

# California Community Mental Health Revenue Update

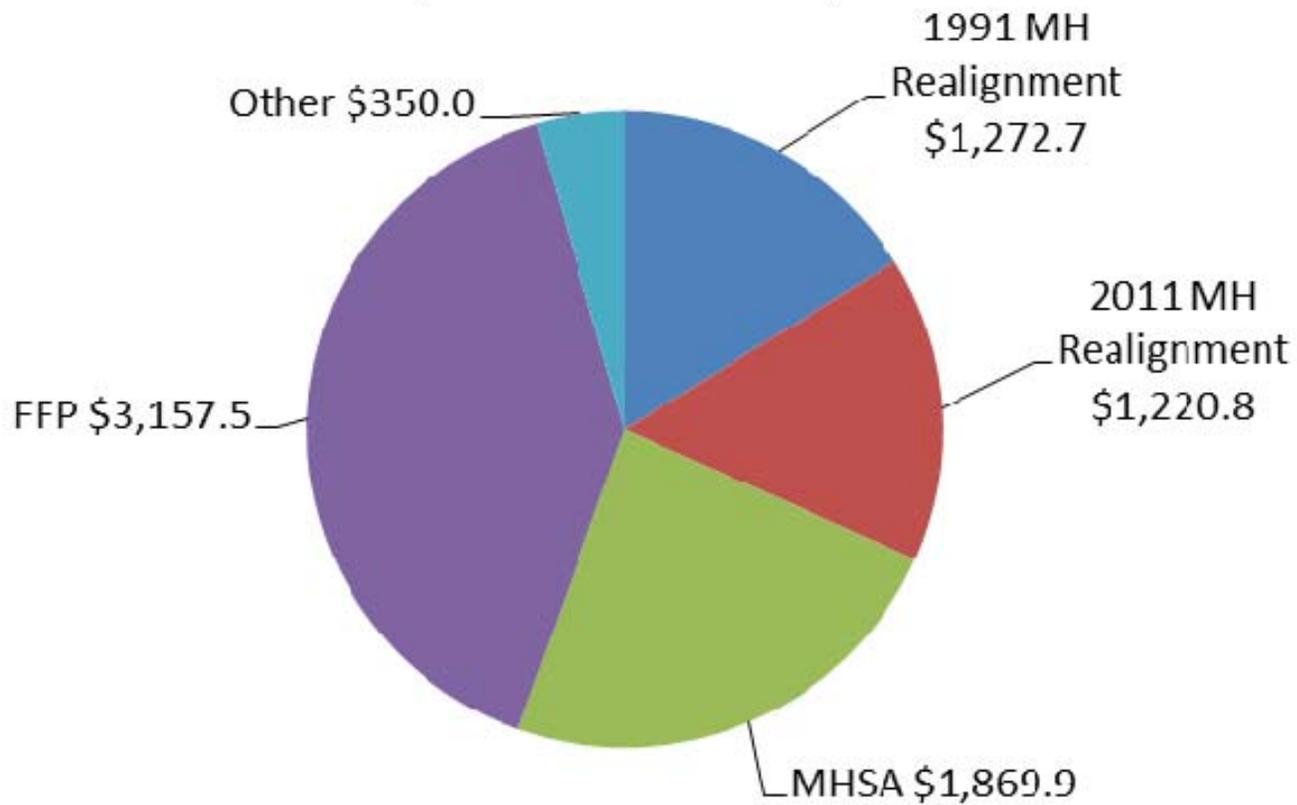
California Institute for Behavioral Health Solutions

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Mike Geiss



# FY18/19 Estimated Community Mental Health Funding (Dollars in Millions)



# 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 claims when services are provided to Medi-Cal beneficiaries

# 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 Mental Health 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
  - Funds distributed to counties in the year following when growth was earned

# 1991 Mental Health 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 anticipated to increase by approximately \$600 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 in FY16/17
- Mental Health Sales Tax Base and Vehicle License Base should not be impacted

## 1991 Mental Health Realignment Estimated Revenues (Dollars in Millions)

	16/17	17/18	18/19	19/20
<b>Base Amount</b>				
Mental Health (CalWORKS MOE Swap)	\$1,120.6	\$1,120.6	\$1,120.6	\$1,120.6
Mental Health Sales Tax Base	\$33.9	\$34.0	\$34.0	\$34.0
Mental Health Vehicle License Fee Base	\$94.9	\$95.1	\$95.1	\$95.1
Mental Health Vehicle License Fee Collections	<u>\$14.0</u>	<u>\$14.0</u>	<u>\$14.0</u>	<u>\$14.0</u>
Total Base	\$1,263.4	\$1,263.7	\$1,263.7	\$1,263.7
<b>Growth in Base</b>				
Sales Tax	\$0.1	\$0.0	\$0.0	\$0.0
Vehicle License Fees	\$0.2	\$0.0	\$0.0	\$16.1
<b>One-Time Growth</b>				
5% of Support Services Account Growth	\$9.8	\$8.7	\$9.0	\$9.0
<b>Total</b>	\$1,273.5	\$1,272.4	\$1,272.7	\$1,288.8

# 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

- 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
- Additional funding provided to six counties for Woman and Children's Residential Treatment Services

# 2011 Realignment Distributions

- FY16/17 established individual county base allocations
  - Explained in 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
  - Growth amount distributed based on Medi-Cal enrollment in each county
  - Hold Harmless adjustment so no county was reduced by more than 15%

# 2011 Realignment Distributions

- FY18/19 individual county base allocation percentages currently based on FY17/18 rolling base concept
  - FY17/18 rolling base was FY16/17 base plus FY16/17 growth
  - FY16/17 growth
    - 50% based on FY15/16 D/MC and EPSDT claims
    - 50% based on weighted Medi-Cal beneficiaries
      - Adjusted for the cost of Disabled and Foster Care aid codes
  - Department of Finance expects the FY18/19 base schedule to be updated for the October 2018 distribution
- FY17/18 growth (\$86.8 million) yet to be allocated
- CSAC, CBHDA and the State will review the methodology in FY21/22

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

	16/17	17/18	18/19	19/20
<b>Base Amount</b>				
Total Base	\$1,230.3	\$1,328.6	\$1,415.4	\$1,498.4
<b>Growth in Base</b>				
New Growth	\$98.3	\$86.8	\$83.0	\$80.0
<b>Total</b>	<b>\$1,328.6</b>	<b>\$1,415.4</b>	<b>\$1,498.4</b>	<b>\$1,578.4</b>
<b>Percent Change</b>	<b>8.0%</b>	<b>6.5%</b>	<b>5.9%</b>	<b>5.3%</b>

Excluding Women and Children's Residential Treatment Services Special Account which is a fixed amount.

# Mental Health Services Act

## Revenues

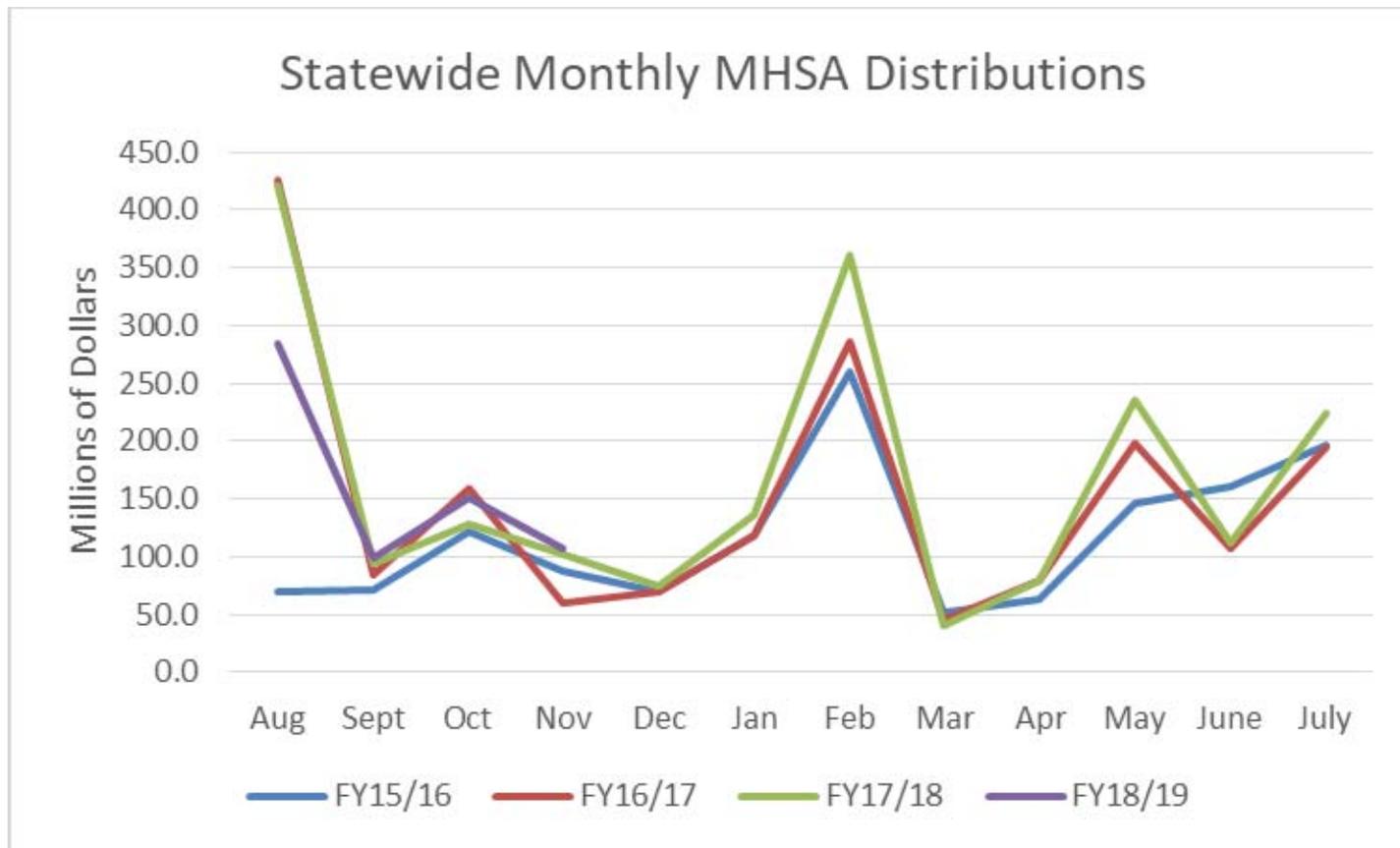
- The MHSA created a 1% tax on income in excess of \$1 million to expand mental health services
- Approximately 1/10 of one percent of tax payers are impacted by tax
- Two primary sources of deposits into State MHS Fund
  - 1.76% of all monthly personal income tax (PIT) payments (Cash Transfers)
  - Annual Adjustment based on actual tax returns
    - Settlement between monthly PIT payments and actual tax returns
- Other deposits
  - Interest income (posted quarterly)
  - Excess State Administration (unauthorized and unexpended)
  - Reverted funds

# Mental Health Services Act Revenues

- Annual Adjustments are incredibly volatile
  - Two year lag
  - Known by March 15<sup>th</sup>
  - Deposited on July 1<sup>st</sup>
- Funds distributed on a monthly basis (W&I Code Section 5892(j)(5))
  - 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
  - State reserves entire administrative appropriation at the beginning of the fiscal year

# Mental Health Services Act Revenues

- Cash Transfers are largest in months following quarterly tax payments and year end tax payments



# MHSA County Funding

- Individual county allocation percentages are based on:
  - Estimated need for services
  - Self-sufficiency and resources
  - Small county minimum allocations
  - Information Notice 18-038 describes methodology
- 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

# MHSA County Funding

- Beginning in FY 08/09, counties can annually dedicated up to 20% of the average of their 5-year total of MHSA funds to the Prudent Reserve, Cap/Tech, or WET programs/projects
- Counties may use up to 5% of their total annual MHSA revenues for planning and supporting consumers, family members, stakeholder and contractors in local planning processes

# MHSA County Expenditures

- Counties are required to prepare a Three Year Program and Expenditure Plan
  - Estimated funding by component
  - Estimated expenditures by component
- Gain approval of Plan through annual stakeholder process
- All MHSA expenditures are required to be in accordance with an approved Plan
- MHSA funds cannot be used to supplant existing resources
- Counties required to prepare and submit MHSA Annual Revenue and Expenditure Reports

# Prudent Reserve

- Counties are required to establish and maintain a prudent reserve to ensure the county can continue services in years in which revenues are below recent averages (W&I Code Section 5847(b)(7))
- Counties can include an allocation of funds from their prudent reserve in years in which there is not adequate funding to continue to serve the same number of individuals as in the prior year (W&I Code Section 5847(f))
- In any year after FY07/08, CSS programs may include funds for technological needs and capital facilities, human resource needs, and a prudent reserve to ensure services do not have to be significantly reduced in years in which revenues are below the average of previous years (W&I Code Section 5892(b))
  - Limited to 20% of the average amount of funds allocated to a county for the previous five years

# Recent MHSA Fiscal Changes

- SB192 recently signed by the Governor
  - Limits local MHS Fund prudent reserve to not more than 33 percent of the average CSS revenue received in the prior five years
  - Creates Reversion Account within the State MHS Fund
  - SB192 does not specify consequences of exceeding 33 percent

# MHSA Reversion

- Welfare and Institutions Code specifies that funds must be spent within a certain time period or returned to the state
  - CSS, PEI and Innovation must be spent within three years
  - WET and CFTN must be spent within 10 years
  - Funds dedicated to Prudent Reserve are exempt from reversion
- AB 114 modified the MHSA Reversion statute
  - Counties with a population of less than 200,000 have five years to expend funds
  - The expenditure period for Innovation Funds does not begin until the MHS Oversight and Accountability Commission approves an Innovation program

# MHSA Reversion

- Unspent funds subject to reversion as of July 1, 2017 are “reverted” and reallocated to the county of origin
  - Effect is no funds are subject to reversion prior to July 1, 2017
  - County must provide a plan for how reallocated funds will be spent
  - Reallocated funds must be spent by July 1, 2020

**MHSA Estimated Revenues**  
(Cash Basis-Millions of Dollars)

	<b>Fiscal Year</b>				
	<b>Actual</b>	<b>Estimated</b>			
	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>
Cash Transfers	\$1,484.1	\$1,661.0	\$1,703.8	\$1,752.5	\$1,803.3
Annual Adjustment	\$464.1	\$446.0	\$272.5	\$398.0	\$521.1
Interest	\$2.6	\$5.1	\$5.1	\$5.1	\$5.1
<b>Total</b>	<b>\$1,950.8</b>	<b>\$2,112.1</b>	<b>\$1,981.4</b>	<b>\$2,155.6</b>	<b>\$2,329.5</b>

# MHSA Component Funding

- Funds distributed to counties are considered component funding
  - Excludes funds expended and reserved
- Funding for No Place Like Home debt service is excluded from component funding
  - \$62 million in FY19/20 to a maximum of \$140 million when fully implemented in FY22/23
  - Counties can estimate their reduction in MHSA funding by multiplying the county allocation percentage by \$130 million for 30 years
- Anticipate continued growth in funding through FY20/21
  - Decrease in FY18/19 due to lower annual adjustment
  - Expect large annual adjustments in FY20/21 and FY21/22 due to capital gains spike in 2018 and 2019
- Estimated component funding does not include reverted funds

**MHSA Estimated Component Funding**  
(Cash Basis-Millions of Dollars)

	Fiscal Year				
	Actual		Estimated		
	16/17	17/18	18/19	19/20	20/21
CSS	\$1,388.6	\$1,527.1	\$1,421.1	\$1,509.2	\$1,615.0
PEI	\$347.1	\$381.8	\$355.3	\$377.3	\$403.8
Innovation <sup>a/</sup>	\$91.4	\$100.5	\$93.5	\$99.3	\$106.3
<b>Total</b>	<b>\$1,827.0</b>	<b>\$2,009.3</b>	<b>\$1,869.9</b>	<b>\$1,985.8</b>	<b>\$2,125.0</b>

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

# MHSA Fiscal Resources

- State provides revenue estimates for MHSA as part of January Governor's Budget and May Budget Revision
  - <http://www.ebudget.ca.gov/>
- MHSOAC Financial Oversight Committee prepares a Financial Report that is presented to the MHSOAC in January and May
  - <http://mhsoac.ca.gov/>
- Legislative Analyst Office prepares a Fiscal Outlook Report as part of the budget process
  - <http://lao.ca.gov/>
- Department of Finance provides monthly Finance Bulletin that reports actual versus estimated transfers to the State MHS Fund
  - [http://dof.ca.gov/Forecasting/Economics/Economic and Revenue Updates/](http://dof.ca.gov/Forecasting/Economics/Economic_and_Revenue_Updates/)
- State Controller's Office provides monthly schedule of MHSA distributions (and withholds) to each county
  - [https://www.sco.ca.gov/ard\\_payments\\_mentalhealthservicefund.html](https://www.sco.ca.gov/ard_payments_mentalhealthservicefund.html)

# 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)
  - 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

- County MHPs and DHCS reconcile the interim amounts to actual expenditures through the year end cost report settlement process
  - DHCS should be settling FY16/17 but are several years behind
- DHCS audits the cost reports to determine final Medi-Cal entitlement
  - DHCS should be auditing FY13/14 but are several years behind

# Medi-Cal Specialty Mental Health Reimbursement

- Information Notice 17-065 implemented the Supplemental Payment State Plan Amendment
  - Counties able to obtain Federal reimbursement for uncompensated Medi-Cal Specialty Mental Health costs
  - Provided forms and instructions for FY08/09 (six months) and FY09/10 supplemental payments
  - Payments are budgeted in FY17/18 and FY18/19

	Total Federal Funds (thousands)	Estimated Fiscal Year of Reimbursement
FY08/09 (six months)	\$23,015	FY17/18
FY09/10	\$57,071	FY17/18
FY10/11	\$87,763	FY18/19
FY11/12	\$12,785	FY18/19
<b>Total</b>	<b>\$180,634</b>	

# State General Funds

- Budget includes Statewide State General Fund monies
  - Continuum of Care Reform
    - FY17/18 - \$4.0 million
    - FY18/19 - \$10.7 million
  - EPSDT Performance Outcome System
    - FY17/18 - \$0.0 million
    - FY18/19 - \$6.4 million
  - Managed Care Regulations Implementation
    - FY17/18 - \$1.9 million
    - FY18/19 - \$7.5 million

# State General Funds

- Managed Care Regulations Mental Health Parity
  - FY17/18 - \$0.0 million
  - FY18/19 - \$2.9 million
- Increased State Share for ACA Medi-Cal Clients
  - FY17/18 - \$29.5 million
  - FY18/19 - \$52.5 million
- Homeless and Mental Illness Program
  - FY18/19 - \$50 million
- Repayment of AB3632 Mandate
  - FY18/19 - \$254 million (plus interest)

## Mental Health Estimated Funding (Dollars in Millions)

	16/17	17/18	18/19	19/20
1991 MH Realignment	\$1,273.5	\$1,272.4	\$1,272.7	\$1,288.8
2011 MH Realignment <sup>a/</sup>	\$1,082.5	\$1,153.2	\$1,220.8	\$1,286.0
MHSA	\$1,827.0	\$2,009.3	\$1,869.9	\$1,985.8
FFP	\$2,410.4	\$2,957.8	\$3,157.5	\$3,148.7
Other	\$225.0	\$270.0	\$350.0	\$325.0
<b>Total</b>	<b>\$6,818.4</b>	<b>\$7,662.7</b>	<b>\$7,870.9</b>	<b>\$8,034.3</b>

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
- Significant State pressure on counties to spend MHSA funds
  - Counties trying to balance the needs of the community with the ability to sustain effective programs
- Individual county allocations often determined through political process making it difficult for counties to budget

# Key Points

- Much of funding is categorical
  - Counties sometimes given flexibility but monitored at more discrete level
- County MHPs under increasing fiscal pressure for various state initiatives and performance outcomes
- 1991 Realignment is the most flexible funding, followed by 2011 Behavioral Health Subaccount and MHSA
  - Each funding source is used for somewhat unique services and population groups
  - The funding sources increase at different rates which results in disparities among services and population groups