

2011-12 STATE BUDGET UPDATE

California Mental Health Directors Association – All Directors Meeting

June 9, 2011



The Big Picture

June 15 Constitutional Deadline

- Ongoing negotiations with Republicans to obtain two votes in each house to put Realignment 2.0 and tax extensions on summer or fall ballot.
 - ▣ Republican demands: Pension reform, spending cap, business regulatory reform.

- Current pressure points:
 - ▣ Under Prop. 25, lawmakers lose salaries and per diem if no budget is passed by June 15.
 - ▣ Supreme Court ruled that CA must reduce its prison population by 30,000 within 2 years.
 - ▣ Sen. Steinberg authoring a budget trailer bill (majority vote) to give local governments the ability to ask voters to increase local taxes.
 - ▣ Citizens Redistricting Commission draft maps will be released on June 10, finalized by August 15.



Update on Realignment 2.0

Realignment 2.0: To Be or Not to Be?



- Public safety realignment (AB 109) likely -- with or without full realignment proposal.
- State Constitutional Amendment needs some amendments, particularly to timeframes.
- Concerns continue that baseline figures for child welfare services and mental health are significantly insufficient.
- CSAC workgroup beginning to develop preliminary drafts on how to structure funding accounts.

Potential Account Structures

Option #3

<u>HEALTH & HUMAN SERVICES Account</u>	<u>PUBLIC SAFETY Account</u>
Social Services Subaccount Adoptions CWS Foster Care CAPIT APS	Juveniles Subaccount Youthful Offender Block Grant Juvenile Reentry Fund Division of Juvenile Justice
Behavioral Health Subaccount EPSDT	Adults Subaccount Low Level Offenders Parole/Parole Violators
Community Mental Health (1991)* Mental Health Managed Care (M/Cal) Drug Medi-Cal Drug Courts Perinatal Drug Programs	

↑
Ability to transfer 10% between subaccounts
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↑
Ability to transfer 10% between subaccounts
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Ability to transfer 10% between two accounts (above)
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Direct Subvention Account
Court Security
Local Safety & Protection Account

*Community Mental Health (1991) is highlighted to note that we do not anticipate changes in the county-by-county allocation formulas from the 1991 realignment.



Mental Health May Revise Proposals

Proposal to Transfer State-Level Medi-Cal Functions to DHCS

- Administration released lengthy draft trailer bill language and convened stakeholders.
- Much simpler trailer bill will likely require a transition plan, with stakeholder input, by October 1 to the Legislature.
- Some DMH and ADP Medi-Cal staff may be transferred to DHCS.
- ◆ *CMHDA Action: Need to monitor trailer bill language to protect against major policy changes to counties' current roles, responsibilities.*

Proposal to Eliminate DMH and ADP

- Detailed proposal for remaining non-Medi-Cal functions to be released with Governor's January 2012-13 State Budget.
- Administration will convene a stakeholder process to gather input during the summer months.
- Trailer bill will likely require a transition plan, with stakeholder input, by February 1 to the Legislature.
- *CMHDA Action: Need to develop concrete recommendations and rationale for state-level role in administration of community mental health programs.*

Proposal to Transfer Healthy Families to Medi-Cal: EPSDT Impacts

- Amounts counties were spending on formerly HFP enrollees would continue to be counties' responsibilities.
- Counties' baseline of funding would be established in consultation with CMHDA, adjusted for caseload and price increases.
- Baseline would be the basis for determining the counties' continuing responsibility for funding the non-federal share of costs.
- *CMHDA Action: Need to monitor trailer bill and provide suggestions to ensure EPSDT fiscal impacts are shared with the state.*

May Revise Proposal to Repeal AB 3632 Mandate on Counties

- Senate adopted proposal, Assembly adopted delayed (January 1, 2012) transition. Appears to be likely to be passed by Legislature as proposed by Governor (July 1, 2011).
- Trailer bill likely to require SELPAs to perform transition activities, and require counties and schools to contract in FY 2011-12 for the use of \$98.6 million in diverted MHSA funds.
- *CMHDA Action: Monitor trailer bill to protect against unfunded mandates on counties.*

AB 3632 Questions for Consideration



- What if a county does not expend its full FY 2011-12 appropriation of the \$98.6 million in MHSA funds?
- What if a local SELPA does not want to contract with the county for mental health services in FY 2011-12, even though the county has MHSA funds to do so?



Update on AB 100 MHSA Diversion

**CMHDA Distribution Workgroup
Recommendations for Consideration**

AB 100 MHSA Distribution Approach



- One-year only.
- Do no harm.
- Proposed CMHDA distribution methodologies must be approved by Department of Finance.
- Reminder: If Realignment 2.0 and accompanying revenues do not materialize, the AB 100 diversion of MHSA funds was unlawful and is subject to legal challenge.

Managed Care: \$183.6 Million

- Use same approach for increase in FY 11/12 managed care allocations as was used for decreasing prior year managed care allocations (as funds were reduced, so go increases in funds).
- Each county receives a proportionate increase of approximately 40.7% over their FY 10/11 managed care allocation.
 - ▣ Note that FY 10/11 managed care allocations do not equal the amount of cash for managed care each county received in FY 10/11 due to the redistribution of \$8M to correct for DMH not reimbursing withhold to 16 counties in FY 09/10)

EPSDT: \$579 Million

New *Proposed* Methodology for Discussion

- State acknowledges that EPSDT program is an entitlement, and the State will have to contribute State General Funds if \$579 million is insufficient to fund the EPSDT program in FY 11/12 ***on a statewide basis.***
- The total appropriation for FY 11/12 for EPSDT specified in the state budget is \$1.42 billion (redirected MHSA, FFP, and local match)
- The distributions to counties will occur on a quarterly basis, based on Department of Finance (DOF) approval, and State Controller's (SCO) release of the funds.

EPSDT: \$579 Million (Cont'd.)

- Proposed distribution approach would require:
 - ▣ Establishing a county baseline/MOE, which would be uniformly applied to all counties at 9.2%, consistent with DMH's budget.
 - ▣ If the total FY 11/12 actual EPSDT program costs are less than the \$1.42 billion budget, the required county share will be less than 9.2%, which will be adjusted in the final quarterly distribution.
- Distributions would occur on a quarterly basis:
 - ▣ At least the 1st and 2nd quarters would be based on FY 11/12 county EPSDT total budgeted expenditures.
 - ▣ Subsequent quarters would be adjusted based on county submission of FY 11/12 EPSDT claims data (as reported in counties' quarterly EPSDT Short Doyle II "837" submissions).

EPSDT: \$579 Million (Cont'd)

- It is recommended that all counties participate in the *CMHDA Financial Services Committee* meetings in order to develop recommended procedures and timeframes for data submission and claims schedule development for quarterly submission to DOF/SCO.
- The workgroup recommends that each county be required to participate and submit the required EPSDT claims data within the timeframes agreed upon in order to receive a distribution during the applicable quarter.

Educationally-Related Mental Health Services: Proposed for Discussion

- Identify total annual expenditures, by county, for AB 3632 students from the most recent cost reports.
- Deduct FY 08/09 Medi-Cal revenue from that amount.
- Calculate the net percentage of the total that each county spent, and apply that percentage to the \$98.6 million to derive a distribution formula.
- The funds should be used for non-Medi-Cal costs only, except for the 9.2% county share of match.



MHSA Distribution Update

Current MHS Fund Distribution

- In a letter to CMDHA dated May 26, 2011, DMH expressed its intent to distribute ALL MHSA funds for current and prior year Component Allocations.
- Counties should have or will be receiving a confirmation letter/fax that summarizes the funds that will be released.
- Counties do not need to submit a funding request in order to receive payment.
- CMHDA urges counties to review these figures to ensure the amount reported by DMH reflects the county's accounting.
- Track information on MHSA modifications online at: [http://www.dmh.ca.gov/Prop_63/MHSA/MHSA Fiscal References.asp](http://www.dmh.ca.gov/Prop_63/MHSA/MHSA_Fiscal_References.asp)

MHSA Unknowns ... Next Steps

- ❑ What will be the remaining role, if any, of DMH in administering the MHSA? If DMH is eliminated, then who?
- ❑ How do we create a smooth transition to local plan approval, without being linked to ongoing payments?
(achieving this may require technical clean-up legislative language)
- ❑ How do we ensure that counties are aware of and have access to the right tools to manage the change?
 - ❑ Counties need to monitor MHSA revenues by reviewing DOF monthly Finance Bulletins:
http://www.dof.ca.gov/finance_bulletins