California Community Mental Health Revenue Update

California Institute for Behavioral Health Solutions

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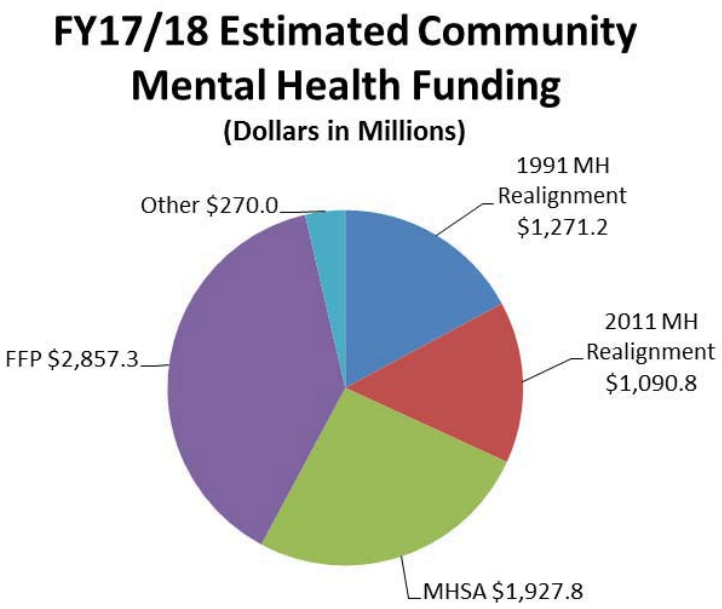


1991 REALIGNMENT

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 Revenue Structure

- 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)

1991 Realignment Growth Funds Distributed by Formula

- Base funds distributed to individual counties based on prior State General Fund county allocations
- The distribution of growth funds is complex. However, the first claim on the Sales Tax Growth Account goes to caseload-driven social services entitlement programs (IHSS and child welfare)
- Any remaining growth from the Sales Tax Account and all VLF growth are then distributed according to a formula developed in statute
- Growth distributed in the year after it is collected
  - Increases the base for that year

Current Structure of 1991 Mental Health Realignment

- Swap of CalWORKs Maintenance of Effort (MOE) with Mental Health Realignment beginning in FY11/12
  - CalWORKs MOE funded with Realignment revenues that would have gone to Mental Health
  - 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

Current Structure of 1991 Mental Health 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
  - CalWORKs MOE funded prior to the funding of Mental Health Sales Tax Base and Mental Health VLF Base
- Revenues above that amount are placed into growth accounts
  - Sales Tax
  - VLF

Proposed Structure of 1991 Mental Health 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
  - Total Sales Tax growth is estimated to be $140.4 million in FY17/18 which would not be sufficient to fund the increase in IHSS caseload costs
  - Administration has proposed to fund the shortfall with a combination of State General Fund monies and a redirection of 1991 Realignment vehicle license fee growth
    - 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)
  - Anticipate Social Services caseload cost growth to utilize all of sales tax growth into the foreseeable future
- 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
  - Can also reallocate an additional 10% from the social services account to the mental health account or health account when social services has funding in excess of mandated caseload costs
- 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)

	14/15	15/16	16/17	17/18
Base Amount				
Mental Health (CalWORKS MOE Swap)	$1,120.6	$1,120.6	$1,120.6	$1,120.6
Mental Health Sales Tax Base	$11.6	$33.9	$33.9	$33.9
Mental Health Vehicle License Fee Base	$11.2	$48.8	$94.9	$94.9
Mental Health Vehicle License Fee Collections	$14.0	$14.0	$14.0	$14.0
Total Base	$1,157.4	$1,217.3	$1,263.4	$1,263.4
Growth in Base				
Sales Tax	$22.3	$0.0	$0.0	$0.0
Vehicle License Fees	$37.6	$46.1	$0.0	$0.0
One-Time Growth				
5% of Support Services Account Growth	$13.4	$6.7	$3.1	$7.8
Total	$1,230.7	$1,270.1	$1,266.5	$1,271.2

Current Structure of 1991 Mental Health Realignment-Key Points

- Sales tax and vehicle license fees continue to fund 1991 mental health realignment irrespective of the demand or need for services
- Mental Health is guaranteed a minimum level of funding regardless of revenues
- Anticipate no growth in revenues in the short term and very little long term growth based on proposed legislative changes
- Individual county allocations are fairly predicable based on current allocation percentages
- No limitations on when funds need to be expended
  - Counties can roll over funds from year to year

2011 REALIGNMENT

Public Safety 2011 Realignment

- Additional realignment occurred in FY11/12 that shifted funding and service responsibility from the state to the counties
  - Law Enforcement, Social Services, Behavioral Health
- Driven by state budget not counties
- 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 Behavioral Health Subaccount

- Medi-Cal Specialty Mental Health Managed Care, including:
  - MH Early and Periodic Screening, Diagnosis and Treatment (EPSDT) for children and youth
- Drug Medi-Cal, including EPSDT
- Drug Courts
- Perinatal Drug Services
- Non Drug Medi-Cal Services
- Substance Use Early and Periodic Screening, Diagnosis and Treatment

2011 Realignment Distributions

- FY12/13 individual county allocation percentages were intended to replicate State General Fund amounts to individual counties
  - Also included estimates of funding for Katie A. settlement and shift of Healthy Families to Medi-Cal
- FY13/14 individual county allocation percentages were updated with more recent data and did not include special treatment for Katie A. settlement or Health Families
- FY14/15 individual county base allocation percentages were again updated with more recent data and included $100,000 minimum Drug/Medi-Cal 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 Revenue Update

- The FY16/17 base amount used in the calculation was a projection from the May Budget Revision that overstates the actual FY16/17 base amount
  - $1,268,600,000 was projected in May
  - $1,230,300,000 is based on actual revenues received and reflects the actual FY16/17 base
  - Use percentages from the Information Notice applied against actual base rather than the dollar amounts
- Behavioral Health Subaccount growth
  - Fund two entitlement programs at amounts funded prior to realignment
  - Balance distributed based on percentage of average monthly Medi-Cal enrollment
- FY15/16 growth ($67.0 million) yet to be allocated

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)

	14/15	15/16	16/17	17/18
Base Amount				
Total Base	$1,046.3	$1,163.3	$1,230.3	$1,260.9
Growth in Base				
New Growth	$117.0	$67.0	$30.6	$77.9
Total	$1,163.3	$1,230.3	$1,260.9	$1,338.8
Percent Change	11.2%	5.8%	2.5%	6.2%

Excluding Women and Chilren's Residential Treatment Services Special Account which is a fixed amount.

2011 Realignment-Key Points

- Sales tax funds 2011 mental health realignment irrespective of the demand or need for services
- Behavioral Health growth has increased as $200 million Child Welfare restoration has been fully funded
- Anticipate continued growth in revenue as economy continues to slowly grow
- Individual county allocations are not predicable
  - State continues to modify base allocation percentages making it difficult for counties to budget
- Individual county growth allocations are intended to make counties “whole” but end up lagging expenditures by two years
- Statute provides flexibility on use of the funds between behavioral health programs but state has continued to monitor as if the funding was categorical
- No limitations on when funds need to be expended
  - Counties can roll over funds from year to year

MENTAL HEALTH SERVICES ACT

Mental Health Services Act Revenues

- 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
- Other deposits
  - Interest income (posted quarterly)
  - Excess State Administration (unauthorized and unexpended)
  - Reverted funds

Mental Health Services Act Revenues

- 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 County Funding

- Funds distributed on a monthly basis (W&I Code Section 5892(j)(5))
  - Unexpended and unreserved funds on deposit in the State MHS Fund at the end of the month are distributed by the 15th of the next month
- Counties receive one warrant (check) from the state
  - County responsible for ensuring compliance with W&I Code Section 5892(a)
    - 20% for Prevention and Early Intervention programs
    - Balance for Community Services and Supports (System of Care)
    - 5% of total funding shall be utilized for Innovative programs
- Each county required to have a local Mental Health Services fund in which interest earned remains in the fund to be used for MHSA expenditures

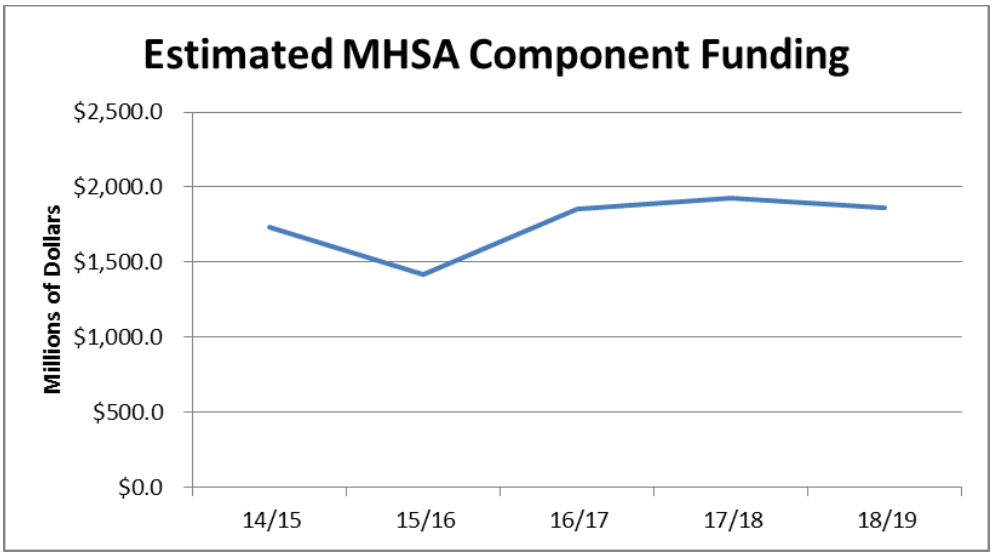
MHSA Estimated Revenues
(Cash Basis-Millions of Dollars)

	Fiscal Year				
	Actual	Estimated			
	14/15	15/16	16/17	17/18	18/19
Cash Transfers	$1,355.0	$1,422.3	$1,485.4	$1,599.5	$1,639.0
Annual Adjustment	$479.8	$94.3	$464.1	$446.0	$357.5
Interest	$0.6	$0.6	$0.6	$0.6	$0.6
Total	$1,835.4	$1,517.2	$1,950.1	$2,046.1	$1,997.1

MHSA Estimated Component Funding
(Millions of Dollars)

	Fiscal Year				
	Actual		Estimated		
	14/15	15/16	16/17	17/18	18/19
CSS	$1,314.6	$1,078.3	$1,408.0	$1,465.1	$1,414.5
PEI	$328.7	$269.6	$352.0	$366.3	$353.6
Innovation[a/]	$86.5	$70.9	$92.6	$96.4	$93.1
Total	$1,729.8	$1,418.8	$1,852.6	$1,927.8	$1,861.2

a/ 5% of the total funding must be utilized for innovative programs (W&I Code Section 5892(a)(6)).



MHSA-Key Points

- Income taxes on very few high income earners fund MHSA irrespective of the demand or need for services
  - Revenues are volatile
- Amount of county funding is not guaranteed
  - More risk to counties
- Cash flow varies significantly during the fiscal year
  - 40% of MHSA cash transfers received in last three months of fiscal year
- MHSA provides tools to manage funding
  - Local prudent reserve
  - Three year reversion period for unspent CSS, PEI and Innovation funds
- All expenditures must be consistent with an approved MHSA Plan
- Funds must be spent within specified time frame (generally, three years)

MEDI-CAL SPECIALTY MENTAL HEALTH

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
- County MHPs and DHCS reconcile the interim amounts to actual expenditures through the year end cost report settlement process
- DHCS audits the cost reports to determine final Medi-Cal entitlement
- Medi-Cal MHP Administrative costs and Utilization Review costs are reimbursed through quarterly claims and the cost report process

Medi-Cal Specialty Mental Health Reimbursement

- MHP reimbursement was limited to no more than the Schedule of Maximum Allowances (SMAs) prior to the implementation of AB1497 in FY12/13
  - Now generally based on lowest of actual costs and usual and customary charges
- Medi-Cal MHP Administrative costs are limited to 15% of direct service reimbursement
- 1915(b) Waiver limits reimbursement to an Upper Payment Limit (UPL) for each MHP
  - Based on actual CPE incurred by MHP
  - UPL changes up until audit (and any appeals) are completely settled

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

	14/15	15/16	16/17	17/18
Existing Specialty Mental Health Services	$2,153.4	$2,403.7	$2,410.4	$2,603.8
Supplemental Payment SPA				$253.5
Total Mental Health FFP	$2,153.4	$2,403.7	$2,410.4	$2,857.3

Medi-Cal Specialty Mental Health Reimbursement-Key Points

- Revenues are based on Certified Public Expenditures incurred by the County Medi-Cal Specialty Mental Health Plan
  - Requires County MHP to have sufficient revenue available to incur full funds expenditure prior to obtaining reimbursement
  - Percent reimbursement is generally based on the Medi-Cal beneficiary's aid code
- Final entitlement amounts are not known until after audit and appeals, which is currently at least six years after provision of services
  - Requires counties to establish reserves in case of audit recoupment
- Incentive is to maximize volume of services, not quality of care

STATE GENERAL FUND

State General Fund

- Budget includes State General Fund monies
  - Continuum of Care Reform
    - FY16/17 - $4.5 million
    - FY17/18 - $12.4 million
  - EPSDT Performance Outcome System
    - FY16/17 - $0.0 million
    - FY17/18 - $6.2 million
  - Managed Care Regulations Implementation
    - FY16/17 - $0.0
    - FY17/18 - $9.3 million
  - MHP Special Terms & Conditions
    - FY16/17 - $0.0
    - FY17/18 - $415,000
  - Increased State Share for ACA Medi-Cal Clients
    - FY16/17 - $16.9 million
    - FY17/18 - $43.4 million
      - $19.6 million SGF
      - $23.8 million of Prop 56 funding

OTHER FUNDING

Other Funding

- Counties are required to provide a county maintenance of effort in order to receive 1991 Realignment funds
  - $48.6 million per year and not indexed for inflation
- Counties contribute additional county funds (overmatch) based on the availability of local revenues and local priorities
  - Amount of overmatch varies significantly by county
  - Counties with public hospitals tend to have high county contributions
- SAMHSA funds the Mental Health Block grant
  - $70.2 million per year
- Other third party revenues
  - Insurance
  - Medicare
- Uniform Method of Determining Ability to Pay (UMDAP)
  - Patient fees

TOTAL MENTAL HEALTH FUNDING

Mental Health Estimated Funding
(Dollars in Millions)

	14/15	15/16	16/17	17/18
1991 MH Realignment	$1,230.7	$1,270.1	$1,266.5	$1,271.2
2011 MH Realignment[a/]	$947.6	$1,002.4	$1,027.3	$1,090.8
MHSA	$1,729.8	$1,418.8	$1,852.6	$1,927.8
FFP	$2,153.4	$2,403.7	$2,410.4	$2,857.3
Other	$200.0	$200.0	$225.0	$270.0
Total	$6,261.5	$6,295.0	$6,781.8	$7,417.0

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