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Behavioral Health Care Symposium

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CALIFORNIA HOSPITAL ASSOCIATION

Demystifying County Mental Health Funding in California

California Hospital Association
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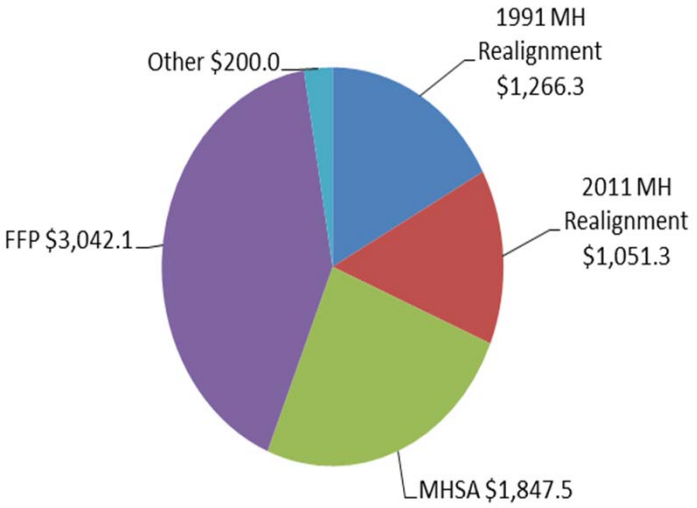
FY16/17 Estimated Community Mental Health Funding

(Dollars in Millions)



2

1991 REALIGNMENT

3

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

4

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

5

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

6

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

7

1991 Mental Health Realignment Estimated Revenues
(Dollars in Millions)

	13/14	14/15	15/16	16/17
Base Amount				
Mental Health (CalWORKS MOE Swap)	$1,120.6	$1,120.6	$1,120.6	$1,120.6
Mental Health Sales Tax Base	$0.0	$11.6	$33.9	$33.9
Mental Health Vehicle License Fee Base	$0.0	$11.2	$48.8	$66.8
Mental Health Vehicle License Fee Collections	$14.0	$14.0	$14.0	$14.0
Total Base	$1,134.6	$1,157.4	$1,217.3	$1,235.3
Growth in Base				
Sales Tax	$15.7	$22.3	$0.0	$10.0
Vehicle License Fees	$16.0	$37.6	$18.0	$15.0
One-Time Growth				
5% of Support Services Account Growth	$9.1	$13.4	$6.7	$6.0
Sales Tax Adjustment				
Sales Tax	$10.0			
5% of Support Services Account	$0.3			
Total	$1,185.7	$1,230.7	$1,242.0	$1,266.3

8

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

9

2011 REALIGNMENT

10

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

11

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

12

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

13

2011 Realignment Behavioral Health Subaccount Estimated Revenues[c/]

(Dollars in Millions)

	12/13	13/14	14/15	15/16	16/17
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
Growth in Base					
New Growth	$27.8	$60.0	$117.0	$67.0	$60.0
Total	$987.1	$1,047.1	$1,163.3	$1,230.3	$1,290.3
Percent Change	4.9%	6.1%	11.2%	5.8%	4.9%

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

14

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

15

MENTAL HEALTH SERVICES ACT

16

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

17

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

18

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

19

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

20

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

21

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)

22

MEDI-CAL SPECIALTY MENTAL HEALTH

23

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

24

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

25

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

26

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

27

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

28

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

	13/14	14/15	15/16	16/17
Existing Specialty Mental Health Services	$1,777.5	$2,153.4	$2,403.7	$2,634.3
Supplemental Payment SPA				$407.8
Total Mental Health FFP	$1,777.5	$2,153.4	$2,403.7	$3,042.1

29

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

30

OTHER FUNDING

31

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

32

TOTAL MENTAL HEALTH FUNDING

33

Mental Health Estimated Funding
(Dollars in Millions)

	13/14	14/15	15/16	16/17
1991 MH Realignment	$1,185.7	$1,230.7	$1,242.0	$1,266.3
2011 MH Realignment[a/]	$852.5	$947.6	$1,002.4	$1,051.3
MHSA	$1,235.8	$1,729.8	$1,418.8	$1,847.5
FFP	$1,777.5	$2,153.4	$2,403.7	$3,042.1
Other	$200.0	$200.0	$200.0	$200.0
Total	$5,251.5	$6,261.5	$6,266.9	$7,407.1

a/ Assuming proportionate growth by program.

34

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

35

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

36

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
  - Local County budgets

37

Questions?

38

Thank You

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39