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August 1, 2007

Ms. Diana L. Ducay
Chief, Office of State Audits and Evaluations
California Department of Finance
300 Capitol Mall, Suite 801
Sacramento, CA 95814

Dear Ms. Ducay:

Attached is the Department of Mental Health's (DMH) response to the Office of State Audits and Evaluations (OSAE) May 2007 report: "Review of the San Mateo Pharmacy and Laboratory Services Estimation Process."

The attached report provides OSAE and other interested parties with four components:

A) DMH's Corrective Action Plan based on OSAE's recommendations for the oversight of the San Mateo Mental Health Plan (SMMHP) Pharmacy and Laboratory Project.

B) DMH's San Mateo Pharmacy and Laboratory Claims Payment Process Review Document which demonstrates the level of specialized claims processing payment effort devoted to this program.

C) A summary of quality indicators of the SMMHP developed collaboratively by DMH and the SMMHP.

D) San Mateo County Mental Health Director Gale Bataille's letter to DMH articulating differences of opinion about the May 2007 OSAE report recommendations.

DMH, in direct coordination with the Department of Health Care Services (DHCS) and the San Mateo Mental Health Plan (SMMHP), has taken the necessary steps to gather data and information to address the observations and recommendations identified in the May 2007 OSAE report. DMH is obtaining the information that will support a comprehensive policy option paper to address issues of fiscal reform for the SMMHP pharmacy and laboratory project. This policy paper helps to fulfill our pledge that thoughtful and careful evaluation of the County Operated Health Systems (COHS) model utilized by the San Mateo would be conducted by the department in a timely manner.

DMH is also moving forward to address the proposed Trailer Budget Bill, by (1) documenting best practices learned from the San Mateo project and determining the potential statewide applicability;(2) offer suggestions to improve the project; and (3) clarifying the project's relationship to other statewide efforts related to pharmaceutical usage and purchasing.

DMH senior staff and program subject matter experts from DMH, DHCS and SMMHP have been meeting to craft a response to the OSAE report and develop a workplan. DMH, DHCS and staff from the SMMHP have also been participating on conference calls to ensure strategic and reasonable approaches to designing the fiscal and administrative reforms that may occur at the State and local levels. In addition, both the State and County have engaged the California Mental Health Directors Association (CMHDA) in our review efforts to solicit consultation, opinions and to explore broader program and health system considerations.

An important component of our effort is to continue communication with partners and stakeholders on this review and program evaluation. As such, DMH will create a special website feature to provide information and solicit perspective about the San Mateo model. DMH, DHCS and County leaders will be encouraged to share the website information with interested parties across the State and Nation.

As we continue to explore administrative, fiscal and program options about the benefits or shortfalls of the San Mateo pharmacy and laboratory model, our focus will continue to be: more effective financial and administration oversight; the provision of quality care; enhanced access to services; and expanding the ability of our system to address the mental health needs of Californians.

Thank you for the services provided by OSAE. For additional information or detailed clarification about our corrective action plan, please contact Rita McCabe, Chief, DMH Medi-Cal Policy Branch at (916) 651-9370.

Sincerely,

STEPHEN W. MAYBERG, Ph.D.
Director

Attachments

Cc:
Elaine Bush, Chief Deputy Director, DMH
Michael Borunda, Acting Deputy Director, DMH

Rita McCabe, Chief Medi-Cal Policy, DMH
Sean Tracy, Special Projects Manager, DMH
John Doyle, Principle Program Analyst, DOF
Jim Alves, Assistant Secretary, CHHSA
Pat Ryan, Executive Director, CMHDA
Gale Bataille, Director, SMMHP
Diane Van Maren, Principal Consultant, Senate Committee on Budget and Fiscal
Review
Anissa C. Nachman, Consultant, Senate Committee on Budget and Fiscal Review
Nicole Vazquez, Consultant, Assembly Committee on Budget and Fiscal Review
Lisa Mangat, Consultant, Assembly Committee on Budget and Fiscal Review