

MANAGEMENT DISCUSSION AND ANALYSIS
(Over a decade of continued struggle with KS reg. & funding)

Richard H. Pfeiffer, Executive Administrator

July 18, 2015

This section of Community Mental Health Center of Crawford County Annual Financial Report presents our discussion and analysis of the Mental Health Center's financial performance during the fiscal year ending December 31, 2015.

Our Community Mental Health Center (CMHCCC) in Kansas provides home and community-based, as well as outpatient mental health services on a 24-hours a day, seven days a week basis. We provide full range of residential substances abuse services and therapeutic preschool and lease facilities for infant center services.

This CMHCCC is the local Mental Health Authority coordinating the delivery of publicly funded community-based mental health services. Our CMHC system is state and county funded and locally administered. Service delivery decisions are made at the community level, closest to the residents that require mental health treatment. We employ 167 staff and professionals. **We provide services to Kansans of all ages with a diverse range of presenting problems. As part of licensing regulations, our CMHCCC is required to provide services to all Kansans needing them, regardless of their ability to pay.** This makes the community mental health system the "safety net" for Crawford County for persons with mental health needs.

FINANCIAL HIGHLIGHTS

CMHCCC reported a net loss of (\$177,575.29) in FY15 and a net loss of (\$334,700.84) in FY14 and a net loss of (\$87,097.97) in FY13.

Revenues

Operating Revenues in FY15, \$6,891,500.72 increased up 4.3% from FY14, \$6,605,655.63; which were down 6.2% from FY13 at \$7,041,654.93.

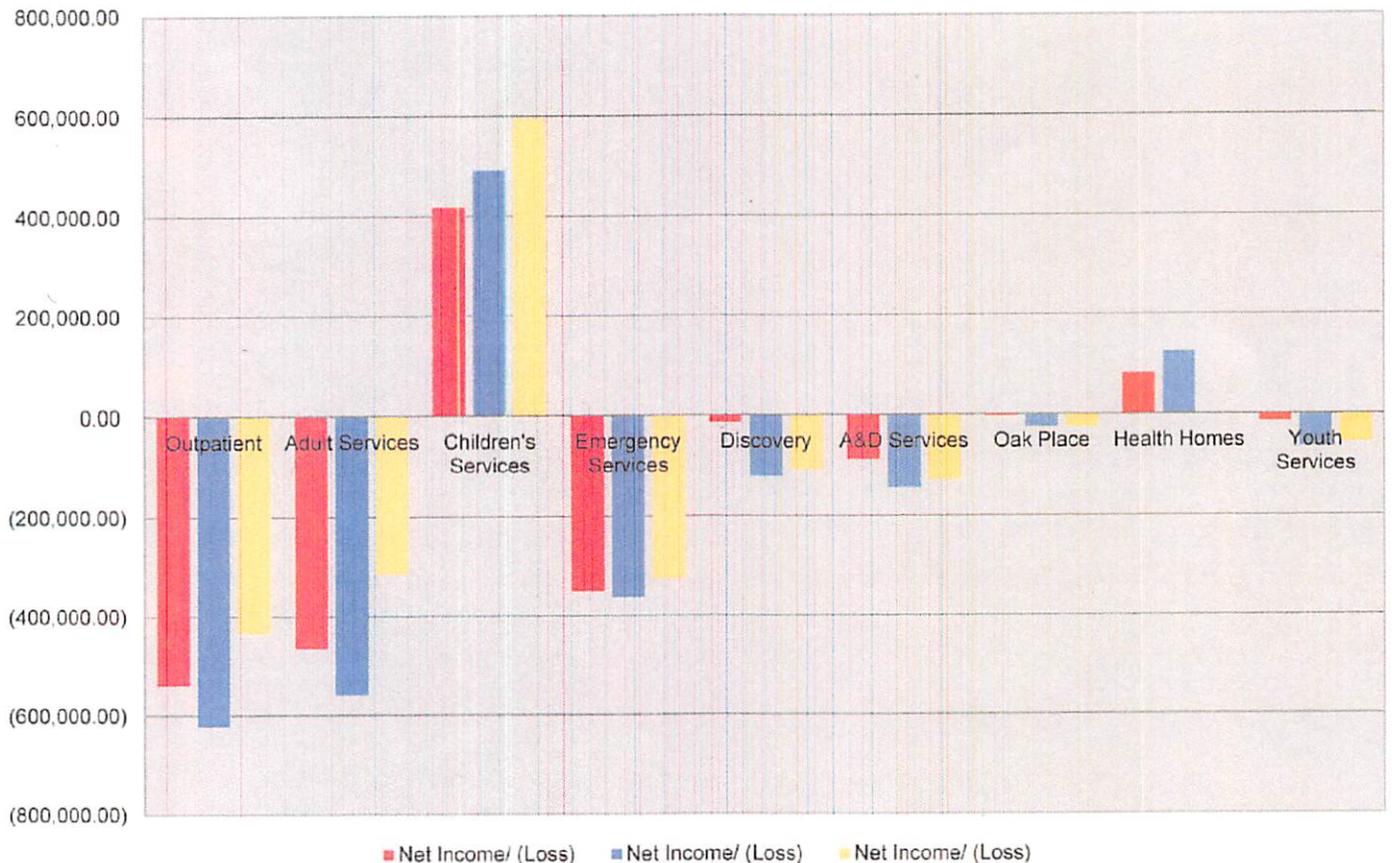
In FY 2015, we established a solid Health Home Program at the request of the State of Kansas for preventive health concerns for the population we serve. The State closed down all similar programs state wide in June 2016 due to their unwillingness to properly fund such programs, created from a lack of planning on the state's part.

Historical revenue cuts within the last decade continue to create hardships as they have not been replaced or supplemented. One of the largest revenue decreases in recent years came from Medicaid billed to Managed Care Organizations (MCO), and those revenues while they don't show a decrease currently, they have yet to increase to levels occurring before the Kansas Governor's Executive Order and will in fact be reduced in FY16. This order mandated the reorganization of Medicaid Services regardless of the MCOs lack of knowledge of Mental Health Community Based Care in Kansas. The Governors Executive Order has destroyed the Community Based MH System.

Loss of State Funding for CMHCCC: \$4.2 Million since 2005

Fiscal Year	State Aid	Mental Health Reform	Governor's MH Initiative (GMHI)	Family Centered Systems of Care	Federal MH Block Grant	Therapeutic Preschool	GMHI Regional Recovery Center Project	GMHI from Regional Recovery Center Project	Non-Medicaid Screens	Total All State Funding	Cumulative Loss
2005	131,421.00	435,517.00		135,000.00	47,656.00	183,781.00				933,375.00	
2006	131,421.00	435,517.00		135,000.00	47,656.00	183,781.00				933,375.00	0.00
2007	131,421.00	221,009.00		135,000.00	46,421.00	90,000.00				623,851.00	309,524.00
2008	131,421.00	221,009.00		135,000.00	46,421.00	45,000.00				578,851.00	354,524.00
2009	131,421.00	202,823.00		136,723.00	46,421.00	0.00				517,388.00	415,987.00
2010	131,421.00	150,284.00		136,723.00	46,421.00	0.00				464,849.00	468,526.00
2011	131,421.00	110,038.00		136,723.00	46,421.00	0.00				424,603.00	508,772.00
2012	131,421.00	110,038.00		136,906.00	46,421.00	0.00				424,786.00	508,589.00
2013	131,421.00	110,038.00	80,633.00	136,906.00	46,421.00	0.00				505,419.00	427,956.00
2014	131,421.00	110,038.00	80,633.00	0.00	44,755.00	0.00	130,070.00			496,917.00	436,458.00
2015	131,421.00	110,038.00	80,633.00	0.00	44,755.00	0.00	130,070.00			496,917.00	436,458.00
2016	131,421.00	110,038.00	80,633.00	0.00	44,755.00	0.00		136,906.00	20,879.46	524,632.46	408,742.54
Loss of State Funding From FY 2005 to Present:											4,275,536.54

Net Income / (Loss) By Department for 2013, 2014 and 2015



Service Basics and Revenue Explanation

- **We cannot deny services to any consumer because of an inability to pay, yet we are required to provide the services outlined in our contract with the State.**
- **However, the State is NOT providing adequate funding to cover these costs.**

Per our Participating Mental Health Center contract with the State Community Based Behavioral Health Services is comprised of funding allotments from Mental Health Reform, the Governor's Mental Health Initiatives, and State Aid. **The required scope of work includes:**

 1. 24-hour, 7 days a week emergency treatment and first response services;
 2. Crisis responsiveness;
 3. Evaluation, assessment, and treatment;
 4. Screening for admission to a state psychiatric hospital, when applicable and required by K.A.R. 30-61-10; and follow-up with any consumer seen for or provided with any emergency service and not detained for inpatient care and treatment, to determine the need for any further services and/or referral to any services;
 5. Basic outpatient treatment services;
 6. Basic case management services for adults and basic community-based support services for children, adolescents, and their families;
 7. Liaison services to state psychiatric hospitals, nursing facilities for mental health, psychiatric residential treatment facilities, and state hospital alternatives for children and adolescents; including, discharge planning beginning the first day of an admission, connecting to community resources, facilitating a "warm hand-off" upon discharge, and follow up;
 8. Enhanced community supports such as outreach services, public education, court ordered outpatient treatment, and attendant care services;
 9. Not deny or limit access to medically necessary community behavioral health services to consumers based solely on the presence of a substance use disorder or the receipt of services for a substance use disorder.
- **Not all of our consumers have a payor source and most private insurance companies do not pay for all services.**
 - Majority of the uninsured consumers are adults because they do not qualify for Medicaid, since the State did not expand Medicaid.
 - Underinsured: Some private insurance companies and Medicare do not pay for needed community based services or inpatient alcohol and drug treatment
- **Emergency Services: We are required to be on call 24 hours a day, 7 days a week, 365 days a year**
 - The State and Medicaid Managed Care Organizations stopped paying for screens October 2015.
 - The only billable codes are crisis intervention codes and can only be billed on Medicaid clients. So, again no payor for the uninsured we must treat.
 - The state added \$20,879.46 to our contract to help pay for this service. This amount does not even come close to covering the cost of keeping staff available 24 hours a day, 7 days a week, 365 days a year.
- **Children's Services: The majority of children have Medicaid, so the earned revenue has helped offset losses in the other departments, however, the ability of Children's Services to continue this is coming to an end.**

- The Medicaid Managed Care Organizations have been and are continuing to limit services to individuals that we feel continue to need our services to be stable in the community.
- The Health Homes program also earned revenue in the 2 years that the State approved the program; however this program ends June 30, 2016. The Governor did not approve this program to continue.
- Revenue from other services includes:
 - Medicaid –
 - Continues to shrink because of the Managed Care Organizations are denying/limiting services we feel are medically necessary to help the consumer function in society.
 - There have been no increase in Medicaid rates for years, the rates are very low
 - There is also a 4% reduction in Medicaid rates that the Governor has proposed to go into effect July 1, 2016.
 - Grants –
 - These are for specific services
 - Medicare –
 - Only pays for services provided by certain license types
 - Does not pay for any community based services
 - Does not pay for emergency services
 - Private Insurance –
 - The majority of plans only cover outpatient therapy or medication services
 - The majority do not pay for community based services
 - The majority do not pay for emergency services
 - Federal Block Grant for Alcohol and Drug services
 - The Managed Care organization that handles these funds allocates only a certain amount of money each year. If we bill over the allocated amount they do not pay us for those services.

Statewide Funding Losses

Highlights of funding reductions sustained by the Statewide CMHC system

1. \$20 million reduction in **Mental Health Reform grants** since FY 2008 – a 65 percent reduction.
2. \$9.6 million all funds in **Medicaid rate reductions** during FY 2010 as a result of the 10% rate reduction. Restored in FY 2011.
3. \$3.1 million in **MediKan funding** in FY 2010 – a 45 percent reduction. Elimination of **MediKan General Assistance** in FY 2012.
4. \$560,000 **SGF in Community Support Medication Program funding** during FY 2010 – a 53 percent reduction.
5. \$7.4 million in cost controls (savings) in the **Medicaid Mental Health managed care contract** for FY 2011.
6. 4% Reduction in **Medicaid rates** proposed for July 2016.

Mental Health Reform Funding

Another large decrease felt by the agency is the Mental Health Reform Services decreasing over 26% in FY 2010. This continual lack of funding by the state stresses the safety net of services for Emergency State Hospital Screens and impact the services for those who are in the community due to lack of State Hospital psychiatric beds. State Mental Health Reform dollars are used by our agency to fund our Emergency Screening. In 2011, the State refused to pay for Mental Health Reform Screenings on private pay cases as required by Kansas Law and our contract with the State. There is a continued trend by the State to require service by regulation and then to drop funding. Which is demonstrated by the fact that the state has reduced the number of state mental health beds at Osawatomie State Hospital by 60 beds to comply with a federal mandate by the Center for Medicaid and Medicare Services (CMS) to replace ceilings that pose a danger, but they offered no replacement or alternative for the 60 beds during the process.

Mental Health Reform Funding By FY	Amount	Impact	Cumulative Impact	% Difference	Cumulative Difference
FY07	\$31,066,330				
FY08	\$21,874,340	-\$9,191,990	-\$9,191,990	-29.59%	-29.59%
FY09 (Base)	\$21,874,340	-	-\$9,191,990	-	-29.59%
FY09 (Revised - Governor's 3% cut to SRS)	\$20,074,340	-\$1,800,000	-\$10,991,990	-8.23%	-35.38%
FY10 Budget Bill	\$17,374,340	-\$4,500,000	-\$13,691,990	-20.57%	-44.07%
FY10 Omnibus Bill	\$14,874,340	-\$2,500,000	-\$16,191,990	-14.39%	-52.12%
FY10 Governor's Allotments	\$10,874,340	-\$4,000,000	-\$20,191,990	-26.89%	-65.00%
FY11	\$10,874,340	-	-\$20,191,990	-	-65.00%

Mental Health Reform funding helped our system close state hospital beds and helps support services that are essential in keeping individuals out of inpatient settings. Reducing these funds puts at risk an already overstretched state hospital capacity. Without Mental Health Reform funding, there would be no universal system; no safety net; no 24 hour emergency care; with increasing demands for mental health care in emergency rooms and in-patient setting; and a growing number of Mentally Ill citizens in Crawford County jail. The continued removal of funds by the Governor has created a crisis in emergency service funding which is being verified by increased State Hospital Admissions and poor discharge planning by State Hospital Staff as demonstrated by the documented death of a consumer in Kiowa County and another documented death in July 2015 in Labette County.

A moratorium on admissions to Osawatomie State Hospital pursuant to KSA 59-2968 was established June 21, 2015 suspending direct admissions of voluntary and involuntary admissions to the hospital until further notice. Admissions will now be arranged according to a wait list as described only when the hospital's census drops below 146 patients. CMHCs do their best to provide quality treatment in their respective communities to patients suffering from mental illness; however some persons require a level of care that can only be provided in an inpatient facility. It is the responsibility of the State of Kansas to provide inpatient mental health programs. A widely recognized national standard has been that for every 100,000 persons in a state's population, 50 mental health hospital beds should be available. This moratorium will put Kansas, which has approximately half the beds we should have at the aforementioned standard, even lower than we already are.

OSH Census by CMHC	Number of Patients	Total CMHC Adult Census	Rate Per 10,000 Population
Bert Nash	11	92,573	97.22%
ComCare	39	370,908	102.45%
Crawford County*	0	30,592	65.38%
Elizabeth Layton	3	43,628	114.61%
Four County	3	65,560	61.01%
Johnson County MHC	9	421,619	28.46%
Kanza MH	2	31,096	32.16%
Labette Center	0	16,052	0.00%
East Central	6	61,585	97.43%
Out of State	2		
Pawnee Mental Health	11	142,871	76.99%
South Central	0	48,664	20.55%
Southeast Kansas MHC	3	49,284	101.45%
Spring River	0	15,833	0.00%
The Guidance Center	3	86,343	81.07%
Valeo Behavioral Health	12	135,081	111.04%
Wyandot MHC	10	114,989	243.50%

CMHCs have been partners with the State of Kansas for 55 years and work to treat all Kansas with varying degrees of mental illness. The partnership with the State has never been more critical to the communities across the state, than it is now. As the grants to CMHCs have declined over the last decade, little, if any, investment has been made to increase capacity and infrastructure for them as the number of state mental hospital beds has diminished. The result is additional stress on them and their community partners.

Inpatient treatment resources have continually declined over the last 15 years and the trend is unsustainable. Intermediate and transitional programs have been put in place by the Kansas Department for Aging and Disabilities (KDADS), but they are simply supplemental programs and not alternatives to conventional inpatient treatment.

The community mental health system can sustain no additional reductions of funding or resources and additional resources must be committed to community based treatments and services and that the state identify and fund inpatient beds at alternative hospitals to ensure adequate safety nets exist.

Additional Revenue Reductions

The State of Kansas significantly decreased funding in the Certified Match program and the State Grant Funds from FY06 through FY09, all without prior notice. Further, the State of Kansas did not provide notice when the Medicaid system was overhauled and reimbursement rates were reduced by 10%, costing over \$200,000 in FY10 alone. These reductions continue to provide loss of revenue, totaling over \$455,000 in FY14. The MHC Governing Board has asked for the retention of revenue for the last decade to manage these continued funding reductions and mismanagement by the State and current Governor. Due to the unannounced reduction in revenues, plans for the agency to expand by building a 3,000 square foot building were cancelled, leaving the agency with the need for greater space but lacking the revenue to accomplish the task because of funding cuts. To further complicate office space matters, a building owned by the County has been demolished. The Executive and Mental Health Governing Board have determined at least 3 million needs to be set aside to assure a funding base to remodel or new construction, of 30,000 square feet of building space.

On June 24, 2016 CMHCCC turned to the Crawford County Board of Commissioners to appeal for funding for a new addiction treatment center on the campus of 30th and Michigan in Pittsburg. The County Commissioners adopted a resolution for CMHCCC to do a fund raising campaign for a million dollars and the county will levy a tax mil to contribute a one million dollar bond in 2018 to fund the 2.4 million dollar project. The project will improve access for emergency services, increase reintegration beds, and increase intermediate and social detox beds. Planning will begin immediately for the project with completion.

Our current need for a precautionary operating reserve continues to be reality. The State and MHC Governing Board have defined this as a minimum of three months operating expense and a 3 million dollar building fund. Further contingent liabilities are that the MHC Agency participates in several federal and state grant programs. Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the MHC Agency expects such amounts, if any, to be immaterial.

These funding precautions have continued over the ten eleven years from FY05 through current FY15. No growth or additional funding has been given to the replace or supplement the funding shortfalls, and future Medicaid reimbursement rates will decrease. This MHC agency has had a difficult time with funding stability. The first fiscal crisis happened on July 28, 2006, when a spread sheet from the State of Kansas and the Association of Community MHC's notified us that we would receive one million dollars less in funding from our Certified Match effective July 1, 2006. The continual funding cuts, but the same statutorily mandated work puts a strain on the financial stability of this agency.

Expenditures

Operating Expenses in FY15, \$7,069,076.01; increased 1.64% from FY14, 6,952,961.59; which were 2.68% lower than FY 13 at \$7,144,753.95. Emergency services, a state mandated function; continues to lose revenue, costing \$351,039.06 in FY15.

The Mental Health Center Personnel Department in July of 2006 laid off or transferred an estimated 3/4 million dollars in staff expense. These reductions allowed the agency to function after the million dollar reduction in State Certified Match. Additional reductions in the State Fiscal year 2008 of SGF MH reform dollars totaled an estimated \$180,000 dollars. Our agency took on extra work without replacing key staff members, such as the Mental Health Director in 2006, the Alcohol & Drug Director in 2011, and numerous nurses and pre-school teachers.

Reductions in staff have continued through FY 2015 to allow the agency to maintain operations. The agency is now at the risk of cutting services if further staffing cuts are necessary.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements.

Community Mental Health Center of Crawford County (CMHCCC) is a component unit of the primary government of Crawford County, Kansas (County) and as such is considered to be a governmental organization. CMHCCC provides services in the mental health field and drug and alcohol counseling, and also provides emergency response and gate keeping for the State Hospital Psychiatric Inpatient Beds. The Agency's government-wide financial statements provide both long-term and short-term information about the Center's overall financial status.

Government-Wide Statement

The government-wide statement reports information about the Center as a whole, using accounting methods similar to those used by private sector companies.

The Statement of Net Assets includes all of the government assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The Net Assets are the difference between the Center's assets and liabilities and are one way to measure the Center's financial health or position.

The Governing Board of the quasi-government Mental Health Center requires a minimum of three (3) months Operating Expense held in reserve with contingency to meet payroll, warrants, and lease expense obligations.

Cost Center Financial Statements

The cost center Financial Statements provide detail information about the Center's cost per program breakdowns. Cost centers are accounting devices that the Center uses to keep track of specific sources of funding and spending for particular purposes.

- Some cost centers are required by State regulations to keep track of grants or funding through SRS.
- The Governing Board annually establishes cost centers to control and manage money for particular purposes and/or to show that a particular cost center is properly using designated taxes and grants for their selected roles.

OPERATIONS AND SUMMARY OF POLICIES: DISCUSSION AND ANALYSIS

Revenue Recognition

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements, shared revenues, and donations. Revenues from grants, entitlements, shared revenues and donations are recognized when all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year the resources are required to be used, or the year when use is first permitted, matching requirements and expenditure requirements in which the resources are provided to the Center on a reimbursement basis.

Compensated Absences

CMHCCC's policy permits most employees to accumulate vacation benefits, up to twenty-four days, that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits, which are earned whether the employee is expected to realize the benefits as time off or in cash. Sick leave benefits are recognized as expense when the time off occurs and no liability is accrued for such benefits. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments. These compensation related payments can include Social Security and Medicare taxes at a rate computed at the effective date.

Risk Management

CMHCCC is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; business interruptions; errors and omissions; natural disasters; employee injuries and illnesses; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage rate in any of the three preceding years.

Income Taxes

As an essential government function of Crawford County, Kansas, The Center is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

County and State Services FY15

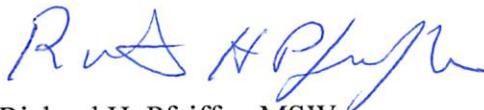
- The County maintains a commitment to former clients of State hospitals that have moved from institutional care to community-based services.
- The Community Mental Health Center of Crawford County has played a critical role in accomplishing significant bed reductions in our State mental health hospitals, which state wide, have declined from 1,003 in FY 90 to 340 today. While bed days have decreased, our inpatient system is nearing capacity due to an increase in admissions. The closure of (local) Mt. Carmel inpatient psychiatric beds has stressed local resources. The FY10 year closure of Coffeyville psychiatric beds further strained resources, as well as the FY15 moratorium suspending direct admissions to Osawatomie State Hospital.
- Our local community-based services have proven effective in diverting thousands of individuals from State hospitalization. We provide for children, intensive wraparound services to allow them to stay at home and achieve higher performance in school. For adults, it means living independently and becoming competitively employed.
- The Community Mental Health Center of Crawford County is the public safety net for adults and children with mental illnesses. The number of SPMI adults served state-wide by CMHCs has grown from 7,775 in FY92, to over 18,000 today. The number of children/adolescents with SED served by CMHCs state-wide has grown from 6,034 in FY92, to over 27,000 today.
- The Community Mental Health Center of Crawford County provides services in every city in the county, 24 hours a day, seven days a week. This is a funding issue that affects every person in the county.
- Without the Community Mental Health Center of Crawford County services, law enforcement, local emergency rooms, schools and families will be adversely affected. The failure to keep CMHC programs fully funded increases the census in state hospitals, impacts foster care and nursing homes, to say nothing of correctional facilities and juvenile detention facilities.
- The Community Mental Health Center of Crawford County has a State mandate to serve regardless of an ability to pay. State-wide over 100,000 Kansans walk through the doors of a CMHC each year – over 70,000 are the working poor and their children.
- Because of current events in our everyday lives and around the world, there are an increasing number of individuals with severe illnesses coming to the CMHCs. Without adequate funding, neither the necessary amount of services nor array of services may be available at the time of need.
- The Community Mental Health Center of Crawford County has met or exceeded every target and objective set in reducing the use of state hospital beds. The CMHCs have simultaneously succeeded in providing quality community care for virtually thousands of seriously disabled former state hospital patients. The outcomes are impressive state-wide.
- Now in FY15 with the advent of MCOs from out of State the service plan is to continue the decade long decrease in funding to Mental Health Centers Statewide. Centers are required to do the screening service by KS statute, yet not paid for them. This can only lead to a crisis in emergency services after hours.

CONCLUSION

The combination of declining reimbursement by Medicaid and the cuts that the State has done over the years makes it harder than ever to continue to provide our community with the services they need. Additional revenues shortfalls come from the majority of the uninsured and underinsured consumers are adults and most private insurance companies do not pay for all services to SPMI. The number of individuals needing treatment remains steady; however our funds to treat them are declining. As shown by recent incidents, mental health is a much needed resource that helps law enforcement and the citizens of Crawford County.

CONTACTING THE MENTAL HEALTH CENTER FISCAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Community Mental Health Center's finances and to demonstrate the Center's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the Center's Executive Administration at (620) 235-7111.



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Executive Administrator



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Director of Personnel