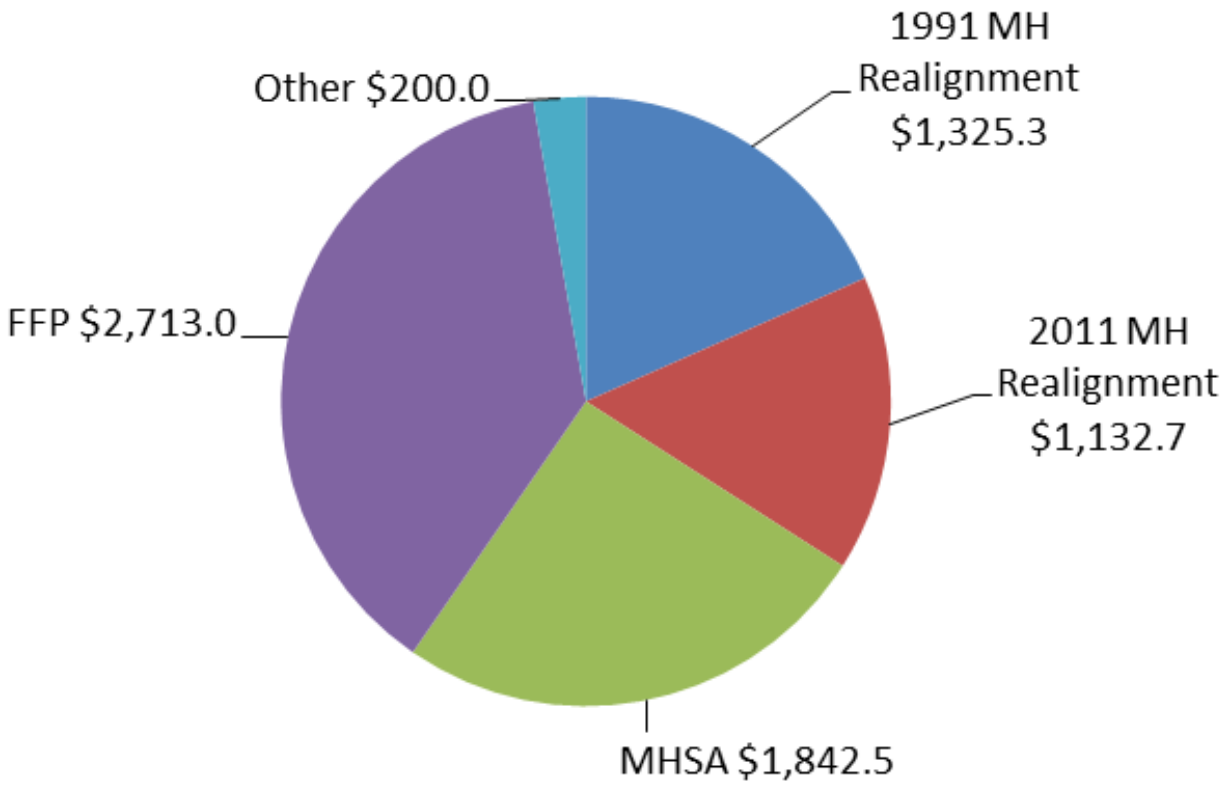
Public Mental Health Financing

California Institute for Behavioral Health Solutions

December 12, 2016

FY17/18 Estimated Community Mental Health Funding

(Dollars in Millions)



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)

	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	$96.8	$116.8
Mental Health Vehicle License Fee Collections	$14.0	$14.0	$14.0	$14.0
Total Base	$1,157.4	$1,217.3	$1,265.3	$1,285.3
Growth in Base				
Sales Tax	$22.3	$0.0	$0.0	$10.0
Vehicle License Fees	$37.6	$48.0	$20.0	$20.0
One-Time Growth				
5% of Support Services Account Growth	$13.4	$6.7	$6.0	$10.0
Total	$1,230.7	$1,272.0	$1,291.3	$1,325.3

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 predicable 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)

	12/13	13/14	14/15	15/16	16/17	17/18
Base Amount						
EPSDT	$584.1					
Existing EPSDT	$540.0					
Healthy Families	$17.3					
Katie A. Settlement	$26.8					
Specialty MH Managed Care	$196.7					
SUD Services[a/]	$178.5					
Total Base	$959.3	$987.1	$1,046.3	$1,163.3	$1,230.3	$1,290.3
Growth in Base						
New Growth	$27.8	$60.0	$117.0	$67.0	$60.0	$100.0
Total	$987.1	$1,047.1	$1,163.3	$1,230.3	$1,290.3	$1,390.3
Percent Change	4.9%	6.1%	11.2%	5.8%	4.9%	7.8%

a/ 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 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 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

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)

	Fiscal Year						
	Actual		Estimated				
	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Cash Transfers	$1,204.0	$1,189.0	$1,355.0	$1,422.3	$1,480.0	$1,538.0	$1,592.0
Annual Adjustment	$157.0	$153.5	$479.8	$94.3	$464.1	$417.7	$378.0
Interest	$0.7	$1.2	$0.6	$0.6	$0.6	$0.6	$0.6
Total	$1,361.7	$1,343.7	$1,835.4	$1,517.2	$1,944.7	$1,956.3	$1,970.6

MHSA Estimated Component Funding
(Millions of Dollars)

	Fiscal Year					
	Actual			Estimated		
	13/14	14/15	15/16	16/17	17/18	18/19
CSS	$939.2	$1,314.6	$1,078.3	$1,404.1	$1,400.3	$1,395.4
PEI	$234.8	$328.7	$269.6	$351.0	$350.1	$348.9
Innovation[a/]	$61.8	$86.5	$70.9	$92.4	$92.1	$91.8
Total	$1,235.8	$1,729.8	$1,418.8	$1,847.5	$1,842.5	$1,836.1

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)

	14/15	15/16	16/17	17/18
Existing Specialty Mental Health Services	$2,153.4	$2,403.7	$2,634.3	$2,713.0
Supplemental Payment SPA			$407.8	
Total Mental Health FFP	$2,153.4	$2,403.7	$3,042.1	$2,713.0

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)

	14/15	15/16	16/17	17/18
1991 MH Realignment	$1,230.7	$1,272.0	$1,291.3	$1,325.3
2011 MH Realignment[a/]	$947.6	$1,002.4	$1,051.3	$1,132.7
MHSA	$1,729.8	$1,418.8	$1,847.5	$1,842.5
FFP	$2,153.4	$2,403.7	$3,042.1	$2,713.0
Other	$200.0	$200.0	$200.0	$200.0
Total	$6,261.5	$6,296.9	$7,432.1	$7,213.5

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
  - Department of Health Care Services MHP information
    - 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