FY18/19 Estimated Community Mental Health Funding
(Dollars in Millions)

- FFP $3,157.5
- MHSA $1,804.1
- 1991 MH Realignment $1,275.5
- 2011 MH Realignment $1,272.9
- Other $350.0
1991 Mental Health Realignment

• 1991 Realignment was enacted with passage of the Bronzan-McCorquodale Act
• The funds are used to serve individuals targeted in the Bronzan-McCorquodale Act
  • County mental health agencies responsible for serving individuals who meet the target population, based on availability of resources
• Mental health programs realigned from the state to counties
  • All community-based mental health services
  • State hospital services for civil commitments
  • “Institutions for Mental Disease” which provided long-term nursing facility care
• These funds may be used as match to federal Medi-Cal claim when services are provided to Medi-Cal beneficiaries
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 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)
    - 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 Realignment Transfers

- Welfare and Institutions Code Section 17600.20 allows for the reallocation of funds among accounts in the local health and welfare trust fund
  - Limited to no more than 10% of the amount deposited in the account from which the funds are reallocated for that fiscal year
  - Can also reallocate an additional 10% from the health account to social services account for caseload cost increases
- Requires public hearing
  - Must demonstrate reallocation was based on the most cost-effective use of available resources to maximize client outcomes
## 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>
</tr>
<tr>
<td>Mental Health Sales Tax Base</td>
<td>$33.9</td>
<td>$33.9</td>
<td>$34.0</td>
<td>$34.0</td>
</tr>
<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>
</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>$1,217.3</td>
<td>$1,263.4</td>
<td>$1,263.7</td>
<td>$1,263.7</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>$0.0</td>
<td>$0.1</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>Vehicle License Fees</td>
<td>$46.1</td>
<td>$0.2</td>
<td>$0.0</td>
<td>$0.0</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>$6.7</td>
<td>$9.8</td>
<td>$11.6</td>
<td>$11.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,270.1</td>
<td>$1,273.5</td>
<td>$1,275.3</td>
<td>$1,275.5</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
2011 Realignment Distributions

- FY17/18 individual county base allocation percentages currently the same as FY16/17
  - 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”
- FY16/17 individual county base allocation percentages based on 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%
2011 Realignment Distributions

• FY15/16 growth ($67.0 million) allocated November 16, 2017
  • Information Notice 18-018 describes distribution methodology
    • 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
• FY16/17 growth ($98.3 million) yet to be allocated
  • DHCS indicated funds will be released in May
• Rolling Base concept not yet implemented
2011 Realignment Transfers

- Government Code Section 30025 allows for the reallocation of funds among subaccounts in the Support Services Account
  - Limited to no more than 10% of the amount deposited in the immediately preceding year in the subaccount with the lowest balance
- Requires public hearing
  - Must demonstrate reallocation was based on the most cost-effective use of available resources to maximize client outcomes
- Government Code Section 30025 allows the county to create a Support Services Reserve Subaccount
  - Can allocate up to 5% from either Protective Services Subaccount or Behavioral Health Subaccount to Support Services Reserve Subaccount
### 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>
</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>$1,163.3</td>
<td>$1,230.3</td>
<td>$1,328.6</td>
<td>$1,444.6</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>$67.0</td>
<td>$98.3</td>
<td>$116.0</td>
<td>$117.8</td>
</tr>
<tr>
<td>Total</td>
<td>$1,230.3</td>
<td>$1,328.6</td>
<td>$1,444.6</td>
<td>$1,562.4</td>
</tr>
<tr>
<td><strong>Percent Change</strong></td>
<td>5.8%</td>
<td>8.0%</td>
<td>8.7%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

Excluding Women and Children's Residential Treatment Services Special Account which is a fixed amount.
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>15/16</td>
<td>16/17</td>
</tr>
<tr>
<td>Cash Transfers</td>
<td>$1,422.3</td>
<td>$1,484.1</td>
</tr>
<tr>
<td>Annual Adjustment</td>
<td>$94.3</td>
<td>$464.1</td>
</tr>
<tr>
<td>Interest</td>
<td>$1.2</td>
<td>$2.6</td>
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<tr>
<td>Total</td>
<td>$1,517.8</td>
<td>$1,950.8</td>
</tr>
</tbody>
</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>15/16</td>
<td>16/17</td>
</tr>
<tr>
<td>CSS</td>
<td>$1,078.3</td>
<td>$1,388.6</td>
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<tr>
<td>PEI</td>
<td>$269.6</td>
<td>$347.1</td>
</tr>
<tr>
<td>Innovationa/</td>
<td>$70.9</td>
<td>$91.4</td>
</tr>
<tr>
<td>Total</td>
<td>$1,418.8</td>
<td>$1,827.0</td>
</tr>
</tbody>
</table>

*a/ 5% of the total funding must be utilized for innovative programs (W&I Code Section 5892(a)(6)).
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 FY12/13 but are several years behind
<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>$2,877.8</td>
<td>$3,057.0</td>
</tr>
<tr>
<td>Supplemental Payment SPA</td>
<td></td>
<td>$80.1</td>
<td></td>
<td>$100.5</td>
</tr>
<tr>
<td>Total Mental Health FFP</td>
<td>$2,403.7</td>
<td>$2,410.4</td>
<td>$2,957.8</td>
<td>$3,157.5</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
  - Payments are budgeted in FY17/18 and FY18/19

<table>
<thead>
<tr>
<th>Estimated Fiscal Year of Reimbursement</th>
<th>Total Federal Funds (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17/18</td>
<td>$23,015</td>
</tr>
<tr>
<td>FY17/18</td>
<td>$57,071</td>
</tr>
<tr>
<td>FY18/19</td>
<td>$87,763</td>
</tr>
<tr>
<td>FY18/19</td>
<td>$12,785</td>
</tr>
<tr>
<td>Total</td>
<td>$180,634</td>
</tr>
</tbody>
</table>
State General Funds

- Budget includes State General Fund monies
  - Continuum of Care Reform
    - FY17/18 - $4.0 million
    - FY18/19 - $10.7 million
  - EPSDT Performance Outcome System
    - FY17/18 - $0.0 million
    - FY18/19 - $6.4 million
  - Managed Care Regulations Implementation
    - FY17/18 - $1.9 million
    - FY18/19 - $7.5 million
State General Funds

• Managed Care Regulations Mental Health Parity
  • FY17/18 - $0.0 million
  • FY18/19 - $2.9 million
• Increased State Share for ACA Medi-Cal Clients
  • FY17/18 - $29.5 million
  • FY18/19 - $52.5 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)**

<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>$1,275.3</td>
<td>$1,275.5</td>
</tr>
<tr>
<td>2011 MH Realignment</td>
<td>$1,082.5</td>
<td>$1,177.0</td>
<td>$1,272.9</td>
</tr>
<tr>
<td>MHSA</td>
<td>$1,827.0</td>
<td>$1,999.7</td>
<td>$1,804.1</td>
</tr>
<tr>
<td>FFP</td>
<td>$2,410.4</td>
<td>$2,957.8</td>
<td>$3,157.5</td>
</tr>
<tr>
<td>Other</td>
<td>$225.0</td>
<td>$270.0</td>
<td>$350.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$6,818.4</td>
<td>$7,679.8</td>
<td>$7,860.1</td>
</tr>
</tbody>
</table>

*a/ Assuming proportionate growth by program.*
Key Points

• Majority of funding driven by on economic conditions and is not based on need for services
  • Need for services is often countercyclical to health of the economy
• There is a desire to integrate mental health and substance abuse services but funding remains independent
• Individual county allocations often determined through political process making it difficult for counties to budget
• Much of funding is categorical
  • Counties sometimes given flexibility but monitored at more discrete level
• County MHPs under increasing fiscal pressure for various state initiatives and performance outcomes
• 1991 Realignment is the most flexible funding, followed by 2011 Behavioral Health Subaccount and MHSA
  • Each funding source is used for somewhat unique services and population groups
  • The funding sources increase at different rates which results in disparities among services and population groups