Mental Health Financial Issues

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

January 25, 2019
FY19/20 Estimated Community Mental Health Funding
(Dollars in Millions)

- SGF/Other: $335.0
- 1991 MH Realignment: $1,360.1
- 2011 MH Realignment: $1,350.8
- FFP: $3,168.6
- MHSA: $2,072.8
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
• Mental Health Sales Tax Base and Vehicle License Base should not be impacted
• 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>Base Amount</th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
<th>19/20</th>
</tr>
</thead>
<tbody>
<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>
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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>Total Base</td>
<td>$1,263.4</td>
<td>$1,263.7</td>
<td>$1,263.9</td>
<td>$1,264.0</td>
</tr>
</tbody>
</table>

## Growth in Base

<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>Sales Tax</td>
<td>$0.1</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$52.3</td>
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<tr>
<td>Vehicle License Fees</td>
<td>$0.2</td>
<td>$0.2</td>
<td>$0.1</td>
<td>$32.2</td>
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</tbody>
</table>

## One-Time Growth

<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>5% of Support Services Account Growth</td>
<td>$9.8</td>
<td>$8.7</td>
<td>$12.7</td>
<td>$11.6</td>
</tr>
<tr>
<td>Total</td>
<td>$1,273.5</td>
<td>$1,272.6</td>
<td>$1,276.7</td>
<td>$1,360.1</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 $95.2 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- $95.3 million
  - **VLF Collection**
    - Recommend budget at $14.0 million
- **Total recommended budgeted funding of** $1,263.9 million
- **FY18/19 growth is known in October 2019**
  - 5% of Support Services Growth Account-$12.7 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>$1,542.1</td>
</tr>
<tr>
<td><strong>Growth in Base</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Growth</td>
<td>$98.3</td>
<td>$86.8</td>
<td>$126.7</td>
<td>$115.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,328.6</td>
<td>$1,415.4</td>
<td>$1,542.1</td>
<td>$1,658.0</td>
</tr>
<tr>
<td><strong>Percent Change</strong></td>
<td>8.0%</td>
<td>6.5%</td>
<td>9.0%</td>
<td>7.5%</td>
</tr>
</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 currently 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
  - Anticipate revision to FY18/19 individual county base allocation percentages 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
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 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>
</tr>
</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>$1,661.0</td>
</tr>
<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>$5.1</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(a/)</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>
</tbody>
</table>

\(a/\) 5% of the total funding must be utilized for innovative programs (W&I Code Section 5892(a)(6)).
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 known in March 2019
  • 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>
<th></th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Specialty Mental Health Services</td>
<td>$2,403.7</td>
<td>$2,410.4</td>
<td>$2,815.0</td>
<td>$2,827.2</td>
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<tr>
<td>Supplemental Payment SPA</td>
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<td>$266.1</td>
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<tr>
<td>Total Mental Health FFP</td>
<td>$2,403.7</td>
<td>$2,410.4</td>
<td>$3,081.1</td>
<td>$2,827.2</td>
</tr>
</tbody>
</table>
Medi-Cal Specialty Mental Health Reimbursement

• Information Notice 17-065 implemented the Supplemental Payment State Plan Amendment
  • Counties able to obtain Federal reimbursement for uncompensated Medi-Cal Specialty Mental Health costs
  • Provided forms and instructions for FY08/09 (six months) and FY09/10 supplemental payments
• DHCS has begun providing forms for FY10/11 and FY11/12 supplemental payments
  • Amounts not known or reflected in budget
State General Funds

• Budget includes Statewide State General Fund monies
  • Continuum of Care Reform
    • FY18/19 - $9.4 million
    • FY19/20 - $10.9 million
  • EPSDT Performance Outcome System
    • FY18/19 - $3.1 million
    • FY19/20 - $7.2 million
  • Managed Care Regulations Implementation
    • FY18/19 - $8.9 million
    • FY19/20 - $8.2 million
State General Funds

• Managed Care Regulations Mental Health Parity
  • FY18/19 - $0.7 million
  • FY19/20 - $2.8 million

• Increased State Share for ACA Medi-Cal Clients
  • FY18/19 - $53.2 million
  • FY19/20 - $78.4 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>$1,276.7</td>
<td>$1,360.1</td>
</tr>
<tr>
<td>2011 MH Realignment</td>
<td>$1,082.5</td>
<td>$1,153.2</td>
<td>$1,256.4</td>
<td>$1,350.8</td>
</tr>
<tr>
<td>MHSA</td>
<td>$1,827.0</td>
<td>$2,009.3</td>
<td>$1,908.9</td>
<td>$2,072.8</td>
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<tr>
<td>FFP</td>
<td>$2,410.4</td>
<td>$2,911.2</td>
<td>$2,995.8</td>
<td>$3,168.6</td>
</tr>
<tr>
<td>SGF/Other</td>
<td>$225.0</td>
<td>$270.0</td>
<td>$350.0</td>
<td>$335.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$6,818.4</td>
<td>$7,616.3</td>
<td>$7,787.8</td>
<td>$8,287.4</td>
</tr>
</tbody>
</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/Medical_SMHS.aspx
  • Department of Health Care Services Information Notices
    • http://www.dhcs.ca.gov/formsandpubs/Pages/MHSUDS-Information-Notices.aspx