



May 24, 2011

TO: Honorable Members, Senate Committee on Budget & Fiscal Review
Honorable Members, Assembly Budget Committee

FROM: Patricia Ryan, Executive Director
Kirsten Barlow, Associate Director, Legislation and Public Policy
California Mental Health Directors Association

SUBJECT: Governor's FY 2011-12 May Revise: Transition Healthy Families Program to Medi-Cal

On behalf of the California Mental Health Directors Association (CMHDA), which represents the directors of public mental health authorities in counties throughout California, I am writing to communicate our thoughts and questions thus far regarding the Governor's 2011-12 May Revise proposal to transition all Healthy Families beneficiaries to the Medi-Cal program.

Healthy Families is a non-entitlement children's insurance program in California that includes expanded coverage to children with serious emotional disturbances (SED), under the provisions of 1991 mental health realignment. Today, county Mental Health Plans (MHPs) provide mental health services "to the extent resources are available" to Healthy Families beneficiaries who meet the criteria specified under realignment. If a county is unable to provide the services, the contracted health plans are responsible.

The Governor's 2011-12 May Revise proposes to shift all Healthy Families beneficiaries to the Medi-Cal program, which could have significant impacts on the caseload and costs of the Medi-Cal Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. CMHDA is working on estimating the potential fiscal implications in FY 2011-12.

CMHDA has identified the following additional issues that we believe are important to consider in evaluating this proposal:

- The covered mental health services provided by counties under the Healthy Families-SED benefit are different than those specified for EPSDT in our Medi-Cal state plans which are approved by the federal government. Under Healthy Families, the health plans are responsible for the first 30 days of psychiatric hospitalization in each plan year, and the Healthy Families-SED services available are much more limited than those that are available to EPSDT beneficiaries.
- The Healthy Families-SED administrative and claiming requirements on counties are minimal, in comparison to those required in the Medi-Cal program.

- Due to decreased mental health realignment resources available to counties, counties' ability to provide Healthy Families-SED services has resulted in a very low penetration rate of approximately 1% to 2%. In contrast, the statewide average EPSDT penetration rate for specialty mental health services is approximately 5% to 6%. Therefore, transitioning Healthy Families beneficiaries to EPSDT will certainly increase demand in the EPSDT program.
- This proposal is scheduled to occur in the same fiscal year in which AB 100 (Committee on Budget, Statutes of 2011) redirected Mental Health Services Act (Prop. 63) dollars to fund the state's EPSDT State General Fund obligations. The amount of funding that AB 100 will provide to counties for EPSDT did not account for this proposal's impact on the EPSDT caseload. If the \$579 million is inadequate, many counties will need to fund remaining obligations for federally required Medi-Cal services using other local funds. If counties are unable to identify sufficient local funds for FY 2011-12, the state may be out of federal compliance with the obligations specified in California's state Medicaid plan and waivers.
- A critical element of this proposal is the availability of the enhanced FMAP, which could help to mitigate the impact on counties. Access to these federal funds would be further enhanced by implementing the proposals that CMHDA has advanced under Assembly Bill 1297 by Assemblyman Chesbro, which would enhance the efficiency and timeliness of full federal reimbursement to the counties.
- The proposed transition from a non-entitlement insurance program to the Medi-Cal EPSDT entitlement will impact the mental health service and Medicaid Certified Public Expenditure (CPE) obligations of the counties. Therefore, it is critical to involve county representatives in all aspects of the planning and implementation of this proposal, if approved.

Thank you for your consideration of our preliminary analysis of the Governor's May Revise to transition Healthy Families beneficiaries to the Medi-Cal program. Please do not hesitate to contact Patricia Ryan at pryan@cmhda.org or Kirsten Barlow at kbarlow@cmhda.org, or by phone at (916) 556-3477 with any questions you may have.

Cc: Diane Van Maren, Consultant, Senate Committee on Budget & Fiscal Review
 Andrea Margolis, Consultant, Assembly Budget Committee
 Kirk Feely, Consultant, Senate Republican Fiscal
 Michelle Baca, Consultant, Assembly Republican Fiscal
 Diane Cummins, John Doyle, Department of Finance
 Diana Dooley, Michael Wilkening, Health and Human Services Agency
 Cliff Allenby, Kathy Gaither, Department of Mental Health
 Toby Douglas, Department of Health Care Services
 Janette Casillas, Executive Director, MRMIB
 Shawn Martin, Lishaun Francis, Legislative Analyst Office