



Ohio Department of Mental Health

30 East Broad Street
Columbus, Ohio 43215-3430

REVISED 1/27/09

DATE: NUMBER: ORIGINATOR & TITLE:
1/27/09 C-01-09-06 Dalon K. Myricks

OFFICE:
Office of Fiscal Administration

APPROVED BY:
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DISTRIBUTION:

BHO's Boards Provider Agencies Shareholder Organizations

SUBJECT:

Allocations Certification Community Plan Critical Information
 Licensure MACSIS Medicaid Policy
 Procedure Other (specify):

REVISED (IN BOLD) 2nd Page Principle 2

TITLE OF CORRESPONDENCE: Reduction in State Fiscal Year 2009 Community Funding Allocations

CONTENT:

On December 19, 2008, the Office of Budget and Management (OBM) revised its tax revenue estimates downward by \$640 million. Governor Ted Strickland ordered the Department of Mental Health (ODMH) to reduce an additional 5.75% of state general revenue funds, or \$30,042,552 in order to make sure Ohio's budget remains in balance. This reduction is in addition to the \$540 million state budget shortfall announced by OBM on September 10, 2008, which reduced ODMH's budget by \$10,446,311. Together, both budget reductions for ODMH total \$40,488,863.

The above actions followed a previous reduction of \$24.6 million earlier in the fiscal year that was managed through a twenty percent reduction in central office expenditures and the closure of state psychiatric hospitals in Cambridge and Dayton, consolidating bed capacity in the remaining seven sites.

As an initial response, ODMH reduced the impact to the community subsidy as much as possible by redirecting \$9 million in ALI-505 (safety net) and \$600,700 in unallocated state subsidy, bringing the budget reduction to \$30,430,780. It was also decided to "hold harmless" six boards. These boards will not experience reductions because of their current financial circumstances, however, most will not receive an additional allocation of "safety net" funds as in previous fiscal years. The Ashtabula County Mental Health & Recovery Services Board is the lone exception and will receive an additional allocation of \$ 839,367 in fiscal year 2009.

As a result of concerns with the methodology used in distributing the \$10,446,311 budget cut to the community, ODMH decided to convene a group of stakeholders, including boards, providers and other advocates in early January to develop a consensus recommendation to ODMH Director Stephenson. That group agreed that the September budget cuts should be added to the December amount and allocated using a new formula.

The stakeholder group recommended using the following system finance principles and variables, from those developed by a diverse group of mental health constituents in the summer of 2008, to apply the budget cut across the state:

- Principle 1: Uniform access to a core set of services and supports. Per capita (80%)
- Principle 2: Scarce resources are prioritized to those most in need. % **Medicaid Enrollees in board area as a proxy for poverty (20%)**

Because the current allocations to county boards vary greatly across the state and the very limited time frame for managing the allocation reduction in fiscal year 2009, ODMH has further reduced the impact to the county boards overall by narrowing the range of reduction from 35-45%. The amount shown in the attached table will be taken from each board's third and fourth quarter 505 base allocation.

We regret passing along this cut in state funding and understand that it will directly impact access to the treatment and supports that are essential for persons with mental illness to recover. So that we can appropriately manage the community plan process, we ask that each board communicate the impact of this loss of resources on their local system by revising their fiscal year 2009 community plan budget by March 6, 2009. If the board plans to manage the allocation reduction by using other funds and will not reduce their expenditures for fiscal year 2009, please communicate that the budget will remain the same.

REQUIRED ACTION: Adjust fiscal year 2009 budgets and 3rd and 4th quarter subsidy requests.

DATES FOR REQUIRED ACTION: 2/6/09 for third quarter subsidy request, 3/6/09 for budget

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