Mental Health Financial Issues

California Institute for Behavioral Health Solutions (CIBHS)
Small County Fiscal Technical Assistance

May 31, 2019
FY19/20 Estimated Community Mental Health Funding
(Dollars in Millions)

- FFP $3,187.3
- SGF/Other $345.0
- 1991 MH Realignment $1,360.5
- 2011 MH Realignment $1,306.9
- MHSA $2,102.4
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
# 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>
</tr>
</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>
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<tr>
<td>Mental Health Sales Tax Base</td>
<td>$33.9</td>
<td>$34.0</td>
<td>$34.0</td>
<td>$34.0</td>
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<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>
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<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>
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<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>
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<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>
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<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>
<td></td>
<td></td>
<td></td>
</tr>
<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>
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<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>
1991 Mental Health Realignment

- Current Year
  - Mental Health
    - Funded at $93.4 million per month
    - Managed care and state hospital offsets are deducted from allocation
  - Mental Health Sales Tax Base
    - Funded up to $34.0 million
  - Mental Health VLF Base
    - Funded up to $95.3 million
  - VLF Collection
    - Fully funded to $14.0 million in September and October 2018
  - Total base funding of $1,263.9 million
1991 Mental Health Realignment

• Current Year
  • Also received cash from FY17/18
    • 5% of Support Services Growth Account-$8.7 million
      • Distributed October 11, 2018
1991 Mental Health Realignment

- Budget Year
  - Mental Health
    - Recommend budget at $1,120.6 million
  - Mental Health Sales Tax Base
    - Recommend budget at FY18/19 base-$34.0 million
  - Mental Health VLF Base
    - Recommend budget at FY18/19 base- $95.4 million
  - VLF Collection
    - Recommend budget at $14.0 million
- Total recommended budgeted funding of $1,264.0 million
- FY18/19 growth is known in October 2019
  - 5% of Support Services Growth Account-$8.3 million
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)

<table>
<thead>
<tr>
<th></th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
<th>19/20</th>
</tr>
</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>
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<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><strong>Total</strong></td>
<td>$1,328.6</td>
<td>$1,415.4</td>
<td>$1,498.0</td>
<td>$1,604.1</td>
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<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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</tbody>
</table>

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
2011 Realignment

- FY17/18 growth ($86.8 million) distributed January 18, 2019
  - Per DHCS Information Notice 19-001:
    - 50% allocated based on FY17/18 Drug/Medi-Cal and EPSDT approved claims
    - 50% allocated based on proportion of Medi-Cal beneficiaries in each county
      - Adjusted for the cost of Disabled and Foster Care aid codes
2011 Realignment

• **Budget Year**
  • Recommend budgeting same amount as FY18/19
    • Anticipate individual county allocations to reflect a rolling base
      • FY18/19 allocation plus FY18/19 growth should equal FY19/20 base allocations
  • Recommend mid-year budget revisions once FY18/19 growth is known in October 2019
    • Will increase FY19/20 base
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 15\textsuperscript{th}
  - Deposited on July 1\textsuperscript{st}

![Statewide Monthly MHSA Distributions](image)
## 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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## MHSA Estimated Component Funding

(Cash Basis-Millions of Dollars)

<table>
<thead>
<tr>
<th>Component</th>
<th>Actual</th>
<th>Estimated</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>16/17</td>
<td>17/18</td>
<td>18/19</td>
<td>19/20</td>
<td>20/21</td>
</tr>
<tr>
<td>CSS</td>
<td>$1,388.6</td>
<td>$1,527.1</td>
<td>$1,450.8</td>
<td>$1,597.8</td>
<td>$1,676.0</td>
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<tr>
<td>PEI</td>
<td>$347.1</td>
<td>$381.8</td>
<td>$362.7</td>
<td>$399.5</td>
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<td>Innovation&lt;sup&gt;a/&lt;/sup&gt;</td>
<td>$91.4</td>
<td>$100.5</td>
<td>$95.4</td>
<td>$105.1</td>
<td>$110.3</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1,827.0</strong></td>
<td><strong>$2,009.3</strong></td>
<td><strong>$1,908.9</strong></td>
<td><strong>$2,102.4</strong></td>
<td><strong>$2,205.3</strong></td>
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</tbody>
</table>

<sup>a/</sup> 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
MHSA Estimated Component Funding

• Current Year
  • Anticipate 5% decrease compared to FY17/18
  • Individual county distribution percentages shown in Information Notice 18-038
    • Anticipate slightly higher (approximately 2%) allocations than shown in Information Notice 18-038

• Budget Year
  • Anticipate 5-10% increase over FY18/19
    • Includes $62 million for No Place Like Home debt service
    • Annual adjustment of $443.6 million to be posted in July
  • Anticipate continuation of FY18/19 individual county distribution percentages
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
## Medi-Cal Specialty Mental Health Estimated Federal Reimbursement

(Dollars in Millions)

<table>
<thead>
<tr>
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<th>18/19</th>
<th>19/20</th>
</tr>
</thead>
<tbody>
<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>Total Mental Health FFP</td>
<td>$2,410.4</td>
<td>$2,911.2</td>
<td>$2,886.1</td>
<td>$3,187.3</td>
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</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 - $ 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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<th>19/20</th>
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</thead>
<tbody>
<tr>
<td>1991 MH Realignment</td>
<td>$1,273.5</td>
<td>$1,272.6</td>
<td>$1,272.3</td>
<td>$1,360.5</td>
</tr>
<tr>
<td>2011 MH Realignment</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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<td>MHSA</td>
<td>$1,827.0</td>
<td>$2,009.3</td>
<td>$1,908.9</td>
<td>$2,102.4</td>
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<tr>
<td>FFP</td>
<td>$2,410.4</td>
<td>$2,911.2</td>
<td>$2,886.1</td>
<td>$3,187.3</td>
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<tr>
<td>SGF/Other</td>
<td>$225.0</td>
<td>$270.0</td>
<td>$350.0</td>
<td>$345.0</td>
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<tr>
<td><strong>Total</strong></td>
<td>$6,818.4</td>
<td>$7,616.3</td>
<td>$7,637.8</td>
<td>$8,302.1</td>
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</table>

a/ 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
  • Department of Finance Monthly Finance Bulletins
    • http://dof.ca.gov/Forecasting/Economics/Economic_and_Revenue_Updates/
  • Department of Health Care Services MHP information
    • http://www.dhcs.ca.gov/services/Pages/Medi-cal_SMHS.aspx
  • Department of Health Care Services Information Notices
    • http://www.dhcs.ca.gov/formsandpubs/Pages/MHSUDS-Information-Notices.aspx