Mental Health Revenue Update

California Institute for Behavioral Health Solutions (CIBHS)

June 5, 2019
FY19/20 Estimated Community Mental Health Funding
(Dollars in Millions)

- SGF/Other: $345.0
- MHSA: $2,102.4
- 1991 MH Realignment: $1,360.5
- 2011 MH Realignment: $1,306.9
- FFP: $3,187.3
1991 Realignment

- Three revenue sources fund 1991 Realignment
  - ½ Cent of State Sales Tax
  - State Vehicle License Fees
  - State Vehicle License Fee Collections
- County’s must provide a Maintenance of Effort (MOE)
- Swap of CalWORKs Maintenance of Effort (MOE) with Mental Health Realignment began in FY11/12
  - Mental Health services funded with 2011 Realignment sales tax revenue
    - Guaranteed minimum amount beginning in FY12/13 ($1,120.5M)
  - Mental Health receives growth in 1991 Realignment funds once funding for CalWORKs MOE is equal to the guaranteed minimum amount of Mental Health funding
  - Mental Health also receives 5% of the annual growth in the 2011 Realignment Support Services Account
1991 Realignment

• Realignment revenues are distributed to counties on a monthly basis as funds are collected until each county receives funds equal to previous year’s total
  • Separate distributions for:
    • Mental Health (fixed, guaranteed amount)
    • Mental Health Sales Tax Base
    • Mental Health VLF Base
    • Mental Health VLF Collections
  • Revenues above that amount are placed into growth accounts
    • Sales Tax
    • VLF
1991 Realignment

• Discontinuance of the Coordinated Care Initiative (CCI) due to it not being cost effective impacts the County MOE for In-Home Supportive Services (IHSS)
  • County IHSS costs anticipated to increase by approximately $600 million in FY17/18
  • Fund the shortfall with a combination of State General Fund monies and a redirection of 1991 Realignment growth funds
    • All 1991 VLF growth redirected for three years (FY16/17-FY18/19)
    • Redirection of FY16/17 mental health sales tax growth
  • Two city programs not impacted by redirection
• Governor’s Proposed FY19/20 Budget eliminates the redirection of growth funds beginning in FY19/20
  • If enacted and revenues materialize, Counties will receive 1991 Mental Health Realignment growth in October 2020 and an increase to the FY20/21 base
### 1991 Mental Health Realignment Estimated Revenues
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
<th>19/20</th>
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</thead>
<tbody>
<tr>
<td><strong>Base Amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mental Health (CalWORKS MOE Swap)</td>
<td>$1,120.6</td>
<td>$1,120.6</td>
<td>$1,120.6</td>
<td>$1,120.6</td>
</tr>
<tr>
<td>Mental Health Sales Tax Base</td>
<td>$33.9</td>
<td>$34.0</td>
<td>$34.0</td>
<td>$34.0</td>
</tr>
<tr>
<td>Mental Health Vehicle License Fee Base</td>
<td>$94.9</td>
<td>$95.1</td>
<td>$95.3</td>
<td>$95.4</td>
</tr>
<tr>
<td>Mental Health Vehicle License Fee Collections</td>
<td>$14.0</td>
<td>$14.0</td>
<td>$14.0</td>
<td>$14.0</td>
</tr>
<tr>
<td><strong>Total Base</strong></td>
<td>$1,263.4</td>
<td>$1,263.7</td>
<td>$1,263.9</td>
<td>$1,264.0</td>
</tr>
<tr>
<td><strong>Growth in Base</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$0.1</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$59.1</td>
</tr>
<tr>
<td>Vehicle License Fees</td>
<td>$0.2</td>
<td>$0.2</td>
<td>$0.1</td>
<td>$26.8</td>
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<tr>
<td><strong>One-Time Growth</strong></td>
<td></td>
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<tr>
<td>5% of Support Services Account Growth</td>
<td>$9.8</td>
<td>$8.7</td>
<td>$8.3</td>
<td>$10.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,273.5</td>
<td>$1,272.6</td>
<td>$1,272.3</td>
<td>$1,360.5</td>
</tr>
</tbody>
</table>
2011 Realignment

- Additional realignment occurred as part of FY11/12 State Budget
- Dedicated a specific revenue to fund realigned services
  - 1.0625% of Sales Tax
  - Motor Vehicle License Fee Transfer to fund law enforcement program
  - Realigned services previously funded with State General Fund monies
  - MHSA funds were used to fund realigned mental health services in FY11/12
2011 Realignment

• Funds in the Behavioral Health Subaccount must be used to fund:
  • Residential perinatal drug services and treatment
  • Drug court operations and services
  • Nondrug Medi-Cal substance abuse treatment programs
  • Drug/Medi-Cal program
  • Medi-Cal specialty mental health services, including Early and Periodic Screening, Diagnosis and Treatment program and mental health managed care
• The 2011 Realignment statute does not specify how much needs to be spent on each program
  • County discretion
## 2011 Realignment Behavioral Health Subaccount Estimated Revenues

(Dollars in Millions)

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<thead>
<tr>
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<th>19/20</th>
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</thead>
<tbody>
<tr>
<td><strong>Base Amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Base</td>
<td>$1,230.3</td>
<td>$1,328.6</td>
<td>$1,415.4</td>
<td>$1,498.0</td>
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<tr>
<td><strong>Growth in Base</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>New Growth</td>
<td>$98.3</td>
<td>$86.8</td>
<td>$82.6</td>
<td>$106.1</td>
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<tr>
<td>Total</td>
<td>$1,328.6</td>
<td>$1,415.4</td>
<td>$1,498.0</td>
<td>$1,604.1</td>
</tr>
<tr>
<td><strong>Percent Change</strong></td>
<td>8.0%</td>
<td>6.5%</td>
<td>5.8%</td>
<td>7.1%</td>
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Excluding Women and Children's Residential Treatment Services Special Account which is a fixed amount.
2011 Realignment

• Current Year
  • Funded up to FY18/19 Base of $1,415.4 million
  • FY18/19 individual county base allocation percentages initially based on FY17/18 rolling base concept
    • FY17/18 rolling base was FY16/17 base plus FY16/17 growth
    • FY16/17 growth
      • 50% based on FY15/16 D/MC and EPSDT claims
      • 50% based on weighted Medi-Cal beneficiaries
        • Adjusted for the cost of Disabled and Foster Care aid codes
  • FY18/19 individual county base allocation percentages revised in February to reflect rolling base
    • FY16/17 county allocations represent initial base (DHCS Information Notice 16-052)
    • Add FY16/17 growth (DHCS Information Notice 18-060) and FY17/18 growth (DHCS Information Notice 19-001) to compute individual county’s FY18/19 base allocation
    • February distribution included adjustment to reflect revised base for entire fiscal year
Mental Health Services Act

- The MHSA created a 1% tax on income in excess of $1 million to expand mental health services
- Approximately 1/10 of one percent of tax payers are impacted by tax
- Two primary sources of deposits into State MHS Fund
  - 1.76% of all monthly personal income tax (PIT) payments (Cash Transfers)
  - Annual Adjustment based on actual tax returns
    - Settlement between monthly PIT payments and actual tax returns
Mental Health Services Act

• Funds distributed to counties monthly based on unspent and unreserved monies in State MHS Fund at end of prior month

• Cash Transfers are largest in months with quarterly tax payments and year end tax payments
  • January, April, June and September

• Annual Adjustments are incredibly volatile
  • Two year lag
  • Known by March 15th
  • Deposited on July 1st
### MHSA Estimated Revenues  
(Cash Basis-Millions of Dollars)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Estimated</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>16/17</td>
<td>17/18</td>
</tr>
<tr>
<td>Cash Transfers</td>
<td>$1,484.1</td>
<td>$1,660.8</td>
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<tr>
<td>Annual Adjustment</td>
<td>$464.1</td>
<td>$446.0</td>
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<tr>
<td>Interest</td>
<td>$2.6</td>
<td>$5.3</td>
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<tr>
<td>Total</td>
<td>$1,950.8</td>
<td>$2,112.1</td>
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</table>
# MHSA Estimated Component Funding
(Cash Basis-Millions of Dollars)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16/17</td>
<td>17/18</td>
</tr>
<tr>
<td>CSS</td>
<td>$1,388.6</td>
<td>$1,527.1</td>
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<tr>
<td>PEI</td>
<td>$347.1</td>
<td>$381.8</td>
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<tr>
<td>Innovation</td>
<td>$91.4</td>
<td>$100.5</td>
</tr>
<tr>
<td>Total</td>
<td>$1,827.0</td>
<td>$2,009.3</td>
</tr>
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a/ 5% of the total funding must be utilized for innovative programs (W&I Code Section 5892(a)(6)).
MHSA Estimated Component Funding

• Funding for No Place Like Home debt service has been removed from component funding
  • $62 million in FY19/20 and $88 million in FY20/21
  • Maximum of $140 million when fully implemented in FY22/23
  • Counties can estimate their reduction in MHSA funding by multiplying the county allocation percentage by $130 million for 30 years

• Anticipate continued growth in funding through FY20/21
  • Decrease in FY18/19 due to lower annual adjustment
  • Expect large annual adjustments in FY20/21 and FY21/22 due to capital gains spike in 2018 and 2019

• Estimated component funding has not been adjusted to:
  • Include reverted/redistributed funds
  • Exclude proposals for redirected funds
Medi-Cal Specialty Mental Health Reimbursement

• County Mental Health Plans (MHP) are reimbursed a percentage of their actual expenditures (Certified Public Expenditures-CPE) based on the Federal Medical Assistance Percentage (FMAP)
  • Same for all Medi-Cal Specialty Mental Health services except FFS/MC inpatient hospital services
• County MHPs are reimbursed an interim amount throughout the fiscal year based on approved Medi-Cal services and interim billing rates
  • Interim rates for contract providers represent amount paid by MHP to provider
  • Interim rates for county-operated providers should approximate actual costs
Medi-Cal Specialty Mental Health Reimbursement

- County MHPs and DHCS reconcile the interim amounts to actual expenditures through the year end cost report settlement process
  - DHCS should be settling FY16/17 but are several years behind
- DHCS audits the cost reports to determine final Medi-Cal entitlement
  - DHCS should be auditing FY13/14 but are several years behind
- DHCS Information Notice 18-026 provides anticipated cost report settlement timeframes for DHCS to return to normal business cycle
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<th>19/20</th>
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<tr>
<td>Existing Specialty Mental Health Services</td>
<td>$2,410.4</td>
<td>$2,877.8</td>
<td>$2,839.5</td>
<td>$3,073.2</td>
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<tr>
<td>Supplemental Payment SPA</td>
<td>$33.5</td>
<td>$46.6</td>
<td>$114.1</td>
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<tr>
<td><strong>Total Mental Health FFP</strong></td>
<td>$2,410.4</td>
<td>$2,911.2</td>
<td>$2,886.1</td>
<td>$3,187.3</td>
</tr>
</tbody>
</table>
State General Funds

- Budget includes Statewide State General Fund monies
  - Continuum of Care Reform
    - FY18/19 - $9.8 million
    - FY19/20 - $11.7 million
  - EPSDT Performance Outcome System
    - FY18/19 - $3.1 million
    - FY19/20 - $6.8 million
  - Managed Care Regulations Implementation
    - FY18/19 - $0.9 million
    - FY19/20 - $7.7 million
  - Managed Care Regulations Mental Health Parity
    - FY18/19 - $0.3 million
    - FY19/20 - $2.8 million
State General Funds

- Increased State Share for ACA Medi-Cal Clients
  - FY18/19 - $50.4 million
  - FY19/20 - $73.9 million
- State Reimbursement for SB75 Children
  - FY18/19 - $40.2 million
  - FY19/20 - $46.9 million
- Additional Utilization Review Costs
  - FY18/19 - $0.9 million
  - FY19/20 - $1.0 million
- Homeless and Mental Illness Program
  - FY18/19 - $50 million
- Repayment of AB3632 Mandate
  - FY18/19 - $254 million (plus interest)
### Mental Health Estimated Funding
(Dollars in Millions)

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<td>$1,272.6</td>
<td>$1,272.3</td>
<td>$1,360.5</td>
</tr>
<tr>
<td>2011 MH Realignment&lt;sup&gt;a/&lt;/sup&gt;</td>
<td>$1,082.5</td>
<td>$1,153.2</td>
<td>$1,220.5</td>
<td>$1,306.9</td>
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<tr>
<td>MHSA</td>
<td>$1,827.0</td>
<td>$2,009.3</td>
<td>$1,908.9</td>
<td>$2,102.4</td>
</tr>
<tr>
<td>FFP</td>
<td>$2,410.4</td>
<td>$2,911.2</td>
<td>$2,886.1</td>
<td>$3,187.3</td>
</tr>
<tr>
<td>SGF/Other</td>
<td>$225.0</td>
<td>$270.0</td>
<td>$350.0</td>
<td>$345.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,818.4</strong></td>
<td><strong>$7,616.3</strong></td>
<td><strong>$7,637.8</strong></td>
<td><strong>$8,302.1</strong></td>
</tr>
</tbody>
</table>

<sup>a/</sup> Assuming proportionate growth by program.
Information

- Information for County MHPs
  - State Controller’s Office allocation schedules
    - [http://www.sco.ca.gov/ard_local_apportionments.html](http://www.sco.ca.gov/ard_local_apportionments.html)
  - Department of Finance Monthly Finance Bulletins
    - [http://dof.ca.gov/Forecasting/Economics/Economic_and_Revenue_Updates/](http://dof.ca.gov/Forecasting/Economics/Economic_and_Revenue_Updates/)
  - Department of Health Care Services MHP information
    - [http://www.dhcs.ca.gov/services/Pages/Medical_SMHS.aspx](http://www.dhcs.ca.gov/services/Pages/Medical_SMHS.aspx)
  - Department of Health Care Services Information Notices
    - [http://www.dhcs.ca.gov/formsandpubs/Pages/MHSUDS-Information-Notices.aspx](http://www.dhcs.ca.gov/formsandpubs/Pages/MHSUDS-Information-Notices.aspx)