

November 1, 1996

President R. Lane Beattie
Utah State Senate
319 State Capitol Building
Salt Lake City, UT 84114

Subject: County Revenues from State and Federal Sources (Report #96-07)

Senator Beattie:

In response to your audit request, we have completed our analysis of the county per-capita revenues of state and federal money for six county administered programs. Specifically, the programs we reviewed were Mental Health, Substance Abuse, Aging, Family Services, Youth Corrections and Public Health. The audit request stated that there were concerns with the equitable allocation of revenues in these programs. For our analysis we included federal pass-through funds and state revenues which does not include direct expenditures made by the counties. After our initial survey of the six programs, we decided to review some of them in more depth. Since three programs (i.e., Family Services, Youth Corrections and Public Health) are funded through contracts rather than funding formulas, we chose to examine the other three (i.e., Mental Health, Substance Abuse and Aging) and perform some measurements to determine per-capita revenues. We conducted limited testing to produce the per-capita figures that were requested.

Individual county per-capita data did not exist at the division or county levels for Mental Health, Substance Abuse and Aging because these programs are organized into multiple county agencies known as catchments or areas. There are a few single county organizations that administer these programs, but most catchments consist of three or more counties. Because of this lack of data, we attempted to extract county by county per-capita data from existing catchment and area revenue data provided by the respective divisions. By using the funding formulas, population data and the fiscal year budgets we were able to produce per-capita figures for Mental Health, Substance Abuse and Aging. This process was difficult and although we are

confident that the per-capita figures are reasonably accurate, we cannot guarantee their complete accuracy. Division personnel have reviewed the figures and have agreed with the method by which we produced them.

This report is organized into two sections. First, we will present the per-capita figures for Mental Health, Substance Abuse and Aging, along with a brief analysis. Finally, we will attempt to explain why there are wide variations in the county per-capita figures by examining the Mental Health programs in more depth.

Per-capita Revenues for Mental Health, Substance Abuse and Aging

We reviewed revenue data from fiscal years 1994, 1995 and budget data for 1996 for Mental Health, Substance Abuse and Aging. The following county per-capita figures for Mental Health, Substance Abuse and Aging are for 1995, which is the most recent and completed year for revenue data. These tables represent our best attempt at answering the question of how much federal pass-through and state revenues each county receives on these three programs, based on the limited data available. For comparison's sake, we have marked the five urban counties that do not receive rural differential funds, with an asterisk. When the funding formulas were developed for these programs, there was a recognized need that the smaller, rural counties needed funding above their population allocation so additional money is given in the form of this rural differential. For example, additional funds were needed to cover mileage expenses and provide start-up costs the more rural counties lack from differing economies of scale. For this reason the rural counties often have exceedingly high per-capita totals because of the rural differential. When comparing the counties, it is logical to look at the differences among the urban counties separately from the differences among the rural counties, because of the differential effect.

Mental Health

The state is divided into 12 mental health catchment areas that administer the programs. These catchments are mostly made up of multiple counties, but there are a few single-county catchments. We broke the catchments into counties and determined the mental health formula, non-formula and total revenues for fiscal year 1995 in the following figure.

Figure I
Estimated Mental Health Per-capita Revenues by County
Fiscal Year 1995

County	Formula Per-capita Revenues	Non-Formula Per-capita Revenues	Total Per-capita Revenues
Beaver	\$ 8.76	\$ 3.04	\$11.80
Box Elder	9.51	1.80	11.31
Cache*	8.53	1.80	10.33
Carbon	11.07	4.30	15.37
Daggett	11.23	4.32	15.55
Davis*	8.05	.62	8.67
Duchesne	11.23	4.32	15.55
Emery	11.60	4.30	15.90
Garfield	8.81	3.04	11.85
Grand	11.14	4.30	15.44
Iron	8.13	3.04	11.17
Juab	10.36	5.45	15.81
Kane	8.70	3.04	11.74
Millard	10.72	5.45	16.17
Morgan	10.60	2.70	13.30
Piute	10.57	5.45	16.02
Rich	10.96	1.80	12.76
Salt Lake*	8.43	2.27	10.70
San Juan	11.33	6.13	17.46
Sanpete	10.01	5.45	15.46
Sevier	10.10	5.45	15.55
Summit	9.93	2.27	12.20
Tooele	10.66	1.31	11.97
Uintah	10.73	4.32	15.05
Utah*	7.97	1.50	9.47
Wasatch	9.98	1.50	11.48
Washington	7.37	3.04	10.41
Wayne	10.68	5.45	16.13
Weber*	8.41	2.70	11.11

* Counties that did not receive rural differential money

A comparison of total revenues in Mental Health reveals a great disparity between county per-capita totals. It should be noted that twenty-five counties receive a rural differential to make up for their smaller and more dispersed populations. This differential is one reason why the counties are so varied in their total per-capita revenues. Total 1995 revenues for the rural counties ranged from \$10.41 for Washington County on the low end, to \$17.46 for San Juan County on the high end. The five counties that did not receive a rural differential experienced a \$2.44 spread with Davis County on the low end with \$8.67 and Weber County receiving \$11.11 per-capita on the high end.

Formula funds show less disparity and appear to be allocated equitably among the counties. When just formula funds are examined, the variance is much smaller for the five urban counties with a difference of only \$0.56 between Utah County at \$7.97 and Cache County at \$8.53. Among the rural counties the difference is \$3.96 with per-capita formula dollars ranging from \$7.37 in Washington County to \$11.33 in San Juan County. The rural differential accounts for this variance as more dollars per-capita are allocated to the less populated counties.

Non-formula funds account for the biggest difference in county per-capita revenues in Mental Health. This money does not go through the formula, but is allocated on either a patient by patient, fee for service, lump-sum or contract basis. The dollar range for non-formula funds for the five urban counties is \$0.62 in Davis County to \$2.27 in Salt Lake county and \$1.50 in Wasatch County to \$6.13 for the rural counties. Later in this report, we will explore the non-formula programs in more detail and attempt to explain why this disparity exists among per-capita revenues in the counties.

Substance Abuse

There are 13 local area agencies that administer substance abuse programs in the state. We were able to break the agencies into counties and determine the formula, non-formula and total revenue figures for fiscal year 1995, as shown in Figure II.

<p align="center">Figure II Estimated Substance Abuse Per-capita Revenues by County Fiscal Year 1995</p>			
County	Formula Per-capita Revenues	Non-Formula Per-capita Revenues	Total Per-capita Revenues
Beaver	\$ 10.51	\$ 1.01	\$11.52
Box Elder	8.69	.17	8.85
Cache*	8.53	.17	8.70
Carbon	9.30	1.48	10.78
Daggett	23.79	.51	24.31
Davis*	7.00	1.10	8.10
Duchesne	9.18	.51	9.70
Emery	9.84	1.48	11.32
Garfield	11.04	1.01	12.05
Grand	10.14	1.48	11.62
Iron	8.78	1.01	9.78
Juab	8.51	.47	8.98
Kane	10.31	1.01	11.32
Millard	7.86	.47	8.33
Morgan	10.33	1.62	11.95
Piute	15.17	.47	15.64
Rich	14.83	.17	15.00
Salt Lake*	9.32	.54	9.86
San Juan	10.00	1.07	11.07
Sanpete	7.49	.47	7.96
Sevier	7.55	.47	8.03
Summit	9.16		9.16
Tooele	10.40		10.40
Uintah	8.80	.51	9.32
Utah*	6.18	.68	6.85
Wasatch	8.16		8.16
Washington	8.51	1.01	9.52
Wayne	11.93	.47	12.40
Weber*	8.55	1.62	10.16

** Counties that did not receive rural differential money*

Total revenues in Substance Abuse show a dramatic variance in per-capita dollars. For all counties combined, Utah County has the lowest per-capita total with \$6.85 and Daggett County far exceeds all counties with \$24.31. The next highest county is Piute with \$15.64 per-capita. As with Mental Health, the rural differential greatly impacts the figures in Substance Abuse. When only the urban counties are compared, the difference between the lowest and highest is only \$3.31 as opposed to the rural counties where the difference is \$16.35.

Formula dollars present less of a difference and appear to be allocated equitably. The formula for Substance Abuse is more complex than the straight population based formula in Mental Health. This formula takes factors such as incidence and prevalence of drug and alcohol use into consideration, and per-capita formula dollars reflect these demographic characteristics. Utah County is the lowest at \$6.18 and Salt Lake County is highest at \$9.32 for a difference of \$3.14. Among rural counties, the lowest per-capita figure is Sanpete County at \$7.49 as opposed to Daggett County with \$23.79. It should be noted that Daggett's population is roughly 700 people, which greatly skews per-capita figures. In comparison, the next least populated county is Piute with 1350 people, roughly twice the size of Daggett.

Non-formula dollars do not play a very influential role in Substance Abuse per-capita totals. The counties with the highest non-formula dollars are Weber and Morgan with \$1.62. The lowest figures are in Cache, Box Elder and Rich Counties which only bring in \$0.17 per-capita.

Area Agencies on Aging

There are 12 area agencies that administer the aging programs in the state. The following figure lists the counties and total per-capita revenues for fiscal year 1995, but we were not able to break out revenues into formula and non-formula data. The aging programs formula is extremely complex because it uses demographic figures on the elderly based on the population over 60, but additional funds are allocated for the population over 75 years old. The demographic figures we use are compiled by catchment area but do not identify totals by county, therefore we were not able to break-down revenues further.

Figure III
Utah's Area Agencies on Aging
Estimated Per-capita Revenues by County
Fiscal Year 1995

County	Total Per-capita Revenues	County	Total Per-capita Revenues
Beaver	\$ 8.83	Piute	\$ 9.71
Box Elder	5.62	Rich	5.62
Cache	5.62	Salt Lake	5.08
Carbon	8.57	San Juan	16.54
Daggett	12.73	Sanpete	9.71
Davis	2.87	Sevier	9.71
Duchesne	12.73	Summit	3.95
Emery	8.57	Tooele	6.85
Garfield	8.83	Uintah	12.84
Grand	8.57	Utah	3.95
Iron	8.83	Wasatch	3.95
Juab	9.71	Washington	8.83
Kane	8.83	Wayne	9.71
Millard	9.71	Weber	6.91
Morgan	6.91		

The rural county with the lowest per-capita revenues in aging is Wasatch County (which is combined with Utah County) with \$3.95 with the range going as high as \$16.54 for San Juan County. Among the five urban counties, Weber County (which is combined with Morgan County) has the highest per-capita dollars with \$6.91, compared to Davis County with \$2.87.

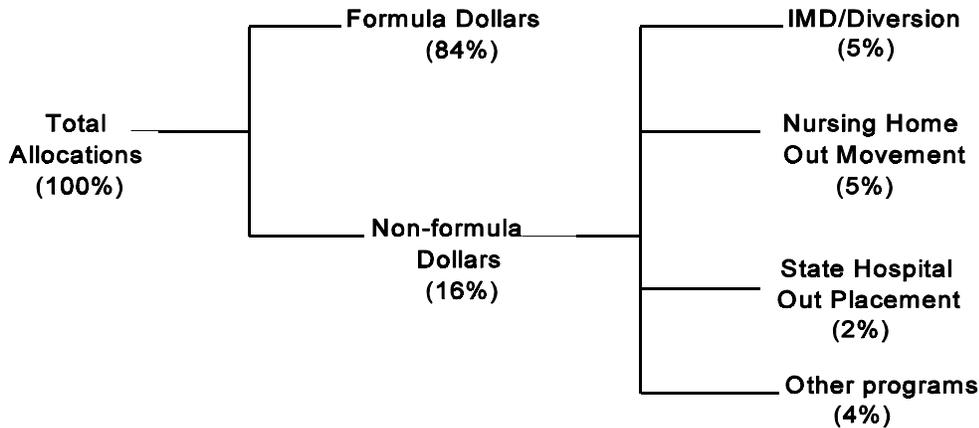
Non-formula Funds are the Source of County Per-capita Differences

Three Mental Health programs, which are not funded through the formula, create the disparity in total per-capita funds among the counties. After determining the per-capita figures for Mental Health, Substance Abuse and Aging, we analyzed the revenues in Mental Health to determine why the county revenues differed so greatly. We chose Mental Health because this program had the largest total revenues for 1994, 1995 and 1996, and therefore demonstrated more risk than Substance Abuse and Aging. There are a total of 12 mental health centers or catchments in the state, but the focus of our analysis is on the four largest mental health centers and how their per-capita revenues compare. We found that a few non-formula programs were the cause of the per-capita differences. In addition, we determined that the formula revenues in Mental Health are allocated in a reasonably equitable manner.

The following figure represents how funds are divided between the programs in Mental Health. In fiscal year 1996, formula money represents 84% and non-formula money accounts for 16% of total revenues. The non-formula programs make up 16% of the total Mental Health budget.

Figure IV

Fiscal Year 1996 Mental Health Allocations



Mental Health Formula Revenues are Allocated Equitably

In addition to the 1995 per-capita revenue figures for the counties shown above, we examined 1996 state and federal general revenue allocations in Mental Health for the four largest mental health centers. We used the 1996 revenue allocation data for this in-depth review of Mental Health because we were interested in how non-formula allocations differed among the counties. In conducting this review, we found that the funding formula is equitably allocating money. The formula is based on population, so each county should receive an equitable allocation. But, as mentioned earlier, 24 of the 29 counties also receive the rural differential, which allocates additional money to aid counties with smaller populations. The four centers we analyzed did not receive any rural differential money, and therefore should and did receive about the same amount of formula money.

Figure V	
Mental Health Per-capita Formula Funds, Fiscal Year 1996 by Center	
Center	Per-capita Formula Fund
Weber	\$ 9.77
Wasatch	9.29
Davis	9.13
Salt Lake	9.10

Formula allocated state and federal general funds comprise 84% of total funding in Mental Health. As the table indicates, the per-capita dollars for the urban counties are similar, demonstrating that the formula is allocating general funds in a reasonably equitable manner. Although not shown in the table above, we also calculated the rural counties' per-capita distribution when the rural differential is not added. These per-capita figures were also within an acceptable range of each other.

Non-formula Programs are the Source of County Per-capita Disparities

The disparity between per-capita county revenues in Mental Health lies in the non-formula funded programs, specifically the three following programs; Institutions for the Mentally

Disabled (IMD)/ Diversion, Utah State Hospital Out Placement, and Nursing Home Out Movement.

The IMD/Diversion program was created in 1987 in response to federal legislation that exempted nursing facilities with a mentally ill population greater than fifty percent from receiving Medicaid funding. The state developed a program to move mentally ill patients out of the nursing homes to residential centers in five of the mental health catchment areas. The five centers receiving funding were Salt Lake (Valley Mental Health), Weber, Wasatch (Utah and Wasatch Counties), Bear River (Cache, Rich and Box Elder Counties) and Southwest (Beaver, Garfield, Iron, Kane and Washington Counties).

The IMD/Diversion program is funded on a per patient, fee-for-service basis. Patients are identified and services are provided to them by the catchment area as long as the patient remains in the catchment. When a patient dies, a new patient is brought into the program from a waiting list. If a patient leaves the area, the funding would follow the patient and would not remain available for any other use by the catchment. Since this program was initiated, no new funds have been added to this program so catchments that are not currently receiving patients and funding can not participate or receive IMD/Diversion funding. But, to reiterate, the money for IMD/Diversion follows the patient and is tied to the services provided for the individual patients. Catchments can not use this money as general fund money for purposes other than the IMD/Diversion program.

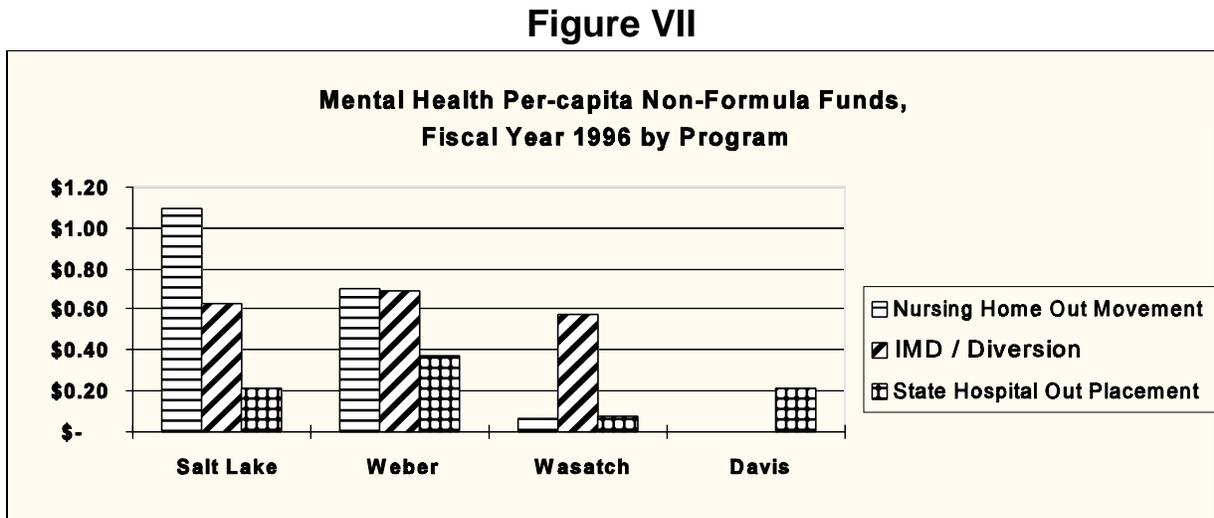
The Nursing Home Out Movement program works with the IMD program to keep mentally ill patients out of nursing homes. Patients in this program are mentally ill enough that they require some form of treatment, but they can not have any other serious medical problems. Patients who meet these criteria and are currently in a nursing home are moved into a supervised residential setting. Five centers receive funds for Nursing Home Out Movement at this time, but funding is available for other centers if the need arises. This program is also patient funded on a fee-for-service basis.

The Utah State Hospital Out Placement program was created in 1990 when the state Legislature appropriated money to move patients out of the hospital. This program provides money for mental health providers to care for extremely mentally ill patients who no longer benefit from treatments at the State Hospital. As with the other two programs, funding follows the individual patient. Eight of the ten centers receive funding for this program.

Figure VI illustrates how the Salt Lake, Weber, Davis and Wasatch Mental Health Centers differ in terms of combined revenues allocated.

Figure VI	
Mental Health Per-capita Funds for Three Non-Formula Programs	
Fiscal Year 1996, by Center	
Center	Per-capita Non-Formula Funds
Salt Lake	\$1.93
Weber	1.76
Wasatch	.70
Davis	.21

Salt Lake and Weber receive the bulk of the program funds compared to Wasatch and Davis. We took these per-capita figures and broke them down further into the individual programs to see how they compared. As the following table shows, the Nursing Home Out Movement and IMD/Diversion dollars are the reason why the urban counties have different per-capita totals.



We found that the Salt Lake, Weber and Wasatch IMD and Nursing Home programs significantly contribute to the total per-capita funds for the respective centers, whereas Davis does not receive money for these programs. The three centers that receive Nursing Home and IMD funds provide the necessary services to receive this money and as mentioned above, funding for these programs follows the individual patients on a fee for service basis. The

President R. Lane Beattie
November 1, 1996
Page 12

Nursing Home and IMD programs each make up about 5% of the total Mental Health revenues in 1996, or roughly \$1,100,000 for each program. State Hospital Out Placement is only 2 percent of total revenues or \$457,600 for the entire state. In terms of dollars, these programs are not large, but because the program money is allocated to only a few centers, the effect is significant.

We hope that this information is helpful. If you have any additional questions or need clarification on any of this information, please feel free to contact our office.

Sincerely,

Wayne L. Welsh
Auditor General

WLW:ATS/lm