



TEXAS DEPARTMENT OF STATE HEALTH SERVICES

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February 17, 2005

TO: The Honorable Rick Perry, Texas Governor
John O'Brien, Deputy Director, Legislative Budget Board

FROM: Eduardo J. Sanchez, M.D., M.P.H.
Commissioner, Department of State Health Services

James R. Hine
Commissioner, Department of Aging and Disability Services

Pursuant to Rider 17 of the Texas Department of Mental Health and Mental Retardation's appropriations in HB 1, 78th Legislative Session, the Department of State Health Services (DSHS) and the Department of Aging and Disability Services (DADS) are submitting the enclosed Report on Local Authorities. The report is intended to keep the Legislature and Governor informed of the effects of delegating to a local mental health authority or local mental retardation authority the responsibility of planning, coordination, and oversight of mental health and/or mental retardation services in that area.

The continued delegation of the responsibility for planning, coordination and oversight of mental health and mental retardation services to local authorities will proceed along dimensions appropriate to DSHS and DADS. The report required by this rider reflected the desire of the Legislature to monitor the local authority concept as it proceeded through its developmental stages. At this mature stage of development of local authorities, the reasons for the reports have ceased to exist and it is recommended that the requirement for these reports be discontinued.

If you have questions, please have a member of your staff contact Heather Shiels, Contracts Management Unit, Community Mental Health and Substance Abuse Services Section, DSHS. Ms. Shiels can be reached at 512-206-5828 or heather.shiels@dshs.state.tx.us.

cc: The Honorable David Dewhurst, Texas Lieutenant Governor
The Honorable Tom Craddick, Speaker of the House
The Honorable Steve Ogden, Chair, Senate Finance Committee
The Honorable Jim Pitts, Chair, House Appropriations Committee
The Honorable John Davis, Chair, House Appropriations Subcommittee on Health and Human Services
Albert Hawkins, HHSC Executive Commissioner
Charles E. Bell, M.D., M.P.H., HHSC Deputy Commissioner for Health Services
Tom Valentine, HHSC Senior Policy Advisor

Department of State Health Services and Department of Aging and Disability Services
Report on Local Authorities
Rider 17, HB 1, 78th Legislature
Report to the Legislature

INTRODUCTION

Rider 17, House Bill 1, 78th Legislature (Regular Session), requires the Texas Department of Mental Health and Mental Retardation (whose responsibilities were transferred to the agencies submitting this report) to report annually to the Legislative Budget Board and the Governor on the effects of delegating to a local authority the responsibility for planning, coordination and oversight of mental health and mental retardation services.

This initiative originated with House Bill 2377 of the 74th Legislature, which directed a major shift in the conceptualization of the role of local community mental health and mental retardation centers in Texas. H. B. 2377 directed the community center, as a local authority, to *"consider public input, ultimate cost benefit, and client care issues to ensure consumer choice and best use of public money in:*

- *assembling a network of service providers; and*
- *determining whether to become a provider of a service or to contract that service to another organization."*

The evolution of this initiative increasingly focused on the role of the community centers in fulfilling the role of the authority for mental health and mental retardation services within their geographic local service areas. This authority role emphasized the functions of local planning, coordination and oversight of services. Since January 1997, nine previous reports have described progress on the developing role of local authorities. This current report provides an update on developments since last year's report.

LEGISLATIVE DIRECTION

The 78th Legislature provided further direction to the delegation of these responsibilities to local authorities through the following measures:

- **HB 2292:**
 - **Sec 2.74** requires that local authorities provide services only as a provider of last resort. The *FY 2005 Performance Contract* required that each local authority submit by December 1, 2004, a Provider of Last Resort Plan to develop an available and appropriate provider base to meet the needs of consumers in the Local Service Area. The State and local authority will amend the Contract to incorporate the timelines for implementation of the plan.
 - **Sec 2.75** requires the development of jail diversion strategies through local planning. These strategies are required of each local authority in the *FY 2005 Performance Contract*. There are specified requirements for the local planning process used to develop the Diversion Action Plan and the plan is due from each authority in February, 2005;
 - **Sec 2.76** resulted in the discontinuation of the Mental Retardation Local Authority program; which the department accomplished effective September 1, 2003.
 - **Section 1.01** separated the mental health and mental retardation components into two new agencies. These agencies are examining the possibility of separate local authority contracts for mental health services and mental retardation services beginning in FY 2006;
- **SB 1182** requires that the department and the local authority use the local service area plan (LSAP) as the basis for contracts between the department and the local authority's responsibility for achieving outcomes related to the needs and characteristics of the local service area. This statutory requirement is reflected in the following *FY 2005 Performance Contract* element, "Upon approval of the LSAP by the State, the State and the local authority will use the LSAP as the basis for contract negotiations for the following fiscal year and for establishing the LA's responsibility for achieving outcomes related to the needs and characteristics of the LSA (Attachment VIII.I.B)"

- **HB 1**, General Appropriations Act, 78th Legislature:
 - **Riders 59 and 60**, relate to development of pilots projects at Galveston and El Paso, respectively, for a performance agreement based on locally developed plans. A separate report for these Riders has been submitted to the legislature and the governor as required
 - **Rider 68** focused on minimizing overhead and administrative costs, including performance of authority functions. The *FY 2005 Performance Contract*.
 - requires that “If the LA’s general administration and authority administration expenses exceed 10%, the LA shall use earned income or other funds, other than required local match, to pay for the excess “(II.E.12);and,
 - forbids the use of any contract funds to supplement Medicaid rates for ICF/MR or Waiver programs (II.E.10). A report on this Rider is to be prepared and submitted by the State Auditors Office.

CURRENT STATUS

Planning

Local and Network Planning

The *FY 2005 Performance Contract* for mental health and mental retardation authorities requires the submission of a Local Service Area Plan (LSAP.) Planning and Network Advisory Committees (PNAC) advise the local authority in the development and evaluation of its LSAP. Each PNAC is required to have a minimum of at least nine members with at least fifty percent of the membership being consumers and family members of consumers. This LSAP identifies the needs and priorities of the community in order to inform resource allocation, resource development and negotiation parameters for *Performance Contract* outcomes. The LSAP includes objectives and strategies for the accomplishment of the local authority’s goals over the following two fiscal years. This biennial frequency aligns local planning with the state’s strategic planning cycle.

Coordination

Separation of Authority and Provider Systems

HB 2292, Section 2.74, requires that “Local Authorities may serve as a provider of services only as a provider of last resort.” The *FY 2005 Performance Contract (Attachment VIII, I)*, requires the local authority “...to develop an available and appropriate provider base that is sufficient to meet the needs of consumers in the LSA, in accordance with THSC §533.035. The (*Provider of Last Resort*) plan must include the following:

1. a summary of all responses to the LA’s RFI to solicit provider interest;
2. a listing of all the services for which the LA plans to contract, and
3. timelines for implementation.

The State and LA will amend the Contract to incorporate the timelines for implementation of the plan, as negotiated by the parties.”

These Provider of Last Resort Plans have been delivered to the state from each local authority and are being analyzed. In the Resiliency and Disease Management model for MH services, the local authority determines eligibility and authorizes services to be delivered.

Oversight and Accountability

Improved local planning activities, with their associated advisory committee processes, have improved community oversight of local authorities. Fiscal and programmatic oversight and accountability for local authorities have been improved through the development of the Cost Accounting Methodology (CAM), along with the development of data resources which allow interactive analysis of costs, diagnoses, service frequency, type, and duration data. Improved business procedures in the areas of contract management, cost accounting, quality management and utilization management have also contributed to improved accountability.

Cost Accounting Methodology (CAM)

A cost accounting methodology was developed during the project to:

- promote standardized definitions of service and administrative costs,
- assist Local Authorities in determining overall best value utilizing cost analysis, and
- assist the State Authority in determining the cost of services and in making more reliable cost comparisons.

Implementation of the CAM requires local authorities to collect and report data at the service encounter level, which provides details concerning service density that were not available from other data sources. The CAM requires a uniform chart of accounts and standardized procedures for cost allocation. All centers have fully implemented the CAM and it is utilized in both statewide and local authority-specific situations.

Development of Data Resources

The exercise of State Authority oversight for Local Authorities requires that data relative to service frequency, duration and intensity (encounter data) are available, along with information from other data streams. These data are necessary for the State Authority to move to an outcome-oriented contracting system that is based on valid performance data. This requirement led to the development of a data warehouse for storage and manipulation of these data, through leveraging existing technology from other data warehouse projects. This warehouse is currently operational with encounter data having been submitted from all centers on a monthly basis since March 2003. The warehouse model also incorporates data from other systems, including demographic, diagnostic and enrollment data from the Client Assignment and Registration System (CARE), the Cost Accounting Methodology and Medicaid enrollment and participation data. This data warehouse is also available for use by the local authorities in the management of their services, and currently more than 500 local authority staff use this information resource to assess local performance.

Quality Management

Local authorities continue to develop their quality management programs to implement data-based systems that provide both local authority management and advisory groups with the information needed for decisions concerning improvement of the quality of services. Improved information management systems, e.g., the data warehouse, have facilitated the availability of useful data about providers and consumers and the services they respectively deliver and receive. This information allows evaluation of provider performance to become a useful tool in furnishing providers the information needed for improvement. The information also informs the local authority about providers who are unable to make improvements in order that contract modifications may be appropriately considered.

SUMMARY AND RECOMMENDATION

The initiative for the development of local authorities, which began in the 74th Legislature, has continued through the current biennium. The state is implementing those statutory requirements from the 78th Legislature, which effect the delegation of responsibilities for planning, coordination, and oversight of mental health and mental retardation services. The recent developments have involved the issues of:

- Provider of Last Resort;
- Jail Diversion;
- a statutory directive for discontinuation of the MRLA program;
- use of the Local Area Service Plan in contract negotiations with two pilot projects;
- increased efficiency through minimizing overhead and administrative costs; and,
- transferring state responsibility for mental health and mental retardation services to two separate new agencies.

The processes developed in this delegation project have moved from conceptual through pilots to statewide implementation. This development is no longer a project, but an operational reality. The careful monitoring and adjustments applied during the developmental stages have resulted in effective delegation of planning, coordination and oversight of mental health and mental retardation services as intended. The continued delegation of the responsibility for planning, coordination and oversight of mental health and mental retardation services to local authorities will proceed along dimensions appropriate to the two new agencies. The reports required by this rider reflected the desire of the Legislature to monitor the local authority concept as it proceeded through its developmental stages. At this mature stage of development of local authorities, the reasons for the reports have ceased to exist and it is recommended that the requirement for these reports be discontinued.