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)

- FFP $2,857.3
- MHSA $1,902.4
- 1991 MH Realignment $1,275.0
- 2011 MH Realignment $1,175.1
- Other $270.0
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
• 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>
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</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>$33.9</td>
<td>$34.0</td>
</tr>
<tr>
<td>Mental Health Vehicle License Fee Base</td>
<td>$48.8</td>
<td>$94.9</td>
<td>$94.9</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>Total Base</td>
<td>$1,217.3</td>
<td>$1,263.4</td>
<td>$1,263.4</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>$0.0</td>
<td>$0.1</td>
<td>$0.0</td>
</tr>
<tr>
<td>Vehicle License Fees</td>
<td>$46.1</td>
<td>$0.0</td>
<td>$0.2</td>
<td>$0.1</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>$11.4</td>
<td>$8.4</td>
</tr>
<tr>
<td>Total</td>
<td>$1,270.1</td>
<td>$1,273.2</td>
<td>$1,275.0</td>
<td>$1,272.1</td>
</tr>
</tbody>
</table>
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)

<table>
<thead>
<tr>
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<th>18/19</th>
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</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>$1,442.4</td>
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<tr>
<td><strong>Growth in Base</strong></td>
<td></td>
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<tr>
<td>New Growth</td>
<td>$67.0</td>
<td>$98.3</td>
<td>$113.8</td>
<td>$83.5</td>
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<tr>
<td><strong>Total</strong></td>
<td>$1,230.3</td>
<td>$1,328.6</td>
<td>$1,442.4</td>
<td>$1,525.9</td>
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<tr>
<td><strong>Percent Change</strong></td>
<td>5.8%</td>
<td>8.0%</td>
<td>8.6%</td>
<td>5.8%</td>
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</tbody>
</table>

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 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>14/15</td>
<td>15/16</td>
</tr>
<tr>
<td>Cash Transfers</td>
<td>$1,355.0</td>
<td>$1,422.3</td>
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<tr>
<td>Annual Adjustment</td>
<td>$479.8</td>
<td>$94.3</td>
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<tr>
<td>Interest</td>
<td>$0.6</td>
<td>$1.2</td>
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<tr>
<td>Total</td>
<td>$1,835.4</td>
<td>$1,517.8</td>
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### MHSA Estimated Component Funding
*(Millions of Dollars)*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14/15</td>
<td>15/16</td>
</tr>
<tr>
<td>CSS</td>
<td>$1,314.6</td>
<td>$1,078.3</td>
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<tr>
<td>PEI</td>
<td>$328.7</td>
<td>$269.6</td>
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<tr>
<td>Innovation(^a/)</td>
<td>$86.5</td>
<td>$70.9</td>
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<tr>
<td>Total</td>
<td>$1,729.8</td>
<td>$1,418.8</td>
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</tbody>
</table>

\(^a/\) 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)

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<td>$1,273.2</td>
<td>$1,275.0</td>
<td>$1,272.1</td>
</tr>
<tr>
<td>2011 MH Realignment&lt;sup&gt;a/&lt;/sup&gt;</td>
<td>$1,002.4</td>
<td>$1,082.5</td>
<td>$1,175.1</td>
<td>$1,243.2</td>
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<td>MHSA</td>
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<td>$1,925.8</td>
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<td>FFP</td>
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<tr>
<td>Other</td>
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<td>$225.0</td>
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<td>$300.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$6,295.0</strong></td>
<td><strong>$6,818.1</strong></td>
<td><strong>$7,479.8</strong></td>
<td><strong>$7,475.0</strong></td>
</tr>
</tbody>
</table>

<sup>a/</sup> Assuming proportionate growth by program.