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

- FFP $2,713.0
- MHSA $1,842.5
- 1991 MH Realignment $1,325.3
- 2011 MH Realignment $1,132.7
- Other $200.0
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
- Initial base funds distributed to individual counties based on prior State General Fund county allocations
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)
• Revenue swap began in FY11/12
  - Swap of CalWORKs Maintenance of Effort (MOE) with Mental Health Realignment
  - More accounts, more complexity
1991 Realignment Revenue Structure

• 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
  • The first claim on the Sales Tax Growth Account goes to caseload-driven social services entitlement programs (IHSS and child welfare)
• Growth distributed in the year after it is collected
  • Increases the base for that year
• State offsets distributions for county obligations
  • State Hospital Payments
  • Managed Care
• County specific distributions available on State Controller’s website
  • http://www.sco.ca.gov/ard_payments_realign.html
## 1991 Mental Health Realignment Estimated Revenues
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</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>$11.6</td>
<td>$33.9</td>
<td>$33.9</td>
<td>$33.9</td>
</tr>
<tr>
<td>Mental Health Vehicle License Fee Base</td>
<td>$11.2</td>
<td>$48.8</td>
<td>$96.8</td>
<td>$116.8</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>$1,157.4</td>
<td>$1,217.3</td>
<td>$1,265.3</td>
<td>$1,285.3</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>$22.3</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$10.0</td>
</tr>
<tr>
<td>Vehicle License Fees</td>
<td>$37.6</td>
<td>$48.0</td>
<td>$20.0</td>
<td>$20.0</td>
</tr>
<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>$13.4</td>
<td>$6.7</td>
<td>$6.0</td>
<td>$10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,230.7</td>
<td>$1,272.0</td>
<td>$1,291.3</td>
<td>$1,325.3</td>
</tr>
</tbody>
</table>
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
  • More than 90% of base funding guaranteed
• Anticipate continued growth in revenue as economy continues to slowly grow
• Individual county allocations are fairly predictable based on current allocation percentages
  • Counties generally budget prior year base amount and then adjust budget mid-year once growth amounts are known
• No limitations on when funds need to be expended
  • Counties can create reserves
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
Realignment 2011 and Medi-Cal Specialty Mental Health

- Counties must fund Medi-Cal Specialty Mental Health Services, including Early and Periodic Screening, Diagnosis and Treatment (EPSDT), from moneys received from:
  - The 2011 Behavioral Health Subaccount and the Behavioral Health Growth Special Account
  - The 1991 Realignment Mental Health Subaccount
  - MHSA funds, to the extent permissible under the Act
- If DHCS determines that a county is failing or at risk of failing to perform the functions of a Behavioral Health Subaccount program to the extent federal funds are at risk:
  - It notifies the State Controller, Department of Finance, and the county
  - Determines the amount needed from the subaccount to perform the function
  - Controller deposits county’s allocation attributable to program into the “County Intervention Support Services Subaccount” (for access by DHCS for the program). DHCS determines when this may cease.
2011 Realignment Distributions

- FY16/17 individual county base allocation percentages consist of:
  - Targets based on historical data
  - Medi-Cal enrollment allocation
  - Redistribution to limit no county to more than a 15 percent reduction from FY15/16 individual county allocations
- 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
2011 Realignment Distributions

- Targets represent
  - Non-federal share of funding for EPSDT based on FY13/14 approved claims
  - Historical Managed Care Allocations
  - Non-federal share of Drug/Medi-Cal based on FY13/14 approved claims adjusted to reflect a $100,000 minimum
  - Historical non-Drug/Medi-Cal and Drug Court allocations
- Medi-Cal enrollment allocation
  - Based on average monthly Medi-Cal enrollment from December 2014 through November 2015
  - Treats all Medi-Cal aid codes equally and does not adjust for FMAP or for historical risk to the MHP
- 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
### 2011 Realignment Behavioral Health Subaccount Estimated Revenues

(Dollars in Millions)

<table>
<thead>
<tr>
<th>Base Amount</th>
<th>12/13</th>
<th>13/14</th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPSDT</td>
<td>$584.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing EPSDT</td>
<td>$540.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthy Families</td>
<td>$17.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Katie A. Settlement</td>
<td>$26.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialty MH Managed Care</td>
<td>$196.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUD Services&lt;sup&gt;a/&lt;/sup&gt;</td>
<td>$178.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Base</strong></td>
<td>$959.3</td>
<td>$987.1</td>
<td>$1,046.3</td>
<td>$1,163.3</td>
<td>$1,230.3</td>
<td>$1,290.3</td>
</tr>
</tbody>
</table>

### Growth in Base

<table>
<thead>
<tr>
<th>New Growth</th>
<th>$27.8</th>
<th>$60.0</th>
<th>$117.0</th>
<th>$67.0</th>
<th>$60.0</th>
<th>$100.0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$987.1</td>
<td>$1,047.1</td>
<td>$1,163.3</td>
<td>$1,230.3</td>
<td>$1,290.3</td>
<td>$1,390.3</td>
</tr>
</tbody>
</table>

### Percent Change

| Percent Change                                  | 4.9%    | 6.1%    | 11.2%   | 5.8%    | 4.9%    | 7.8%    |

<sup>a/</sup> Excluding SUD Residential Treatment which is a fixed amount per statute.
2011 Realignment-Key Points

• Sales tax funds 2011 mental health realignment irrespective of the demand or need for services
• Anticipate continued growth in revenue as economy continues to slowly grow
• Individual county allocations are not predictable
  • 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 create reserves
• 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
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
    • Two year lag
MHSA County Funding

- Funds distributed on a monthly basis
  - 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
- Counties are required to prepare a Three Year Program and Expenditure Plan
  - All MHSA expenditures are required to be in accordance with an approved Plan
- MHSA funds cannot be used to supplant existing resources
# MHSA Estimated Revenues
(Cash Basis-Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>12/13</td>
<td>13/14</td>
<td>14/15</td>
<td>15/16</td>
<td>16/17</td>
<td>17/18</td>
</tr>
<tr>
<td>Cash Transfers</td>
<td>$1,204.0</td>
<td>$1,189.0</td>
<td>$1,355.0</td>
<td>$1,422.3</td>
<td>$1,480.0</td>
<td>$1,538.0</td>
<td>$1,592.0</td>
</tr>
<tr>
<td>Annual Adjustment</td>
<td>$157.0</td>
<td>$153.5</td>
<td>$479.8</td>
<td>$94.3</td>
<td>$464.1</td>
<td>$417.7</td>
<td>$378.0</td>
</tr>
<tr>
<td>Interest</td>
<td>$0.7</td>
<td>$1.2</td>
<td>$0.6</td>
<td>$0.6</td>
<td>$0.6</td>
<td>$0.6</td>
<td>$0.6</td>
</tr>
<tr>
<td>Total</td>
<td>$1,361.7</td>
<td>$1,343.7</td>
<td>$1,835.4</td>
<td>$1,517.2</td>
<td>$1,944.7</td>
<td>$1,956.3</td>
<td>$1,970.6</td>
</tr>
</tbody>
</table>
### 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>13/14</td>
<td>14/15</td>
</tr>
<tr>
<td>CSS</td>
<td>$939.2</td>
<td>$1,314.6</td>
</tr>
<tr>
<td>PEI</td>
<td>$234.8</td>
<td>$328.7</td>
</tr>
<tr>
<td>Innovationa/</td>
<td>$61.8</td>
<td>$86.5</td>
</tr>
<tr>
<td>Total</td>
<td>$1,235.8</td>
<td>$1,729.8</td>
</tr>
</tbody>
</table>

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 Services

- Medi-Cal Specialty Mental Health Services (SMHS) are provided through County Mental Health Plans (MHP) under contract with the State Department of Health Care Services
- County MHPs are required to provide Medi-Cal SMHS to all Medi-Cal beneficiaries that meet the medical necessity criteria specified in California Code of Regulations (CCR) Title 9, Sections 1820.205 and 1830.205
- Specialty Mental Health Services are defined in CCR Title 9, Section 1810.247 and include:
  - Rehabilitative Services (individual and group therapy, assessment, collateral, medication support, day treatment, day rehabilitation, crisis intervention, crisis stabilization, adult residential treatment, crisis residential treatment and psychiatric health facility services)
  - Psychiatric inpatient services
  - Targeted case management
  - Psychiatrist and psychologist services
  - EPSDT supplemental services
  - Psychiatric nursing facility services
Medi-Cal Specialty Mental Health Reimbursement

- County MHPs 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)

<table>
<thead>
<tr>
<th></th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Specialty Mental Health Services</td>
<td>$2,153.4</td>
<td>$2,403.7</td>
<td>$2,634.3</td>
<td>$2,713.0</td>
</tr>
<tr>
<td>Supplemental Payment SPA</td>
<td></td>
<td></td>
<td>$407.8</td>
<td></td>
</tr>
<tr>
<td>Total Mental Health FFP</td>
<td>$2,153.4</td>
<td>$2,403.7</td>
<td>$3,042.1</td>
<td>$2,713.0</td>
</tr>
</tbody>
</table>
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
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
  - $57.4 million
- Other third party revenues
  - Insurance
  - Medicare
- Uniform Method of Determining Ability to Pay (UMDAP)
  - Patient fees
- CCR Funding
TOTAL MENTAL HEALTH FUNDING
## Mental Health Estimated Funding

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991 MH Realignment</td>
<td>$1,230.7</td>
<td>$1,272.0</td>
<td>$1,291.3</td>
<td>$1,325.3</td>
</tr>
<tr>
<td>2011 MH Realignment^a/</td>
<td>$947.6</td>
<td>$1,002.4</td>
<td>$1,051.3</td>
<td>$1,132.7</td>
</tr>
<tr>
<td>MHSA</td>
<td>$1,729.8</td>
<td>$1,418.8</td>
<td>$1,847.5</td>
<td>$1,842.5</td>
</tr>
<tr>
<td>FFP</td>
<td>$2,153.4</td>
<td>$2,403.7</td>
<td>$3,042.1</td>
<td>$2,713.0</td>
</tr>
<tr>
<td>Other</td>
<td>$200.0</td>
<td>$200.0</td>
<td>$200.0</td>
<td>$200.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,261.5</strong></td>
<td><strong>$6,296.9</strong></td>
<td><strong>$7,432.1</strong></td>
<td><strong>$7,213.5</strong></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
• Significant growth in mental health funding since passage of MHSA created increased expectations
  • $3.0 billion in FY03/04 to estimated $7.4 billion in FY16/17
• Much of funding is categorical
  • Counties sometimes given flexibility but monitored at more discrete level
Strategic Considerations

- County MHPs under increasing fiscal pressure for various state initiatives and performance outcomes
  - CCR
  - No Place Like Home
  - D/MC ODS Waiver
- Focus on managing risk
  - Determine how to address purchaser/payer risk from a fiscal, access and quality perspective
- 1991 Realignment is the most flexible funding, followed by 2011 Behavioral Health Subaccount and MHSA
Information

• Information on County MHPs
  • State Controller’s Office allocation schedules
    • [http://www.sco.ca.gov/ard_local_apportionments.html](http://www.sco.ca.gov/ard_local_apportionments.html)
  • Department of Health Care Services MHP information
    • [http://www.dhcs.ca.gov/services/Pages/Medi-cal_SMHS.aspx](http://www.dhcs.ca.gov/services/Pages/Medi-cal_SMHS.aspx)
  • Department of Health Care Services MHSA information
    • [http://www.dhcs.ca.gov/services/MH/Pages/Annual-Revenue-and-Expenditure-Reports-by-County.aspx](http://www.dhcs.ca.gov/services/MH/Pages/Annual-Revenue-and-Expenditure-Reports-by-County.aspx)