



May 20, 2011

TO: Honorable Members, Senate Committee on Budget and 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: Realignment of Medi-Cal Community Mental Health Programs

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 May Revise proposal to realign Medi-Cal community mental health programs to counties.

Governor Brown's FY 2011-12 January and May Revise budgets propose to realign an array of programs from the state to local entities. In the area of community mental health, the Governor proposes giving counties full responsibility for administering and funding two mental health federal entitlement programs: the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program and Medi-Cal Specialty Mental Health Managed Care. CMHDA believes realigning these programs to county mental health could work well, assuming a sufficient and growing revenue source, programmatic efficiencies, and other appropriately aligned incentives are adequately addressed. CMHDA's key policy recommendations for realignment of these programs are further described in the enclosed CMHDA document, "Further Realignment of California's Community Mental Health Programs: Key Policy Recommendations (Draft for Discussion), May 18, 2011."

CMHDA strongly supports the May Revise proposal to remove the "AB 3632" special education mental health services program from the January realignment proposal. CMHDA agrees with the Administration and the Legislative Analyst Office (LAO) that, while schools may wish to contract with county mental health departments to provide these programs, the primary fiscal and program responsibility should reside with schools.

However, CMHDA is concerned that the proposed realignment funding figures for EPSDT and Medi-Cal Specialty Mental Health Managed Care are substantially inadequate to meet the state's obligations for these federal entitlement programs. The establishment of adequate baseline funding for these two programs is vital if counties are expected to accept full programmatic and fiscal responsibility for them. The Administration has provided a number of different figures for the programs, beginning with the Governor's January Budget, revisions from Department of Finance released on February 25, and then most recently in the May Revise.

Using caseload and expenditure data provided by the Department of Mental Health, CMHDA has estimated the funding needs for both programs in 2011-12. The Administration's various funding figures for mental health realignment, as well as the estimated funding need, are presented in the table below, using FY 2012-13 for illustrative purposes:

Comparison of Mental Health Realignment Funding Figures (FY 2012-13)

(Dollars in Millions)

	January Budget	February 25	May Revise	Estimated Funding Needed
EPSDT	\$579.0	\$636.9	\$579.0	\$709.9
Mental Health Managed Care	\$184.0	\$190.7	\$183.7	\$255.3
Total	\$763.0	\$827.6	\$762.7	\$965.2

Additionally, CMHDA is concerned that if the Governor's realignment proposal and accompanying revenues are not implemented, the redirection of MHSA funds under AB 100 (Committee on Budget, Statutes of 2011) was illegal. The Governor's January Budget proposed to fund year-one of the mental health realignment proposal by redirecting \$861 million in MHSA funds to programs otherwise funded with State General Funds (SGF). The Administration indicated that this funding transfer via legislative action (rather than voter approval) would not violate the MHSA maintenance-of-effort and non-supplantation requirements because the Governor's realignment proposal will provide a new and growing revenue source for these programs. Despite the fact that the Governor's realignment proposal has not yet been enacted, the Legislature passed and the Governor signed AB 100. Unless the proposed realignment revenues materialize, AB 100's transfer of \$861 million in MHSA funds to replace SGF for mental health services will surely be legally challenged, and found to violate state law.

Finally, CMHDA is concerned that counties are beginning to report that the amount (\$579 million) redirected for EPSDT under AB 100 appears to be inadequate, based on current statute. As a result, 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 will be out of federal compliance in meeting the obligations specified in California's state Medicaid plan and waivers.

Thank you for your consideration of our preliminary thoughts on the Governor's proposal to realign Medi-Cal mental health services to counties. 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 and Fiscal Review
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Enclosure (1)