Mental Health Financial Issues

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

January 25, 2018
FY18/19 Estimated Community Mental Health Funding
(Dollars in Millions)

- FFP $2,827.2
- MHSA $1,897.7
- 1991 MH Realignment $1,273.8
- 2011 MH Realignment $1,249.7
- Other $300.0
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 will increase by an estimated $592.2 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)
    - 50 percent of VFL growth redirected for two years (FY19/20 and FY20/21)
    - Redirection of FY16/17 mental health sales tax growth
  - Anticipate Social Services caseload cost growth to utilize all of sales tax growth into the foreseeable future
  - Two city programs not impacted by redirection in FY16/17
  - Mental Health Sales Tax Base and Vehicle License Base should not be impacted
### 1991 Mental Health Realignment Estimated Revenues
(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><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>$33.9</td>
<td>$34.0</td>
<td>$34.0</td>
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<tr>
<td>Mental Health Vehicle License Fee Base</td>
<td>$48.8</td>
<td>$94.9</td>
<td>$95.1</td>
<td>$95.1</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>$1,217.3</td>
<td>$1,263.4</td>
<td>$1,263.7</td>
<td>$1,263.7</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>$0.0</td>
<td>$0.1</td>
<td>$0.0</td>
<td>$0.0</td>
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<tr>
<td>Vehicle License Fees</td>
<td>$46.1</td>
<td>$0.2</td>
<td>$0.0</td>
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<tr>
<td><strong>One-Time Growth</strong></td>
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<td></td>
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</tr>
<tr>
<td>5% of Support Services Account Growth</td>
<td>$6.7</td>
<td>$9.8</td>
<td>$10.4</td>
<td>$10.1</td>
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<tr>
<td><strong>Total</strong></td>
<td>$1,270.1</td>
<td>$1,273.5</td>
<td>$1,274.1</td>
<td>$1,273.8</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 $95.1 million
  - VLF Collection
    - Fully funded to $14.0 million in September and November 2017
  - Total base funding of $1,263.7 million
1991 Mental Health Realignment

• Current Year
  • Also received cash from FY16/17
    • 5% of Support Services Growth Account-$9.8 million
      • Distributed November 16, 2017
1991 Mental Health Realignment

- **Budget Year**
  - Mental Health
    - Recommend budget at $1,120.6 million
  - Mental Health Sales Tax Base
    - Recommend budget at FY17/18 base-$34.0 million
  - Mental Health VLF Base
    - Recommend budget at FY17/18 base- $95.1 million
  - VLF Collection
    - Recommend budget at $14.0 million
- Total recommended budgeted funding of $1,263.7 million
- FY17/18 growth is known in late November 2018
  - 5% of Support Services Growth Account-$10.4 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>15/16</th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
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</thead>
<tbody>
<tr>
<td><strong>Base Amount</strong></td>
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<tr>
<td>Total Base</td>
<td>$1,163.3</td>
<td>$1,230.3</td>
<td>$1,328.6</td>
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<tr>
<td><strong>Growth in Base</strong></td>
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<tr>
<td>New Growth</td>
<td>$67.0</td>
<td>$98.3</td>
<td>$104.3</td>
<td>$101.0</td>
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<tr>
<td><strong>Total</strong></td>
<td>$1,230.3</td>
<td>$1,328.6</td>
<td>$1,432.9</td>
<td>$1,533.9</td>
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<tr>
<td><strong>Percent Change</strong></td>
<td>5.8%</td>
<td>8.0%</td>
<td>7.9%</td>
<td>7.0%</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 FY17/18 Base of $1,328.6 million
  • FY17/18 individual county base allocation percentages currently the same as FY16/17 (see Information Notice 16-052)
    • FY13/14 EPSDT approved claims by county of service
    • FY13/14 D/MC approved claims based on county of responsibility adjusted to include $100,000 minimum D/MC allocation
    • Historical amounts for Managed Care allocations, Non-Drug/Medi-Cal allocations and Drug Court allocations
    • Amount distributed based on Medi-Cal enrollment in each county
    • Hold Harmless adjustment so no county is reduced by more than 15%
  • Department of Finance “expects the schedule to be adjusted this fiscal year once growth allocations are made and incorporated into the 2017/18 county base allocation”
2011 Realignment

• FY15/16 growth ($67.0 million) allocated November 16, 2016
  • Per CSAC growth distribution recommendation letter:
    • 50% allocated based on Drug/Medi-Cal and EPSDT claims
    • 50% allocated based on proportion of Medi-Cal beneficiaries in each county
      • Adjusted for the cost of Disabled and Foster Care aid codes
  • FY16/17 growth ($98.3 million) yet to be allocated
2011 Realignment

• Budget Year
  • Recommend budgeting same amount as FY17/18
    • Beginning in FY17/18, individual county allocations are supposed to reflect a rolling base
      • FY16/17 allocation plus FY16/17 growth should equal FY17/18 base allocations
    • Recommend mid-year budget revisions once FY17/18 growth is known in late November 2018
      • Will increase FY18/19 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>
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<tr>
<td></td>
<td>15/16</td>
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<tr>
<td>Cash Transfers</td>
<td>$1,422.3</td>
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<td>Annual Adjustment</td>
<td>$94.3</td>
<td>$464.1</td>
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<td>Interest</td>
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<td>Total</td>
<td>$1,517.8</td>
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## MHSA Estimated Component Funding
(Cash Basis-Millions of Dollars)

<table>
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<tr>
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<th>Fiscal Year</th>
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<th>16/17</th>
<th>17/18</th>
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<tr>
<td>CSS</td>
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<td>$1,078.3</td>
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<td>PEI</td>
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<td>$269.6</td>
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<td>Innovation&lt;sup&gt;a/&lt;/sup&gt;</td>
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<td>$70.9</td>
<td>$91.4</td>
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<td><strong>Total</strong></td>
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<td><strong>Estimated</strong></td>
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<td>$1,511.2</td>
<td>$1,442.3</td>
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<td>CSS</td>
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<td>$1,442.3</td>
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<td>Innovation&lt;sup&gt;a/&lt;/sup&gt;</td>
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<td>$94.9</td>
<td></td>
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<td><strong>Total</strong></td>
<td></td>
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<td></td>
<td>$1,897.7</td>
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<td>$1,939.5</td>
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<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

• Current Year
  • Anticipate 8-12% increase over FY16/17
  • Individual county distribution percentages shown in Information Notice 17-041

• Budget Year
  • Anticipate 4-5% decrease over FY17/18
    • Due to implementation of No Place Like Home debt service
    • Annual adjustment known in March 2018
  • Anticipate continuation of FY17/18 individual county distribution percentages
MHSA Reversion

- Assembly Bill 114 amended the MHSA to allow funds subject to reversion to be reallocated to the county of origin
- Information Notice 17-059 provides the process DHCS will use to implement the provisions of AB114
  - DHCS has authority to implement, interpret and make specific the provisions of AB114 through Information Notices
  - The policies provided in Information Notice 17-059 supersede all other reversion policies developed by former Department of Mental Health
  - DHCS sent notice of unspent funds subject to reversion based on the MHSA Annual Revenue and Expenditures submitted by each county
  - Counties may appeal amount
  - Counties required to develop expenditure plan by July 1, 2018, on how the county intends to spend the funds by June 30, 2020
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 FY15/16 but are several years behind
- DHCS audits the cost reports to determine final Medi-Cal entitlement
  - DHCS should be auditing FY12/11 but are several years behind
<table>
<thead>
<tr>
<th>Description</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>
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<tr>
<td>Supplemental Payment SPA</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>
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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
    - Located on ITWS under CFRS Templates and the respective fiscal year
  - All payments are budgeted in FY17/18

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Federal Funds (thousands)</th>
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<tbody>
<tr>
<td>FY08/09 (six months)</td>
<td>$23,015</td>
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<tr>
<td>FY09/10</td>
<td>$57,071</td>
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<tr>
<td>FY10/11</td>
<td>$96,202</td>
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<tr>
<td>FY11/12</td>
<td>$89,833</td>
</tr>
<tr>
<td>Total</td>
<td>$266,121</td>
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</tbody>
</table>
State General Funds

• Budget includes State General Fund monies
  • Continuum of Care Reform
    • FY17/18 - $6.9 million
    • FY18/19 – $8.6 million
  • EPSDT Performance Outcome System
    • FY17/18 - $6.2 million
    • FY18/19 - $7.0 million
  • Managed Care Regulations Implementation
    • FY17/18 - $8.0 million
    • FY18/19 - $7.6 million
  • MHP Special Terms & Conditions
    • FY17/18 - $348,000
    • FY18/19 - $948,000
  • Increased State Share for ACA Medi-Cal Clients
    • FY17/18 - $29.7 million
    • FY18/19 - $52.3 million
<table>
<thead>
<tr>
<th></th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991 MH Realignment</td>
<td>$1,273.5</td>
<td>$1,274.1</td>
<td>$1,273.8</td>
</tr>
<tr>
<td>2011 MH Realignment(^{a/})</td>
<td>$1,082.5</td>
<td>$1,167.4</td>
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<td>MHSA</td>
<td>$1,827.0</td>
<td>$1,988.4</td>
<td>$1,897.7</td>
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<td>FFP</td>
<td>$2,410.4</td>
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<td>$2,827.2</td>
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<tr>
<td>Other</td>
<td>$225.0</td>
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<td><strong>Total</strong></td>
<td><strong>$6,818.4</strong></td>
<td><strong>$7,781.0</strong></td>
<td><strong>$7,548.5</strong></td>
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</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