

COUNTY OF MILWAUKEE
Interoffice Memorandum

DATE: April 13, 2010

TO: Supervisor Elizabeth Coggs, Chairwoman, Committee on Finance and Audit

FROM: Steve Cady, County Board Fiscal & Budget Analyst
Jennifer Collins, Research Analyst
Jerome J. Heer, Director of Audits

SUBJECT: **REQUEST FOR ADDITIONAL REVIEW OF THE DEPARTMENT ON AGING CARE MANAGEMENT ORGANIZATION (CMO) RELATED TO A PROJECTED DEFICIT REPORT (FILE NO. 10-12(a)(a))**

REQUEST

At its meeting on March 11, 2010, the Committee on Finance and Audit requested additional information from County Board and Department of Audit staff related to the reported revenue deficit for the Department on Aging Care Management Organization (CMO) and report on any interests or concerns at the April meeting.

BACKGROUND

County Board and Department of Audit staff met with Department on Aging CMO staff to discuss several issues related to risk reserves, impending separation of the CMO as a stand-alone department as required by the State, and overall challenges to operating the program in the current economic climate.

ANALYSIS

The Care Management Organization faces serious challenges resulting from reduced enrollment populations due to competition from multiple CMO's providing Family Care services in Milwaukee County. Moreover, a shift in the population of enrollees has resulted in a mix of higher cost cases than in the past. Coupled with additional regulations from the State related to hospice care, and a new reimbursement methodology expected in 2011, the Milwaukee County CMO has many significant issues to contend with now and in the near future.

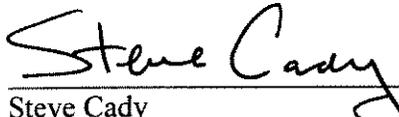
Another major issue is the State-imposed requirement that the Milwaukee Care Management Organization be separate from the Department on Aging. Since the Department on Aging operates a Resource Center that serves as a referral to local CMOs, the functions must be autonomous. It is expected that the Department on Aging will soon be submitting a plan to policymakers that recommends an operational structure for a separate department for the Milwaukee Care Management Organization. (Since the

Department of Health and Human Services operates a Disabilities Resource Center, the CMO cannot be incorporated within this department) The proposal will provide policy makers a good opportunity to review the structure of the new department (and existing Department on Aging) and address other issues such as the physical location of CMO and Aging staff.

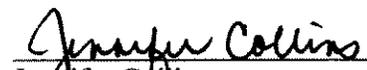
At this point, the CMO's three risk reserves are fully funded and meet the combined \$10 million funding requirement. The CMO's budgeted expenditures for 2010 of \$257 million ranks it as the County's largest single program. The risk reserves serve as a safeguard in case of fiscal shortfalls, but should not be viewed as a guarantee that tax levy support may never be required. Indeed, in 2004 policymakers were made aware of \$12.2 million in tax levy required to support program deficits stemming back as far as 2000. Since that time, the CMO has been able to replenish its reserves and reimburse the County for the unbudgeted tax levy contributions that were required to keep the program operating.

RECOMMENDATION

The Milwaukee County Care Management Organization is in the midst of organizational changes and fiscal challenges that must be actively managed and guided by policymakers. It is recommended that the CMO provide programmatic and fiscal updates to the Committee on Finance and Audit every other month beginning in May (i.e. May, July, September and December) and continuing until further notice. For the May report, the CMO and Department on Aging should provide a special focus on space needs for its respective operations and assessing the viability of relocating functions into County owned facilities. This should include a fiscal analysis of the various alternatives and the timeline for making space location decisions.



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cc: Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors
Supervisor Peggy West, Chairperson, Committee on Health and Human Needs
County Executive Scott Walker
Cynthia Archer, Director, DAS
Stephanie Sue Stein, Director, Department on Aging

Maria Ledger, Director, Milwaukee County CMO
Jim Hodson, CFO, Milwaukee County CMO
Dee Hervey, Chief Committee Clerk, County Board