

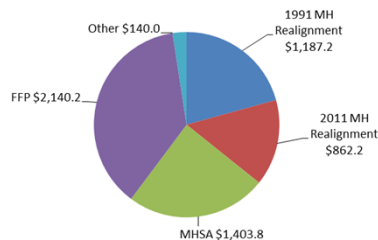
Community Mental Health Funding Update

California Institute for Mental Health (CiMH)
Behavioral Health Financial Managers' Fiscal Leadership Institute

November 5, 2013

Mental Health Funding

FY13/14 Estimated Community Mental Health Funding
(Dollars in Millions)



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1991 Mental Health Realignment

- Swap of CalWORKs Maintenance of Effort (MOE) with Mental Health Realignment beginning in FY11/12
- CalWORKs MOE funded with Realignment revenues that would have gone to Mental Health
- Mental Health services funded with 2011 Realignment sales tax revenue
 - Guaranteed minimum amount beginning in FY12/13 (\$1,120.5M)
- Mental Health will begin to receive growth in 1991 Realignment funds once funding for CalWORKs MOE is equal to the guaranteed minimum amount of Mental Health funding
- Mental Health will also receive 5% of the annual growth in the 2011 Realignment Support Services Account beginning in FY12/13

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1991 Mental Health Realignment

- FY12/13 General Growth after funding caseload costs
 - FY12/13 General Growth of \$195.9M
 - \$81.8M Sales Tax Growth
 - \$114.1M VLF Growth
 - Mental Health receives 39.4% of FY12/13 General Growth
 - \$77.2M to Mental Health
- FY13/14 CalWORKs MOE SWAP approximately \$1,063.5M
 - FY12/13 Base of \$986.3M plus \$77.2M in FY12/13 Growth
- Need an additional \$57M in Mental Health growth to meet guaranteed minimum mental health funding of \$1,120.5M
 - Approximately \$145M of total General Growth
- Anticipate similar revenues in FY13/14
 - Most likely will have growth in FY13/14

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1991 Mental Health Realignment

1991 Mental Health Realignment Estimated Revenues
(Dollars in Millions)

	10/11	11/12	12/13	13/14	14/15
Base Amount					
Sales Tax	\$692.6	\$1,067.5	\$1,120.6	\$1,120.6	\$1,153.6
Vehicle License Fees	\$316.5	\$16.1	\$0.0	\$0.0	\$8.7
Vehicle License Fee Collections	\$14.0	\$14.0	\$14.0	\$14.0	\$14.0
Growth in Base					
Sales Tax	\$0.0	\$0.0	\$0.0	\$33.0	\$53.5
Vehicle License Fees	\$0.0	\$0.0	\$0.0	\$8.7	\$28.6
One-Time Growth					
5% of Support Services Account Growth	\$0.0	\$0.0	\$10.7	\$10.9	\$27.3
Total	\$1,023.1	\$1,097.6	\$1,145.3	\$1,187.2	\$1,285.7

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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

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2011 Realignment

2011 Realignment Behavioral Health Subaccount Estimated Revenues
(Dollars in Millions)

	11/12	12/13	13/14	14/15
Base Amount				
EPSDT ^{a/}	\$579.0	\$584.1	\$584.1	\$584.1
Existing EPSDT	\$579.0	\$540.0	\$540.0	\$540.0
Healthy Families		\$17.3	\$17.3	\$17.3
Katie A. Settlement		\$26.8	\$26.8	\$26.8
Specialty MH Managed Care ^{b/}	\$183.7	\$196.7	\$196.7	\$196.7
SUD Residential Treatment	\$5.1	\$5.1	\$5.1	\$5.1
Other SUD Services	\$178.5	\$178.5	\$178.5	\$178.5
Growth in Base				
New Growth		\$27.8	\$72.3	\$246.1
Prior Year Growth		\$0.0	\$27.8	\$100.1
Total	\$946.3	\$992.2	\$1,064.5	\$1,310.6
Percent Change^{c/}		4.9%	7.3%	23.2%

a/ MHSA funds in FY11/12

b/ MHSA funds (\$183.6M) and State General Fund monies (\$148,000) in FY11/12

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

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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

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Mental Health Services Act

- Funds distributed to counties monthly based on unspent and unreserved monies in State MHS Fund at end of prior month
 - Effective 7/1/12
- 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

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MHSA Estimated Revenues

MHSA Estimated Revenues^{a/}
(Cash Basis-Millions of Dollars)

	Fiscal Year					
	Actual	Estimated				
		10/11	11/12	12/13	13/14	14/15
Cash Transfers	\$905.0	\$910.0	\$1,256.4	\$1,323.0	\$1,406.3	\$1,489.3
Annual Adjustment	\$225.0	(\$64.5)	\$157.0	\$153.5	\$216.0	\$42.0
Interest	\$9.7	\$2.4	\$2.6	\$1.2	\$1.0	\$1.0
Total	\$1,139.7	\$847.9	\$1,416.0	\$1,477.7	\$1,623.3	\$1,532.3

a/ FY13/14 Governor's May Budget Revision cash transfers and interest through FY13/14 and annual adjustment through 15/16.

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MHSA Estimated Component Funding

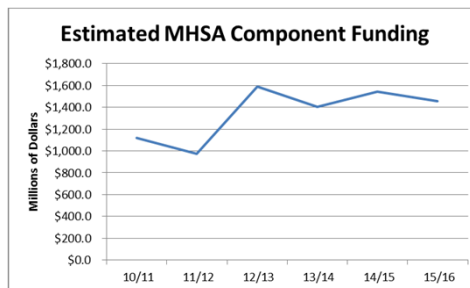
MHSA Estimated Component Funding
(Millions of Dollars)

	Fiscal Year					
	Actual			Estimated		
	10/11	11/12	12/13	13/14	14/15	15/16
CSS	\$783.6	\$741.0	\$1,208.1	\$1,066.9	\$1,172.0	\$1,106.3
PEI	\$216.2	\$185.2	\$302.0	\$266.7	\$293.0	\$276.6
Innovation ^{a/}	\$119.6	\$48.7	\$79.5	\$70.2	\$77.1	\$72.8
Total	\$1,119.4	\$974.9	\$1,589.6	\$1,403.8	\$1,542.1	\$1,455.7

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

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MHSA Estimated Component Funding



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Medi-Cal Specialty Mental Health Reimbursement

- County Mental Health Plans (MHP) are reimbursed a percentage of their actual expenditures (Certified Public Expenditures-CPE) based on the Federal Medical Assistance Percentage (FMAP)
- County MHPs are reimbursed an interim amount throughout the fiscal year based on approved Medi-Cal services and interim billing rates
- 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

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Medi-Cal Specialty Mental Health Reimbursement

- AB1297
 - Required State to conform to federal requirements
 - Elimination of state-imposed claiming time frames
 - Elimination of state-imposed SMAs
 - Calculation of county specific upper payment limits
- Supplemental Payment State Plan Amendment
 - Allow counties to voluntarily claim for CPE above the SMAs
 - Retroactive to 1/1/09
- Affordable Care Act will provide reimbursement for additional clients
 - Mandatory expansion reimbursed at 50% FFP
 - Optional Expansion reimbursed at 100% FFP initially

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Medi-Cal Specialty Mental Health Reimbursement

Medi-Cal Specialty Mental Health Estimated Federal Reimbursement
(Dollars in Millions)

	11/12	12/13	13/14	14/15
Existing Specialty Mental Health Services	\$1,456.0	\$1,580.6	\$1,705.7	\$1,792.0
Supplemental Payment SPA			\$293.8	\$132.7
Affordable Care Act			\$140.7	\$295.7
Total Mental Health FFP	\$1,456.0	\$1,580.6	\$2,140.2	\$2,220.4

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Total Mental Health Funding

Mental Health Estimated Funding
(Dollars in Millions)

	11/12	12/13	13/14	14/15
1991 MH Realignment	\$1,097.6	\$1,145.3	\$1,187.2	\$1,285.7
2011 MH Realignment ^{a/}	\$762.7	\$803.4	\$862.2	\$1,062.5
MHSA	\$974.9	\$1,589.6	\$1,403.8	\$1,542.1
FFP	\$1,456.0	\$1,580.6	\$2,140.2	\$2,220.4
Other	\$190.0	\$190.0	\$140.0	\$90.0
Total	\$4,481.2	\$5,309.0	\$5,733.4	\$6,200.8

a/ Assuming proportionate growth by program.

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Opportunities

- Opportunity for Medi-Cal Specialty Mental Health reimbursement simplification as a result of recent changes to state funding of Medi-Cal Specialty Mental Health services
- Interim payments based on Certified Public Expenditures
 - County MHPs incur CPEs in the form of payments to providers and costs incurred by county operated providers
 - Interim payment should represent the best approximation of actual costs in providing services
 - Not necessarily a state adjudicated claim based on state business rules
 - 42 CFR Section 413, OMB Circular A-87 and the Provider Reimbursement Manual key factors in determining CPE
 - Focus on identification and allocation of allowable and non-allowable costs
 - Focus on identification and allocation of direct and indirect costs

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Opportunities

- CPEs under the Low Income Health Program
- Quarterly claims based on County CPEs
- County MHP retains service data used for reimbursement
- County MHP submits encounter data to state for performance outcomes
- State audits County MHP service and encounter data
- Simplified cost reporting

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Considerations for Simplified Reimbursement Policy

- Supported by information technology, not driven by information technology
- Reimbursement not tied to submission and adjudication of individual service level claim data
- Consistent with federal requirements
- Foster better quality of service and performance outcomes rather than quantity of service
 - Continuous quality improvement
- Reduced state and County MHP administration
- Eye towards future federal reimbursement
 - Case rates and/or capitation
 - Intergovernmental Transfers

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