Demystifying County Mental Health Funding in California

California Hospital Association
December 5, 2016

Mike Geiss
FY16/17 Estimated Community Mental Health Funding
(Dollars in Millions)

- FFP $3,042.1
- MHSA $1,847.5
- $1,051.3
- $1,266.3
- 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

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
- Revenues above that amount are placed into growth accounts
- 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](http://www.sco.ca.gov/ard_payments_realign.html)

Benefits of 1991 Realignment

- 1991 Realignment has generally provided counties with many advantages, including:
  - A stable funding source for programs, which has made a long-term investment in mental health infrastructure financially practical
  - The ability to use funds to reduce high-cost restrictive placements, and to place clients appropriately
  - Greater fiscal flexibility, discretion and control, including the ability to “roll-over” funds from one year to the next, enabling long-term planning and multi-year funding of projects
  - Emphasis on a clear mission and defined target populations, allowing counties to develop comprehensive community-based systems of care, institute best practices and focus scarce resources on supporting recovery
1991 Mental Health Realignment Estimated Revenues
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>13/14</th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mental Health (CalWORKS MOE Swap)</td>
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<td>$1,120.6</td>
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<td>Mental Health Vehicle License Fee Base</td>
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<tr>
<td>Mental Health Vehicle License Fee Collections</td>
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<td>Total Base</td>
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<td>$1,157.4</td>
<td>$1,217.3</td>
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<tr>
<td>Growth in Base</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$15.7</td>
<td>$22.3</td>
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<tr>
<td>Vehicle License Fees</td>
<td>$16.0</td>
<td>$37.6</td>
<td>$18.0</td>
<td>$15.0</td>
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<td>One-Time Growth</td>
<td>$9.1</td>
<td>$13.4</td>
<td>$6.7</td>
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<tr>
<td>5% of Support Services Account Growth</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$10.0</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5% of Support Services Account</td>
<td>$0.3</td>
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<tr>
<td>Total</td>
<td>$1,185.7</td>
<td>$1,230.7</td>
<td>$1,242.0</td>
<td>$1,266.3</td>
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</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 Behavioral Health Subaccount Estimated Revenues

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>12/13</th>
<th>13/14</th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
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<tbody>
<tr>
<td><strong>Base Amount</strong></td>
<td></td>
<td></td>
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<tr>
<td>EPSDT</td>
<td>$584.1</td>
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<tr>
<td>Existing EPSDT</td>
<td>$540.0</td>
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<tr>
<td>Healthy Families</td>
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<td>Katie A. Settlement</td>
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<td>Specialty MH Managed Care</td>
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<td>SUD Services a/</td>
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<td><strong>Total Base</strong></td>
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<td>$987.1</td>
<td>$1,046.3</td>
<td>$1,163.3</td>
<td>$1,230.3</td>
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<td><strong>Growth in Base</strong></td>
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<td></td>
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<tr>
<td>New Growth</td>
<td>$27.8</td>
<td>$60.0</td>
<td>$117.0</td>
<td>$67.0</td>
<td>$60.0</td>
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<tr>
<td><strong>Total</strong></td>
<td>$987.1</td>
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<td>$1,163.3</td>
<td>$1,230.3</td>
<td>$1,290.3</td>
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<tr>
<td><strong>Percent Change</strong></td>
<td>4.9%</td>
<td>6.1%</td>
<td>11.2%</td>
<td>5.8%</td>
<td>4.9%</td>
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### 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

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*a/ Excluding SUD Residential Treatment which is a fixed amount per statute.*
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

MHSA County Funding (cont.)

• 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>Fiscal Year</th>
<th>Actual</th>
<th>Estimated</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>12/13</td>
<td>13/14</td>
</tr>
<tr>
<td>Cash Transfers</td>
<td>$1,204.0</td>
<td>$1,189.0</td>
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<tr>
<td>Annual Adjustment</td>
<td>$157.0</td>
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<td>Total</td>
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</tr>
<tr>
<td></td>
<td>14/15</td>
<td>15/16</td>
</tr>
<tr>
<td>Cash Transfers</td>
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<tr>
<td>Annual Adjustment</td>
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<td>Total</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>
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<tr>
<td>CSS</td>
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<td>PEI</td>
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<td>Innovation(a)</td>
<td>$61.8</td>
<td>$86.5</td>
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<td>Total</td>
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<td>$1,729.8</td>
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<td>15/16</td>
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<tr>
<td>CSS</td>
<td>$1,078.3</td>
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<tr>
<td>PEI</td>
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<td>$351.0</td>
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<td>Innovation(a)</td>
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<td>$92.4</td>
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<tr>
<td>Total</td>
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<td>$1,847.5</td>
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<tr>
<td></td>
<td>15/16</td>
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</tr>
<tr>
<td>CSS</td>
<td>$1,404.1</td>
<td>$1,400.3</td>
</tr>
<tr>
<td>PEI</td>
<td>$351.0</td>
<td>$350.1</td>
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<tr>
<td>Innovation(a)</td>
<td>$92.4</td>
<td>$92.1</td>
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<tr>
<td>Total</td>
<td>$1,842.5</td>
<td>$1,836.1</td>
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<tr>
<td>CSS</td>
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<td>PEI</td>
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<td>Innovation(a)</td>
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<tr>
<td>Total</td>
<td>$1,836.1</td>
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</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 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

Medi-Cal Specialty Mental Health Services (cont.)

- 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

Medi-Cal Specialty Mental Health Reimbursement (cont.)

- 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 (cont.)

- 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

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**Medi-Cal Specialty Mental Health Estimated Federal Reimbursement**

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>13/14</th>
<th>14/15</th>
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<th>16/17</th>
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<tbody>
<tr>
<td>Existing Specialty Mental Health Services</td>
<td>$1,777.5</td>
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<td>Supplemental Payment SPA</td>
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<td>Total Mental Health FFP</td>
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<td>$2,153.4</td>
<td>$2,403.7</td>
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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
### Key Points

- Majority of funding driven by 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
- County MHPs focus on managing their risk
  - Determine the role you currently play, and could play in the future, in addressing 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/Medical_SMHS.aspx
  - Department of Health Care Services MHSA information
  - Local County budgets
Questions?

Thank You

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