

March 9, 2007 (updated March 28, 2007)

From: Paul Radomski
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Re: AODA Residential Cap Reductions

In January 2007, The Behavioral Health Division (BHD) submitted an informational report to the County Board requesting authorization to implement an AODA sustainability plan due to the anticipated loss of the federal funds through the Access to Recovery Grant (ATR) later this year. The Health and Human Needs Committee of the County Board accepted the report and placed it on file. The report included a fiscal rationale that projected continuing monthly reductions in expenditures to meet 2008 spending levels. The full report can be found at <http://www.milwaukeecounty.org/SAILAODA8063.htm>

As outlined in the report, clinical treatment services must be reduced beginning in March by 25% from the previous spending pattern. Further reductions in clinical services also must occur in April by 25% over the previous month, 20% in May, 17% in June and a final adjustment for residential services in July to meet the anticipated 2008 spending levels. The reductions are required to begin now so that financial savings can be accrued to the end of the year, and ensure that total expenditures do not exceed the 2007 adopted budget.

Whereas the residential beds account for approximately 12% of the total static capacity of the AODA system on average, residential beds consumed 54% of all clinical treatment dollars in 2006. Therefore, significant reductions are required in the number of AODA residential treatment beds on a proportional basis consistent with the fiscal rationale submitted to the County Board. Furthermore, the total number of beds that can be sustained in 2008 is less than the total number of beds that were available prior to the implementation of Wiser Choice and ATR for a variety of reasons. The increased rate afforded to residential providers to purchase quality over quantity with Wiser Choice will reduce the overall total number of beds that can be purchased in 2008. Even though the system will retain the same amount of funding in 2008 as it did before the ATR grant, a variety of additional services are slated to be purchased consistent with the re-design plan agreed to by AODA providers prior to the ATR grant, including recovery support coordination and recovery support services that address the needs of individual clients holistically in the community. Finally, new residential providers have entered the system and compete for the same allotment of beds, further reducing the amount of beds available to previous residential providers.

The number of residential beds that can be purchased in the sustainability plan was determined by using the average number of beds filled and paid for by BHD in 2006. It should be noted that this is not the maximum capacity of residential beds, but actual beds

filled on average. In other words, 229 beds are the maximum capacity of the AODA residential treatment system, but 175 beds were filled on average. This average was used as the baseline to determine reductions because it correlates directly to the expenditures paid in 2006 and is incorporated into the sustainability plan. Thus, the reductions begin at a funding level currently being paid rather than a maximum capacity slot total. As such, the staggered reduction in residential beds for the year throughout the system is the following:

(NOTE: The original memo issued 3/9/07 to the provider network identified a system capacity that inadvertently counted children and infants twice in the total beds per month column. This did not affect the cost per month column. The numbers shown below are the correct total system capacity.)

Month	Total beds/month	Cost per month
Baseline	175	\$550,389
March (25% reduction)	131	\$412,117
April (25% reduction)	101	\$317,100
May (20% reduction)	81	\$253,881
June (17% reduction)	68	\$212,291
July – Dec	66	\$204,163

While the final cost per month slightly exceeds the spending pattern on a percentage basis for residential services compared to 2006, a 5% vacancy rate is assumed as residential providers coordinate admissions and discharges within the established bed caps for each agency.

BHD has established this cap limit and will not reimburse without prior approval expressly authorized by IMPACT. Providers must receive prior authorization from IMPACT as the duly authorized BHD waitlist manager for each client before seeking reimbursement from BHD.

BHD is implementing the March caps at this time. Providers may not exceed the cap on any given day after they discharge current clientele to the established limit, nor will BHD reimburse any provider that admits clients over the agency cap, except in cases of pregnant females expressly authorized by IMPACT, the waitlist manager on behalf of BHD.

BHD continues to explore the possibility of additional funding for the AODA system, and there may be additional ATR funds available later in the year. Due to the fluidity of the funding situation, these caps are effective for March only, and BHD will communicate with providers at the end of each month if further cap reductions are necessary. It is entirely contingent upon the funding situation whether or not future caps must be imposed. The purpose of outlining caps for future months is to allow agencies to plan accordingly should no additional AODA funds be made available.

BHD is fully cognizant that these are significant reductions, and will place a substantial financial stress on each agency. Agencies must determine their long-term viability given the reduction of funding, particularly those who rely primarily on funding from BHD. If

agencies choose not to participate in the AODA system, then the number of beds available in the system would be spread out amongst remaining agencies. Moreover, agencies may wish to engage BHD in structuring a reduced rate to maximize occupancy at their particular agency. BHD will entertain such requests or other suggestions from providers with individual agencies as long as it does not exceed the monthly spending cap per agency. Please feel free to contact either Paul Radomski, Walter Laux, or Janet Fleege if you would like to schedule a time to meet with BHD staff.