

**HCA**




**Ventura County  
Health Care  
Agency**

**PIERRE DURAND, DPA**  
Health Care Agency Director  
Ventura County Medical Center Administrator

August 3, 2005

**TO: PIERRE DURAND, DPA  
HCA DIRECTOR**



**FROM: KAREN DAVIS  
HCA DEPUTY DIRECTOR – CFO**

**Karen Davis, MBA**  
HCA Deputy Director  
HCA/VCMC Chief Financial  
Officer/Fiscal Services

**Paul E. Lorenz, MBA**  
Public Health Director

**Ronald L. O'Halloran, MD**  
Medical Examiner/Coroner

**Michael Powers**  
HCA Deputy Director  
VCMC Hospital Administrator

**Linda Shulman, MFT**  
Behavioral Health Director

**Kirk E. Watson**  
HCA Deputy Director  
VCMC Compliance Officer  
VCMC Ambulatory Care  
Administrator

**SUBJECT: HCA FISCAL REVIEW OF PROP. 36 GRAND JURY REPORT**

Attached is a summary of HCA Fiscal's review of the Grand Jury Report on Prop. 36 for the "Funding" issues (starting on page 25 of the report).

**C: John Johnston, County Executive Officer  
Linda Shulman, Behavioral Health Director  
Kirk Watson, HCA Deputy Director/ Compliance Officer**

**Confidential Working Draft  
Ventura County 2004-05 Grand Jury Report  
Response To Prop. 36 Fiscal Findings:**

F-214	Agree	
F-215	Agree	
F-216		Fiscal has no knowledge of how the Operations Committee members conduct their business.
F-217		Fiscal has no knowledge of how the Oversight Committee conduct their business.
F-218	Agree	
F-219	Agree	
F-220		Fiscal has no knowledge of any statements that were made regarding this issue.
F-221	Agree	
F-222	Disagree	The County has a choice to participate or not participate in the voluntary SACPA allocation reduction.
F-223	Agree	If the annual reporting is referring to the County Plan, direct treatment services include the Central Assessment Center.
F-224	Agree	The County Prop 36 Plan was presented on the June 8, 2004 Board letter.
F-225	Disagree w/ Interpretation by G.J	Total available funding was \$3,945,652 per the June 8, 2004 Board letter, however, the requested budget was \$3,331,341 leaving a balance of \$614,311 funding for FY05-06 (See Schedule A attached).
F-226	Disagree w/ Interpretation by G.J	Percentages for the "core treatment services" in the board letter are intended for the provider contract services only. However, these "core treatment services" percentages were applied by the Grand Jury to the total 75% "direct substance abuse treatment" costs in Table 2, F-227. (See Schedule An attached).
F-227	Disagree	<p><b>1) FY04-05 Allocation Amount:</b> It appears that the column represented the "core treatment services" percentage for the total "direct treatment services" which did not agree with the Board letter's intent</p> <p><b>2) FY03-04 Actual Expenditures:</b> The column data does "not" match HCA fiscal data. It is not known where the Grand Jury obtained the data for this schedule. (Note: The bottom of page 2 and top of page 3 of the report indicates the Auditor/Controller's office supplied accounting transaction information.)</p> <p><b>3) Current FY Expenditure (Thru May 2005) :</b> HCA fiscal provided the County's May 2005 "Detail Listing of Obligation VS. Budget (A103)" report. However, the Grand Jury schedule only matches on the CSA/CAC-Salaries and Benefits line. Other amounts on the Grand Jury schedule</p>

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**Response To Prop. 36 Fiscal Findings:**

		do not agree with the data submitted to them. 4) <u>Current FY Budget:</u> The column total in the Grand Jury report is \$2,899,407 and the County A103 Report provided is \$2,839,407. The Grand Jury report is overstated by \$60,000 which appears to be a duplication in "CAS/CAC - Everything Else" line.
F-228	Agree	
F-229	Disagree	Amounts shown in Table 2 per this reference, do not agree with information submitted to Grand Jury by HCA. It is possible that the A/C submitted other information.
F-230		Fiscal has no knowledge of the CAS assessment program hours.
F-231	Agree	
F-232	Agree	
F-233		Fiscal can only confirm CAS space of 5,900 square feet.
F-234	Agree	
F-235	Agree	
F-236	Agree	
F-237		HCA can not respond to Probation Budget.
F-238		No comment, editorial by Grand Jury. However, if ADP has the funding to provide services for the Prop 36 clients treatment, this will enable HCA to have more funding in the Prop 36 budget for other cost.
F-239	Agree	The County utilized SATTA (Substance Abuse Treatment & Testing Accountability) funding from ADP.
C-01 to C-22		No fiscal issues raised in Conclusions 01 - 22.
C-23 to C-25	Disagree	Treatment providers were paid based on the negotiated contract rates in agreements signed by both parties. The negotiated rate is all- inclusive of direct and indirect costs. It is a very common business practice to only reimburse for units of services to the clients. As an example, doctor bills a patient for services rendered and the rate charged covers all the doctor's overhead costs of operation. There is no separate bill for administration costs of billing, collecting, etc. as these costs are built into the rate. However, it should be noted that the providers claim they are not able to collect on the copays from the clients that the Court determined. This appears to be a major factor in the providers total reimbursement concerns.

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R-11	Disagree	<p>The County pays the providers per Board approved contract terms as agreed to by the providers. HCA has no authority to make additional payments beyond the contracted rates. To go back to prior years and pay providers "accrued accounts receivable" would require contract changes.</p> <p>It should be noted that the providers claim they are not able to collect the copay amounts required of the clients by the Courts. This appears to be a point of discrepancy in the total payments the providers were expecting to collect.</p>

	Grand Jury Report 04-05	Ref	Adopted Budgets 04-05	Est. Prop 36 (D) Annual Cost Claims 6/30/05	Adopted Budgets (B) 05-06	Grand Jury Report 05-06	Ref
State Allocation	2,865,608					2,865,660	
Rollover funding	1,080,044					1,000,000	
"Held back to 05-06" - (Reserved amount for FY05-06)	(614,311)						
Total available funding	<u>3,331,341</u>	F-225				<u>3,856,660</u>	F-232
Treatment Cost - Prop 36	2,498,506		2,614,939	930,885	2,881,660	2,892,495	75%
Treatment Cost - ADP	832,835		716,400	79,202	900,000	887,032	23%
Assessment Center				1,355,635		77,133	2%
Depreciation on CMS System				50,150			F-231
County A-87 Cost				22,368			F-232
Direct substance abuse treatment svc - CAS		(A)		<u>2,438,240</u>		<u>3,781,660</u>	
Criminal Justice - Probation Agency				716,402			
Other for supplemental treatment (medical detox)							
Total Funding	<u>3,331,341</u>	F-225	<u>3,331,339</u>	<u>3,154,642</u>		<u>3,856,660</u>	
75% Direct substance abuse treatment:							
Residential Treatment	1,299,223					983,448	34%
Outpatient Serv	949,432					1,735,497	64%
Medical detoxification	74,955					57,850	2%
Sober living	174,895						
Sub total	2,498,506						
Other	77,660						
Total	<u>2,576,166</u>	F-226 F-227				<u>2,776,795</u>	(C) F-232
State Allocation:			2,855,127			2,856,660	

Note: CAS - BHD/SAP Central Assessment Center  
 (A) It appears that the Grand Jury report allocated the Core Treatment services % from 6/8/04 Board Letter to the total CAS budget  
 (B) The Prop 36 trust fund includes an allocation of \$75,000 to the ADP budget for Prop 36 clients treatment services.  
 (C) The Grand Jury report - F232: Treatment funds total in Table 3 is off by \$115,700 as compare to the 75% Treatment cost at \$2,892,495.  
 (D) Estimated Prop 36 Annual Cost Claims at 6/30/05 will be adjusted to agree with the final actual annual cost report.