CMHDA UPDATE TO MHSOAC

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MAY 24, 2012

COUNTY MENTAL HEALTH PERSPECTIVE ON
THE GOVERNOR'S MAY REVISE
FY 12-13 BUDGET PROPOSAL
& MENTAL HEALTH REALIGNMENT

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2011 Realignment

- Governor's January Budget Proposal
  - Permanent funding structure
  - Approach to base/growth funding, reserve account
  - Proposed baseline allocations for each realigned program
- May Revise
  - Updated baseline allocations for each realigned program
  - Account structure and allocation details described in Realignment 2011 "Fiscal Superstructure" Trailer Bill #1009

2011 Realignment: New Baseline Allocations

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- Funding base for each program is a “rolling base”
  - Prior year’s allocation level + growth revenues = Next year’s new base allocation level
- Base for programs realigned in 2011-12 was established that fiscal year.
- Base for Medi-Cal Specialty Mental Health and EPSDT is established in 2012-13 since realignment of the programs will occur in 2012-13.

Updated Realignment Baseline Allocations for Mental Health

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- May Revise provides $4.3 million more than the January Budget in *net* additional funding for the three realigned mental health programs.
- Compared to January, May Revise provides:
  - $7.9 million more for Mental Health Managed Care
  - $40.2 million more for EPSDT
  - $43.8 million less for 1991 mental health responsibilities
- While the allocation for 1991 mental health is less than the January budget provided, dedicated growth is proposed to be provided as well.

Updated Realignment Baseline Allocations for Mental Health

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Funding for Mental Health Realignment: Comparison of Governor's January and May State Budget Proposals *(Dollars in millions)*

	Fiscal Year 2011-12		2012-13 and Subsequent Fiscal Years	
	Jan. Budget	**May Revise**	Jan. Budget	**May Revise**
Mental Health Managed Care	-	-	$188.8	**$196.7**
EPSDT	-	-	$544.0	**$584.2**
1991 Mental Health	$1,104.8	**$1,083.6**	$1,164.4	**$1,120.6**
TOTAL	$1,104.8	**$1,083.6**	$1,897.2	**$1,901.5**

Notable Components of Mental Health Managed Care Base

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- Incorporates prior year State Budget cuts to the base funding level that is established in 2012-13
  - Described as "permanent" reductions to the program that "continue unchanged"
  - $7.7 million Budget Balancing Reduction in 08/09
  - $64 million Budget Act Reduction enacted in 09/10
- Assumes full-year inpatient and professional services costs from the Healthy Families transition to Medi-Cal of $16.1 million in 2012-13 ($5.6 M in Local Revenue Funds, $10.4 M in FFP).

Notable Components of EPSDT Base

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- Adjusts for "baseline county funding" (originated from 1994-95 realignment and 1997-1999 consolidation policies) by $68.8 M
- Adjusts for "10% county share of cost above baseline" (originated in 2002-03) by $30.8 M
- Assumes annual cost of *Katie A.* lawsuit settlement to EPSDT will be $53.5 M
  - [$26.7 M in Local Revenue Funds (Behavioral Health Account), $26.7 M in FFP]
  - States that "further refinement of this estimate may be determined later based on the implementation plan, yet to be developed"
- Assumes full-year cost to EPSDT from the Healthy Families transition $49.3 M in FY 2012-13 [$17.3 M in Local Revenue Funds (Behavioral Health Account), $32 M in FFP]

Fiscal Superstructure Provision of Significant Concern

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- TBL #1009 requires counties to continue to provide the 10% match to any new growth in the cost of EPSDT
- TBL #1009 requires counties to cover this cost from a source other than funds in each county's Local Revenue Fund 2011.
- The 2012-13 baseline allocation in May Revise for EPSDT already reflects an adjustment to account for a county baseline contribution and the 10% share of cost.
- *CMHDA has expressed concern about the language as drafted, and is discussing with the Administration better ways in which to ensure continued county MOE in the context of realignment.*

2011 Realignment: Other Programs' Baseline Allocations

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- May Revise also increased these baseline allocations :
  - Substance Use Treatment: by $3.9 million (from $179.9 million to $183.6 million) [Behavioral Health Account]
  - Foster Care, Child Welfare, Adult Protective Services: by $5.5 million (from $1.616 million to $1.622 million).
- The allocations for Foster Care and Child Welfare reflect the costs for counties to expand foster care eligibility up to age 21 over the next three years, as authorized by AB 12 (Beall) of 2010.
- The above increased funding levels are higher than estimated costs, but this will "better position" counties to adapt to future caseload changes in these federal entitlement programs.

Importance of the Governor's November Ballot Initiative

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- State Constitutional Amendment to guarantee ongoing funding for realigned programs.
- State Constitutional protections to ensure the state would adequately fund any new requirements or responsibilities imposed on counties, including:
  - Federal law changes
  - Judicial decisions
  - State legislation

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Other May Revise Issues of Interest

State Reorganization of Mental Health Administration

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- May Revise maintains proposal to eliminate DMH, establish Department of State Hospitals.
- May Revise contains no new details about the reorganization of mental health or substance use disorder administration.
- CMHDA continues to support this transition.

Mental Health Services Act Projects

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- January Budget proposed to amend the Act to:
  - Appropriate $60 million in county MHSA funds to the new Department of Public Health -Office of Health Equity, for the California Reducing Disparities Project (CRDP)
  - Provide MHSA funds to OSHPD for Workforce Education and Training projects
- CMHDA and others expressed concern about amending the Act.
- May Revise proposes to:
  - Appropriate $60 million over 4 years ($15 million/ year) in MHSA state administrative funds to DPH (and stay within 3.5% limit)
  - The authority for DPH to appropriate these funds will be provided through budget bill language, and will not result in amending the MHSA statutes.

Mental Health Services Act Projects

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- Similarly, May Revise proposes to provide OSHPD with “appropriation authority” through budget bill language, rather than amending the Act.
- According to the Administration, DMH recently conducted a reconciliation of MHSA-WET funds, concluding that:
  - $444 million in MHSA revenues were available over four years to be expended on WET.
  - The five-year WET plan identified investments that were $6 million short of this.
- Governor proposes to ensure OSHPD will comply with the MHSA statutes and devise a plan for expending these $6 million in available MHSA-WET funds.
- Additionally, the recent DMH MHSA-WET reconciliation identified $9 million in available MHSA-WET revenues, which will be expended to support regional partnerships in FY 2014-15.

Healthy Families & MRMIB

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- January Budget would reduce Healthy Families managed care rates by 25.7%, eliminate MRMIB and transfer all 875,000 Healthy Families beneficiaries to Medi-Cal (including EPSDT) over a 9-month period.
- May Revise maintains this proposal
- The 2011 Realignment baseline allocations include the impact on Medi-Cal Specialty Mental Health, assumes approximately 3% of Healthy Families Beneficiaries will be served.
  - EPSDT baseline allocation: Assumes full-year cost of $49.3 million ($17.3 M in Local Revenue Funds, $32 M in FFP)
  - Medi-Cal Managed Care allocation: Assumes full-year inpatient and professional services costs of $16.1 million ($5.6 M in Local Revenue Funds, $10.4 M in FFP).

In-Home Support Services Reductions

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- The January budget proposed $1.4 billion for the IHSS program in 2012-13, which included a reduction of $292.3 million from 2011-12 to be achieved by eliminating domestic and related services for certain recipients and a 20% across-the-board reduction in IHSS hours (presuming success in the pending court injunction).
- The May Revise provides a much lower decrease to IHSS, but would still decrease General Fund spending on IHSS by $99.2 million through a 7% across-the-board reduction in service hours, effective August 1, 2012.
- Additionally, the May Revise reflects saving $125.3 million General Fund from eliminated domestic and related services for beneficiaries in a shared living arrangement.

Coordinated Care Initiative

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- The January budget proposed a Coordinated Care Initiative (CCI) to improve care coordination for seniors and persons with disabilities, including "dual eligibles" who are eligible for both Medi-Cal and Medicare.
- The initiative expands upon the proposed Dual Eligibles Demonstration to develop models by which one entity is coordinating care for the total needs of a person – medical and social. That includes behavioral health, social supports, medical care, and long-term care.
- The January budget (and subsequent February revisions outlined in TBL) proposed to expand the demonstration from four to ten counties, and to all 58 counties by year 3 (based on an assumption that the parallel proposal to expand Medi-Cal managed care to the 28 rural counties in 2013 will be adopted).

Coordinated Care Initiative

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- The May Revise continues to propose a CCI for dual eligible beneficiaries, but with some changes.
- Specifically, the May Revision proposes to expand the dual eligible pilot to eight (not ten) counties and delay implementation from January 1, 2013 to March 1, 2013.
- Additionally, the May Revision limits dual eligible mandatory enrollment in Medi-Cal managed care in 2013 to only the eight counties where the duals demonstration is implemented.
- CMHDA has continued to raise concerns with the Legislature regarding the ambitious scope and speed of the proposed expansion.

Cal WORKS Redesign

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The January budget proposed sweeping changes to redesign the CalWORKs program, resulting in nearly $1 billion in GF savings. The Governor's May Revise did scale back on some of his original January proposals for CalWORKs, but General Fund savings in 2012-13 are still estimated at $879.9 million. CalWORKs policy changes in the May Revise include:

- Allowing work participation to be met through any combination of state-allowable work activities in the first 2 years and federally-allowable activities for up to 4 years (rather than solely through paid employment);
- Eliminating the retroactive county of previously exempt and sanctioned months toward the 4-year time limit; and
- Starting Oct. 2012, implementing a phased in approach to reengage cases previously exempted.

Corrections & Rehabilitation

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The May Revise provides a comprehensive description of the Governor's proposals for Department of Corrections and Rehabilitation (CDCR) funding. Given the significant interaction between state prisons, local jails, and local health and social services due to 2011 Realignment, a few highlights from the May Revise Summary that may be of interest to county mental health departments are provided below:

- The Administration released a comprehensive plan in April 2012 to save billions of dollars, end federal court oversight, and improve the prison system. As part of this plan:

Corrections & Rehabilitation (Cont'd)

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- CDCR will establish reentry hubs with concentrated programming resources at existing prisons to better prepare inmates as they near release. Within the first year of release, approximately 70% of parolees who need substance-abuse treatment, employment services, or education will have access to these programs.
- The plan includes trailer bill language that requires the Department of Finance - Office of State Audits and Evaluations to monitor CDCR's implementation of this plan and provide annual reports to the Governor and Legislature.
- ***As a result of public safety realignment, the active adult parolee population is projected to decline to approximately 30,000 offenders by 2015-16.***

Corrections & Rehabilitation

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- The May Revise retains the CDCR-Division of Juvenile Justice (DJJ) for the housing and treatment of the most serious and violent juvenile offenders. In order to balance the state budget, the May Revise proposes the following efficiencies:
- Reduce administrative staff at headquarters and DJJ facilities;
- End juvenile parole on January 1, 2013 (instead of July 1, 2014);
- Reduce DJJ's age of jurisdiction from 25 to 23 years old; and
- Implement a new fee structure to charge counties $24,000 per year for each offender committed by a juvenile court to the DJJ.
- Under the 2011 Budget Act, the Board of State and Community Corrections was established, effective July 1, 2012. The Board will assume previous functions of the Corrections Standards Authority, as well as other public safety programs. The Board will be "coordinating with and assisting local governments as they implement the realignment of many adult offenders to local government…"

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Questions?

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