

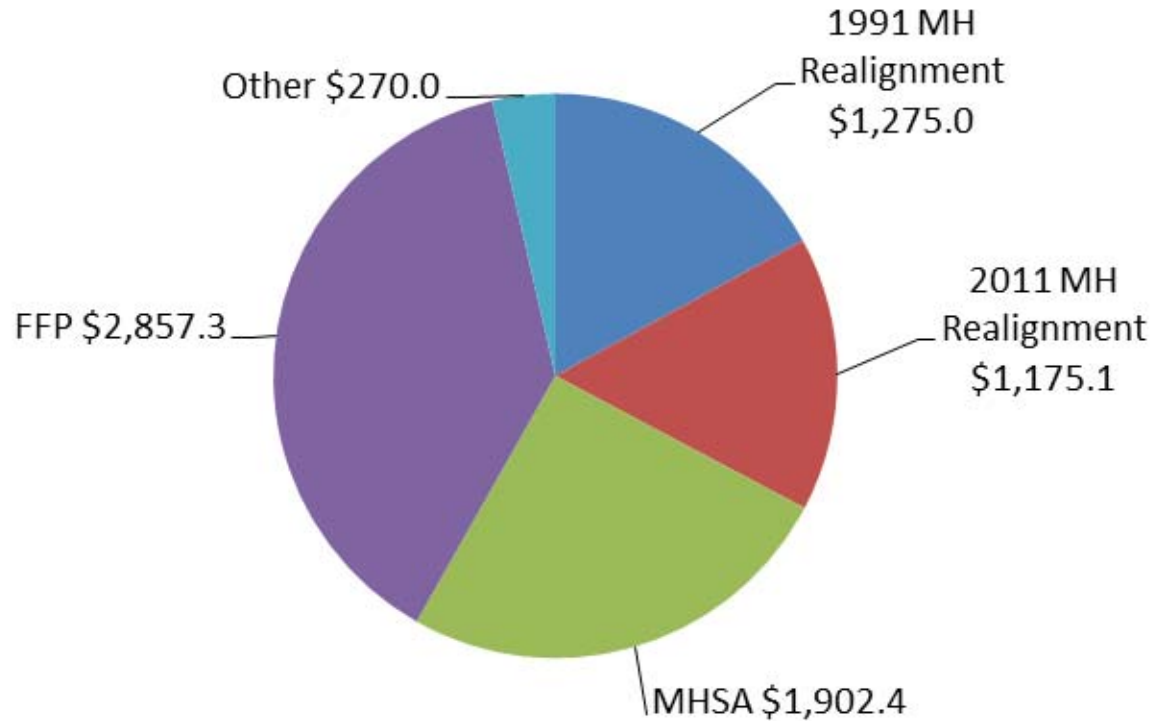
# Mental Health Financial Issues

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

November 30, 2017



# FY17/18 Estimated Community Mental Health Funding (Dollars in Millions)



# 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
- Mental Health Sales Tax Base and Vehicle License Base should not be impacted

## 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	\$33.9	\$34.0
Mental Health Vehicle License Fee Base	\$48.8	\$94.9	\$94.9	\$95.1
Mental Health Vehicle License Fee Collections	<u>\$14.0</u>	<u>\$14.0</u>	<u>\$14.0</u>	<u>\$14.0</u>
<b>Total Base</b>	<b>\$1,217.3</b>	<b>\$1,263.4</b>	<b>\$1,263.4</b>	<b>\$1,263.7</b>
<b>Growth in Base</b>				
Sales Tax	\$0.0	\$0.0	\$0.1	\$0.0
Vehicle License Fees	\$46.1	\$0.0	\$0.2	\$0.1
<b>One-Time Growth</b>				
5% of Support Services Account Growth	\$6.7	\$9.8	\$11.4	\$8.4
<b>Total</b>	<b>\$1,270.1</b>	<b>\$1,273.2</b>	<b>\$1,275.0</b>	<b>\$1,272.1</b>

# 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

# 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

- Year to date sales tax revenues approximately 4% higher than projected in May Budget Revision
- FY17/18 individual county base allocations 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 this month
  - 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

- 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)

	15/16	16/17	17/18	18/19
<b>Base Amount</b>				
Total Base	\$1,163.3	\$1,230.3	\$1,328.6	\$1,442.4
<b>Growth in Base</b>				
New Growth	\$67.0	\$98.3	\$113.8	\$83.5
<b>Total</b>	<b>\$1,230.3</b>	<b>\$1,328.6</b>	<b>\$1,442.4</b>	<b>\$1,525.9</b>
<b>Percent Change</b>	<b>5.8%</b>	<b>8.0%</b>	<b>8.6%</b>	<b>5.8%</b>

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

# 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

# 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			
	14/15	15/16	16/17	17/18	18/19	19/20
Cash Transfers	\$1,355.0	\$1,422.3	\$1,457.2	\$1,571.5	\$1,611.0	\$1,651.0
Annual Adjustment	\$479.8	\$94.3	\$464.1	\$446.0	\$450.0	\$463.4
Interest	\$0.6	\$1.2	\$1.9	\$1.9	\$1.9	\$1.9
<b>Total</b>	<b>\$1,835.4</b>	<b>\$1,517.8</b>	<b>\$1,923.2</b>	<b>\$2,019.4</b>	<b>\$2,062.9</b>	<b>\$2,116.3</b>



**MHSA Estimated Component Funding**  
(Millions of Dollars)

	Fiscal Year					
	Actual			Estimated		
	14/15	15/16	16/17	17/18	18/19	19/20
CSS	\$1,314.6	\$1,078.3	\$1,388.6	\$1,445.8	\$1,463.6	\$1,483.1
PEI	\$328.7	\$269.6	\$347.1	\$361.5	\$365.9	\$370.8
Innovation <sup>a/</sup>	\$86.5	\$70.9	\$91.4	\$95.1	\$96.3	\$97.6
<b>Total</b>	<b>\$1,729.8</b>	<b>\$1,418.8</b>	<b>\$1,827.0</b>	<b>\$1,902.4</b>	<b>\$1,925.8</b>	<b>\$1,951.5</b>

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

# State General Funds

- Budget includes State General Fund monies
  - Continuum of Care Reform
    - FY17/18 - \$13.0 million
  - EPSDT Performance Outcome System
    - FY17/18 - \$14.9 million
  - Managed Care Regulations Implementation
    - FY17/18 - \$9.3 million
  - MHP Special Terms & Conditions
    - FY17/18 - \$415,000
  - Increased State Share for ACA Medi-Cal Clients
    - FY17/18 - \$43.7 million

## Mental Health Estimated Funding (Dollars in Millions)

	15/16	16/17	17/18	18/19
1991 MH Realignment	\$1,270.1	\$1,273.2	\$1,275.0	\$1,272.1
2011 MH Realignment <sup>a/</sup>	\$1,002.4	\$1,082.5	\$1,175.1	\$1,243.2
MHSA	\$1,418.8	\$1,827.0	\$1,902.4	\$1,925.8
FFP	\$2,403.7	\$2,410.4	\$2,857.3	\$2,733.9
Other	\$200.0	\$225.0	\$270.0	\$300.0
<b>Total</b>	<b>\$6,295.0</b>	<b>\$6,818.1</b>	<b>\$7,479.8</b>	<b>\$7,475.0</b>

a/ Assuming proportionate growth by program.