ **Expanding access to outpatient clinic treatment** (annualizing investments begun in 2008/09) while providing resources to establish an indigent care pool for clinics, and introducing a new rate methodology, that is consistent with federal requirements, to be phased in over four years.
- ◆ **Advancing reform of children's services** as recommended in the Children's Plan, via partnerships with other child-serving state agencies.
- ◆ **Tackling the long-standing problem of unemployment** of adults with mental illness with the assistance of a (federal) Medicaid Infrastructure Grant, and reorienting adult mental health services toward a recovery oriented and consumer-driven approach.
- ◆ **Addressing problems in access to and reimbursement** of acute psychiatric inpatient care via introduction of a more rational payment methodology and the expansion of community based emergency and crisis resolution services.

Savings

2008/09 Savings Implemented	\$23.9 million
2009/10 Proposed Savings	\$103.4 million
Total Savings	\$127.3 million

Annualization of 2008/09 Savings Actions

The 2009/10 Executive Budget annualizes the Aid to Localities cost savings measures initiated in SFY 2008/09 as part of the Financial Management Plan and the August 2008 Special

Economic Session. These measures achieved \$19.2 million in 2008/09 savings, growing to recurring savings of almost \$24 million annually. Components include reductions to State Aid funding for sheltered workshops, community support programs and local government administration; targeted reductions to outpatient programs with higher Medicaid rate add-ons, where increased productivity could offset revenue reductions; restructuring Continuing Day Treatment (CDT) programs, where existing regulations and rate structures needed to be reconfigured to comply with federal and state standards; and maximizing Medicaid reimbursement for outpatient programs previously funded by State Aid.



Delay and Reduce Human Services Cost-of-Living Adjustments (COLA) (-\$67.1 million)

The 2009/10 Executive Budget Recommendation proposes to reduce the 2008/09 Human Services COLA from 3.2 percent to 2.2 percent prospectively effective January 1, 2009 (saving \$9.5 million) and provide no COLA in 2009/10 (saving \$56.5 million). Additionally, the Executive Budget proposes to defer the trend factor for one-year for Residential Treatment Facilities (saving \$1.1 million). These actions promote no trend factor adjustments consistent across programs. To maintain the long-term commitment to these programs, a COLA is still planned for 2010/11 and 2011/12 and the Executive Budget proposes to extend the COLA an additional year in 2012/13.

Eliminate Differential for Unified Services Counties and Reduce State Aid for County Administration to Provide Incentive to Maximize Federal Salary Sharing (-\$2.1 million)

The 2009/10 Executive Budget Recommendation proposes to eliminate the differential for Unified Service counties (Rensselaer, Rockland, Warren, Washington and Westchester) effective January 1, 2009 (saving \$1 million). Additionally, OMH will reduce State Aid for Local Governmental Unit (LGU) administrative activities which could be mitigated by counties maximizing Federal Salary Sharing to replace the loss of State funding (saving \$1.1 million).

Reduce 2008/09 Legislative Program Adds

The Executive also advances a 2008/09 appropriation bill to reduce funding for Legislative Program Adds by a total of 50 percent consistent with the Governor's savings recommendations for the November Special Session.

Reduce Home and Community Based Services (HCBS) Service Dollars (-\$0.8 million)

The 2009/10 Executive Budget Recommendation proposes to reduce 'flex' service dollars for the HCBS waiver program reflecting the underutilization of existing funds. The service dollars will be reduced from \$2,500 to \$1,500 per slot for all providers consistent with current average performance and to promote efficiencies in the program.

Eliminate and Redirect Resources for Unallocated Family-Based Treatment Beds (-\$1.9 million)

The 2009/10 Executive Budget Recommendation proposes to eliminate resources for 75 unallocated Family-Based Treatment beds in New York City and reallocate these funds to support the comprehensive Children's Plan and other priorities. These beds have been returned to OMH by providers who have been unable to maintain occupancy rates.

Maximize Reimbursement and Recoveries (-\$8.5 million)

OMH will improve efforts to maximize third-party reimbursement and to recover excess State Aid funding, overpay-

ments to Comprehensive Outpatient Programs, and exempt income for residential programs.

Freeze Community Bed Pipeline Excluding New York/New York Initiatives (-\$6 million)

The 2009/10 Executive Budget Recommendation proposes to temporarily freeze the community residential bed pipeline by halting new planned construction while maintaining the State's commitment to the New York/New York III bed development for homeless housing and beds already in development. Consistent with housing restructuring efforts, OMH will work closely with providers to reevaluate pipeline bed commitments and explore lower cost alternatives. Importantly, the Executive Budget provides operational resources to support more than 1,700 new residential beds already scheduled to open by the end of 2009/10.

Defer and Restructure New Commitments (-\$17 million)

To address the fiscal crisis, the 2009/10 Executive Budget Recommendation proposes to defer and restructure new commitments from the prior year as follows:

- ◆ **Delay and Restructure Community Residential and Family-Based Treatment Model Enhancement:** This budget proposes to restructure implementation of the third year of the reimbursement enhancement for Community Residence and Family-Based Treatment models and gradually phase in the final eight percent increase across a three-year period. Starting January 1, 2010, OMH will provide a 3 percent enhancement to the model and gradually phase in the remaining investment in 2010/11 and 2011/12.
- ◆ **Delay and Restructure Enhancement to Family Care Reimbursement:** This budget proposes to temporarily delay implementation of the initiative to enhance reimbursement for Family Care providers by \$100 per month and gradually phase in the increase across a three-year period. Starting January 1, 2010, OMH will provide an increase of \$50 per month for Family Care and gradually phase in the remaining investment in 2010/11 and 2011/12.
- ◆ **Delay Adding Family Support Services to Child and Family Clinic Plus:** This budget proposes to temporarily delay implementation of the initiative to add family support services Clinic-Plus and gradually phase in the investment over the next three years. The first phase on this investment will start in 2010/11.
- ◆ **Restructure Initiative to Manage Care of People with Co-Occurring Disorders:** This budget proposes to temporarily scale back the Co-Occurring Disorders initiative, consistent with the budget recommendations for the Office of Alcoholism and Substance Abuse (OASAS). OMH will implement the NYS Task Force on Co-Occurring Disorders by using the remaining \$250,000 in 2009/10 to implement standardized screen-



ing and assessment instruments and evidence-based practices for the treatment of persons with co-occurring mental health and substance abuse disorders.

◆ **Restructure Initiative to Establish Managed Care**

Demonstration Programs: This budget proposes to temporarily scale back the Managed Care Demonstration Programs. OMH will use the remaining \$1.5 million in 2009/10 to proceed with a phased approach to support two managed care demonstration programs (one in Western New York and one in New York City) that will help coordinate both the regular health and the behavioral health needs of high cost populations, resulting in more effective and cost efficient coordinated care.

Program Actions

Implementing a Comprehensive Children's Plan (+\$1.7 million)

Endorsed by all nine child-serving State agencies, the Children's Plan is designed to improve the social and emotional well being of New York's children and their families. The Plan communicates a collective vision and outlines a series of recommended actions on the part of all child serving agencies. The 2009/10 Executive Budget Recommendation redirects base resources to implement a series of proposals for the OMH component of the plan, including: improving access to resources on emotional well being for parents, teachers and caregivers; expanding youth involvement in service delivery; enhancing parent education; improving the identification and treatment of emotional disturbances in children; and increasing the integration of service systems.

Establishing a Peer Support Groups Training, Technical Assistance and Resource Center (+\$0.7 million)

The 2009/10 Executive Budget Recommendation redirects base resources to establish a Peer Support Groups Training, Technical Assistance and Resource Center to promote and support peer run organizations to leverage further transformation in the system. The Center will provide a range of technical assistance, training, tools and resources for peer run organizations. In addition, the funds will support annual grant awards to encourage innovation and growth of peer run organizations.

Implementing New Federal Grant to Improve Employment Opportunities (+\$6 million)

The 2009/10 Executive Budget Recommendation includes a \$6 million appropriation for a new Federal Medicaid Infrastructure Grant (MIG) to expand New York's capacity to support individuals with disabilities with a desire to work; build comprehensive, cross-agency, sustainable, coordinated systems of support and services to advance employment for individuals across the full spectrum of disabilities; and, support

the goal of removing barriers to employment and create lasting improvements for New Yorkers with disabilities.

Continue Supported Housing Expansion and Develop New Rent Subsidy Program (+\$5.6 million)

The 2009/10 Executive Budget Recommendation includes \$5.6 million in resources to support the implementation of the multi-year initiative to develop 1,500 new Supported Housing beds. OMH will begin the first phase of the initiative in 2009/10 by awarding the initial 600 beds to facilitate the closure of inpatient beds in State facilities. Additionally, OMH will pursue a cost neutral proposal to restructure the remaining resources to pilot a new rent subsidy program starting in 2010/11. OMH will design the rent subsidy program to facilitate the transition to independent living with supports from community-based programs. When fully annualized in 2012/13, total funding for the supported housing and rental subsidy beds will be more than \$18 million annually.

Continue Expansion of Vocational Services in PROS (+\$1.3 million)

The 2009/10 Executive Budget includes \$1.3 million to provide State Aid to expand access to vocational services within the Personalized Recovery Oriented Services (PROS) program.

Sustaining and Expanding the Ambulatory Care System and Establishing an Indigent Care Pool (+\$5 million)

Consistent with the Governor's philosophy of improving access to ambulatory care to reduce reliance on costly inpatient and emergency services, the 2009/10 Executive Budget Recommendation continues full support to begin implementation of the new Ambulatory Patient Groups (APG) rate methodology. The new APG methodology and program restructuring will rationalize reimbursement for mental health clinics and annualize the ambulatory care restructuring investments implemented in the current year to increase reimbursement and expand access to services. Importantly, these new resources will be built into the base rates for the new APG methodology.

Additionally, as the clinic restructuring effort phases-out funding for the Comprehensive Outpatient Programs (COPS) over the next four years, this budget includes \$5 million in new resources for OMH to establish a State Aid funded indigent care pool which will supplement the Medicaid indigent care pool in the DOH budget.

This budget also includes Article VII legislation to extend the exemption for the social work and mental health practitioner licensing requirements to allow for greater State and local government flexibility in the delivery of mental health services while the full impact of the law is evaluated and affected organizations move toward compliance.



Resources for Medicare Eligibility Demonstration Project (+\$0.5 million)

The 2009/10 Executive Budget Recommendation redirects base resources to support a demonstration project to evaluate the ability to pursue Social Security and Medicare benefits for eligible disabled individuals which will cover the cost of their care.

Reallocating Utilization Savings for CDT Restructuring to Support Conversions to Alternative Program Models

OMH is implementing the Continuing Day Treatment (CDT) restructuring initiative in the current year to reduce existing reimbursement levels, enhance the program's service requirements, reconfigure Medicaid rates from hourly to half day/full day and transition hospital-based CDTs to a consistent methodology rather than reimbursement for a threshold visit. The 2009/10 Executive Budget Recommendation redirects a portion of any CDT utilization savings to address potential reductions in service capacity by supporting conversions and/or expansions to alternative program models including Personalized Recovery Oriented Services, clinics and peer operated programs.

Annualizing Prior Year Initiatives

The 2009/10 Executive Budget Recommendation annualizes funding for prior year initiatives (i.e., cost-of-living-adjustments, new residential beds opening, ambulatory care investments, model enhancement for Community Residences and Family Based Treatment, and other program adjustments).

Community Capital (+\$15.1 million)

Capital disbursements for community facilities totaling \$71.1 million include funds for ongoing maintenance and continued development of beds already in design or construction and priority housing initiatives (i.e., New York/New York III) excluded from the bed freeze.

Article VII Legislation

- ◆ **Reduce and Defer Cost-of-Living Adjustments (COLAs):** Reduce the 2008/09 COLA from 3.2 percent to 2.2 percent prospectively effective January 1, 2009, eliminate the COLA for 2009/10, and extend the statute for an additional year through March 31, 2013.
- ◆ **Eliminate Differential for Unified Services Counties:** Eliminate the differential for Unified Service counties (Rensselaer, Rockland, Warren, Washington and Westchester) effective January 1, 2009.
- ◆ **New Ambulatory Patient Groups (APGs) Reimbursement Methodology:** Authorizes, in the Department of Health (DOH) budget, implementation of the new APG reimbursement methodology for hospital and freestanding mental health clinics starting on or after October 1, 2009.
- ◆ **New Indigent Care Pool for Free Standing Clinics:** Establishes, in the DOH budget, an indigent care pool which includes mental health clinics.
- ◆ **New Reimbursement Methodology for Inpatient Psychiatric Care:** Rebases, in the DOH budget, hospital inpatient rates effective July 1, 2009 and transitions to a case payment methodology effective January 1, 2010.
- ◆ **Expansion of Crisis Services for Reduced Inpatient Utilization:** Authorizes, in the DOH budget, the expansion of mental health services including home-based crisis intervention and critical time intervention programs to reduce utilization of inpatient hospital services.
- ◆ **Reauthorizing Exemption for Social Worker Licensing Requirements:** Extends the exemption for the social work and mental health practitioner licensing requirements for an additional four years through December 31, 2013.
- ◆ **Reauthorizing Voluntary Disproportionate Share (DSH) Legislation:** Reauthorizes the DSH statute for payments to voluntary mental health providers another three years through April 1, 2012.