

# California Community Mental Health Revenue Update

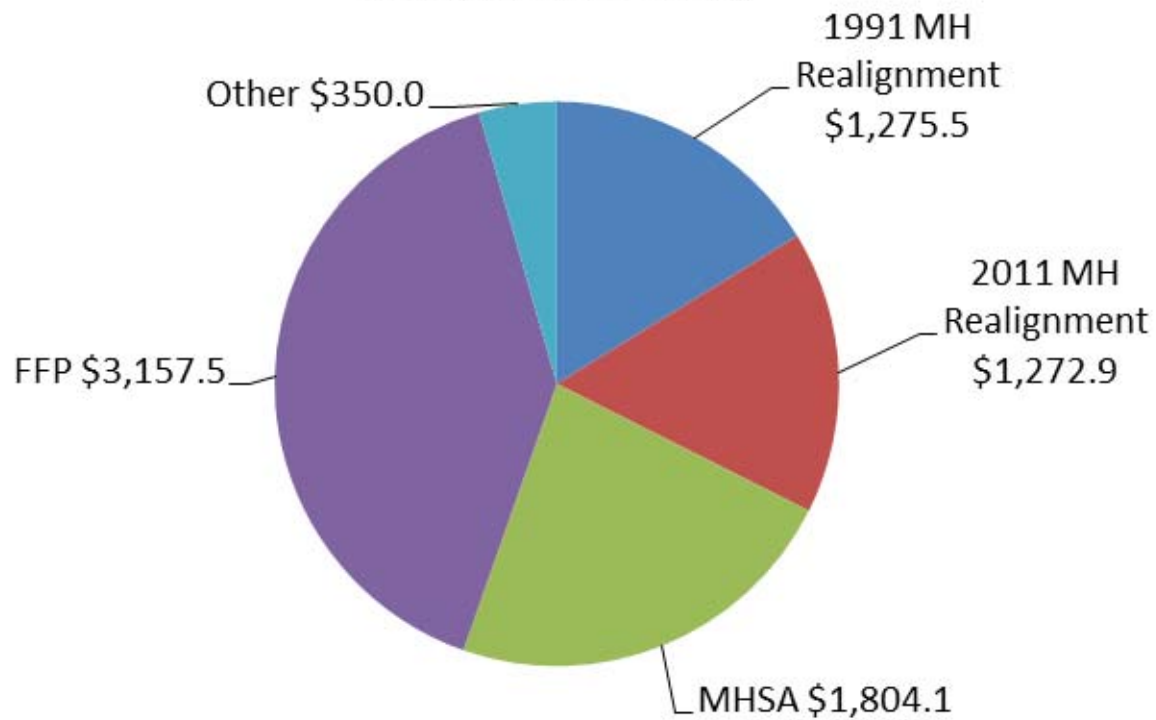
California Institute for Behavioral Health Solutions

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



# 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)

	15/16	16/17	17/18	18/19
<b>Base Amount</b>				
Mental Health (CalWORKS MOE Swap)	\$1,120.6	\$1,120.6	\$1,120.6	\$1,120.6
Mental Health Sales Tax Base	\$33.9	\$33.9	\$34.0	\$34.0
Mental Health Vehicle License Fee Base	\$48.8	\$94.9	\$95.1	\$95.1
Mental Health Vehicle License Fee Collections	<u>\$14.0</u>	<u>\$14.0</u>	<u>\$14.0</u>	<u>\$14.0</u>
Total Base	\$1,217.3	\$1,263.4	\$1,263.7	\$1,263.7
<b>Growth in Base</b>				
Sales Tax	\$0.0	\$0.1	\$0.0	\$0.0
Vehicle License Fees	\$46.1	\$0.2	\$0.0	\$0.0
<b>One-Time Growth</b>				
5% of Support Services Account Growth	\$6.7	\$9.8	\$11.6	\$11.8
<b>Total</b>	\$1,270.1	\$1,273.5	\$1,275.3	\$1,275.5



# 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)

	15/16	16/17	17/18	18/19
<b>Base Amount</b>				
Total Base	\$1,163.3	\$1,230.3	\$1,328.6	\$1,444.6
<b>Growth in Base</b>				
New Growth	\$67.0	\$98.3	\$116.0	\$117.8
<b>Total</b>	<b>\$1,230.3</b>	<b>\$1,328.6</b>	<b>\$1,444.6</b>	<b>\$1,562.4</b>
<b>Percent Change</b>	<b>5.8%</b>	<b>8.0%</b>	<b>8.7%</b>	<b>8.2%</b>

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 15<sup>th</sup>
  - Deposited on July 1<sup>st</sup>



**MHSA Estimated Revenues**  
(Cash Basis-Millions of Dollars)

	Fiscal Year				
	Actual	Estimated			
	15/16	16/17	17/18	18/19	19/20
Cash Transfers	\$1,422.3	\$1,484.1	\$1,688.9	\$1,807.0	\$1,861.0
Annual Adjustment	\$94.3	\$464.1	\$446.0	\$272.5	\$359.2
Interest	\$1.2	\$2.6	\$5.9	\$5.9	\$5.9
<b>Total</b>	<b>\$1,517.8</b>	<b>\$1,950.8</b>	<b>\$2,140.8</b>	<b>\$2,085.4</b>	<b>\$2,226.1</b>

**MHSA Estimated Component Funding**  
(Cash Basis-Millions of Dollars)

	Fiscal Year				
	Actual		Estimated		
	15/16	16/17	17/18	18/19	19/20
CSS	\$1,078.3	\$1,388.6	\$1,519.7	\$1,371.1	\$1,472.7
PEI	\$269.6	\$347.1	\$379.9	\$342.8	\$368.2
Innovation <sup>a/</sup>	\$70.9	\$91.4	\$100.0	\$90.2	\$96.9
<b>Total</b>	<b>\$1,418.8</b>	<b>\$1,827.0</b>	<b>\$1,999.7</b>	<b>\$1,804.1</b>	<b>\$1,937.8</b>

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

## Medi-Cal Specialty Mental Health Estimated Federal Reimbursement (Dollars in Millions)

	15/16	16/17	17/18	18/19
Existing Specialty Mental Health Services	\$2,403.7	\$2,410.4	\$2,877.8	\$3,057.0
Supplemental Payment SPA			\$80.1	\$100.5
<b>Total Mental Health FFP</b>	<b>\$2,403.7</b>	<b>\$2,410.4</b>	<b>\$2,957.8</b>	<b>\$3,157.5</b>

# 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

	Total Federal Funds (thousands)	Estimated Fiscal Year of Reimbursement
FY08/09 (six months)	\$23,015	FY17/18
FY09/10	\$57,071	FY17/18
FY10/11	\$87,763	FY18/19
FY11/12	\$12,785	FY18/19
<b>Total</b>	<b>\$180,634</b>	

# 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)

	16/17	17/18	18/19
1991 MH Realignment	\$1,273.5	\$1,275.3	\$1,275.5
2011 MH Realignment <sup>a/</sup>	\$1,082.5	\$1,177.0	\$1,272.9
MHSA	\$1,827.0	\$1,999.7	\$1,804.1
FFP	\$2,410.4	\$2,957.8	\$3,157.5
Other	\$225.0	\$270.0	\$350.0
<b>Total</b>	<b>\$6,818.4</b>	<b>\$7,679.8</b>	<b>\$7,860.1</b>

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