



C A L I F O R N I A   D E P A R T M E N T   O F  
**Mental Health**

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(916) 654-2378

October 17, 2000

DMH LETTER NO.: 00-02

TO:        LOCAL MENTAL HEALTH DIRECTORS  
          LOCAL MENTAL HEALTH PROGRAM CHIEFS  
          LOCAL MENTAL HEALTH ADMINISTRATORS  
          COUNTY ADMINISTRATIVE OFFICERS  
          CHAIRPERSONS, MENTAL HEALTH ADVISORY BOARDS

SUBJECT:        FISCAL YEAR 2000-2001 INITIAL ALLOCATION

REFERENCE:    Budget Act of 2000 (Chapter 52, Statutes of 2000)

The enclosed worksheet contains the allocation for your county's mental health program in accordance with the Budget Act for Fiscal Year (FY) 2000-2001. As in prior years, only State General Fund dollars are specified.

The Budget Act of 2000 included significant increases in General Fund dollars, the collection of Federal Financial Participation (FFP) through the Short-Doyle/Medi-Cal (SD/MC) Program, and General Fund reimbursements from the Department of Health Services (DHS). The increase in General Fund dollars is the result of four major budget adjustments: (1) \$15,500,000 for full statewide implementation of the Children's System of Care Program; (2) \$12,663,000 in the Managed Care Program for both inpatient and specialty mental health services; (3) \$25,000,000 to expand the number of supportive housing projects; and (4) \$54,850,000 to continue the existing demonstration projects in Los Angeles, Sacramento, and Stanislaus counties funded from the appropriation included in Chapter 617, Statutes of 1999 (AB 34) and to expand this effort to additional counties.

The Budget Act provides for an increase in reimbursements of \$64,383,000 in local assistance to reflect the collection of additional General Fund dollars (\$31,316,000) from DHS and FFP through the SD/MC Program (\$33,067,000) for the continued expansion of the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program. An additional adjustment in reimbursements includes an increase of \$1,438,000 (\$812,000 in General Fund from DHS and \$626,000 in FFP) to reflect adjustments to the funding level for the San Mateo Pharmacy and Laboratory Field Test.

The Budget Act has appropriated \$5,705,000 for the Department of Mental Health (DMH)

Healthy Families Program (HFP) that provides for mental health treatment services to eligible children with serious emotional disturbances. For FY 2000-2001, the DMH developed a new methodology for projecting growth in the HFP based on paid claims data and claims received but not yet processed. As a result of this change, the total HFP appropriation reflects a substantially lower amount than in previous years. However, this new methodology is intended to provide a more accurate estimate of the funding level required for this program.

Discussed below in detail are policies and procedures pertaining to the local assistance appropriation in the Budget Act of 2000.

- LOCAL ASSISTANCE

- A. Budget Act Item 4440-101-0001

- 1. Category (a) 10.25 Community Services  
- Other Treatment \$93,700,000

The Budget Act provides for a General Fund appropriation of \$93,700,000 in Category (a) 10.25 Community Services – Other Treatment. Major General Fund adjustments include the following: (1) an increase of \$25,000,000 to expand the number of supportive housing projects. The need for affordable housing has long been recognized as a major obstacle in the continuum of care for persons with mental illness and other disabilities. (2) \$54,850,000 to continue the existing demonstration projects in Los Angeles, Sacramento and Stanislaus counties funded from the appropriation included in Chapter 617, Statutes of 1999 (AB 34) and to expand this effort to additional counties. The projects will focus on providing integrated services to severely mentally ill adults who are homeless or would otherwise be at risk of homelessness. (3) \$6,000,000 for Crisis Intervention and Stabilization Assistance. This funding will be provided to the counties on a competitive basis for the development of effective crisis intervention and stabilization assistance to adults and children. Services, which would be provided in collaboration with local law enforcement, would be designed to provide short-term therapeutic intervention for patients experiencing acute and/or ongoing psychiatric distress. (4) \$2,000,000 to support a three-year pilot program to develop a Dual Diagnosis Program for underserved populations, including Asian and Pacific Islander minority groups.

- 2. Category (b) 10.40 Adult System of Care \$ 7,772,000

The appropriation of \$7,772,000 for FY 2000-2001 remains the same as in FY 1999-2000. The funds appropriated in Category (b) are for allocation to

those counties that had Adult System of Care programs funded pursuant to Chapter 982 of the Statutes of 1988 (AB 3777). These funds may not be used for any other purpose unless approved by the Director of Finance and

following 30-day notification to the Joint Legislative Budget Committee.

3. Category (c) 10.47 Children's Mental Health Services \$41,854,000

The Budget Act provides for a General Fund augmentation of \$15,500,000 for full statewide implementation of the Children's System of Care Program. This augmentation includes funding for those counties who have not previously received support for their Children's System of Care Program, as well as funding to bring those counties who have been underfunded to their full level of support. A total of \$41,854,000 in funding is available for children's mental health services pursuant to Chapter 1229, Statutes of 1992 (AB 3015).

4. Category (d) 10.85 AIDS \$ 1,500,000

The program continues to be funded at \$1,500,000, the same level as in FY 1999-2000. These funds are used by the DMH to support the provision of mental health services to persons with AIDS. Services are delivered through county and private non-profit providers.

5. Category (dx) 10.97 Community Services – Healthy Families \$ 5,705,000

The Budget Act has appropriated \$5,705,000 for the DMH HFP. For FY 2000-2001, the DMH developed a new methodology for projecting growth in the HFP based on paid claims data and claims received but not yet processed. As a result of this change, the total HFP appropriation reflects a substantially lower amount than in previous years. However, this new methodology is intended to provide a more accurate estimate of the funding level required for this program. HFP provides health insurance for uninsured children and youth from one year old up to their 19<sup>th</sup> birthdays who are not eligible for no cost, full scope Medi-Cal and whose family income is below 250% of the federal income guidelines. For details regarding the HFP, please refer to DMH Information Notice No.: 98-16 dated September 30, 1998.

B. Budget Act Item 4440-101-0890, payable from the Federal Trust Fund

1. Category (a) 10.25 Community Services - Other Treatment \$36,364,000

2. Category (b) 10.75 Community Services - Homeless Mentally Disabled \$ 3,850,000

The Budget Act provides spending authority and increased appropriations for both the Substance Abuse Mental Health Services Administration (SAMHSA) Block Grant and the Projects for Assistance in Transition from Homelessness Federal Grant.

**The Department issues separate allocation letters that describe the requirements for both the SAMSHA Block Grant and the PATH grant funds.**

C. Budget Act Item 4440-102-0001

1. For local assistance, Department of Mental Health (Proposition 98) for early mental health services

The Budget Act provides for the continuation of this program. The appropriation of \$15,000,000 for FY 2000-2001 remains the same as in FY 1999-2000. These projects provide school-based services to children in kindergarten through third grade in order to enhance their educational, social-emotional and mental health development. These funds are awarded to local school districts through a Request for Application (RFA) process.

D. Budget Act Item 4440-103-0001

1. For local assistance, Department of Mental Health, Program 10.25 - Community Services: Other Treatment for Mental Health Managed Care

The Budget Act has appropriated \$181,865,000 in State General Funds for the Managed Care Program which includes a General Fund increase of \$12,663,000 for both inpatient and specialty mental health services. This increase includes the following adjustments: (1) changes in the number of Medi-Cal beneficiaries (\$7,078,000); (2) a cost adjustment factor based on the medical component of the national Consumer Price Index (\$4,771,000); (3) an

adjustment to reflect a change in the Medi-Cal sharing ratio effective October 1, 2000 and to annualize the change in the sharing ratio which was effective October 1, 1999 (\$932,000); (4) a restoration of the \$941,000 in funding for Institutions for Mental Diseases ancillary services (\$0); and (5) a one percentage reduction in growth for managed care inpatient services (-\$118,000).

The enclosed allocation worksheet reflects State General Fund (SGF) dollars

for the funding of psychiatric inpatient hospital services and specialty mental health professional services, including SGF dollars that are the equivalent of the non-FFP-reimbursable portion for minor consent services and the historical fee-for-service/Medi-Cal costs of ancillary services to beneficiaries in Institutions for Mental Diseases (IMDs). The outpatient specialty mental health services for the minor consent program and specialty mental health services to beneficiaries in IMDs continue to be the responsibility of County Mental Health Plans.

The allocation of the non-FFP-reimbursable portion for the IMD specialty mental health ancillary services is included in the inpatient and specialty mental health professional services allocation.

E. Budget Act Item 4440-131-0001

1. For Local Assistance, Department of Mental Health, for Services to Special Education Pupils (SEP) (AB 3632)

The Budget Act continues funding for the assessments, treatment and case management of SEP pursuant to Chapter 1747, Statutes of 1984 and Chapter 1274, Statutes of 1985 at the FY 1999-2000 level of \$12,334,000.

• SHORT-DOYLE/MEDI-CAL

The Budget Act provides for an increase in the collection of additional FFP through the SD/MC Program for the continued expansion of the EPSDT Program (\$33,067,000) and for adjustments to the funding level for the San Mateo Pharmacy and Laboratory Field Test (\$626,000). Once again, there is a change in the federal/state sharing ratio for the SD/MC Program. Effective October 1, 2000, the federal/state sharing ratio changes from 51.67 percent federal/48.33 percent state to 51.25 percent federal/48.75 percent state.

Counties should make every effort to optimize the eligibility of providers for participation in the SD/MC Program. Please review DMH Letter No.: 94-14, DMH Letter No.: 95-04, and DMH Letter No.: 96-03 for guidelines.

• REIMBURSEMENTS FOR SHORT-DOYLE/MEDI-CAL SERVICES

The Department has established maximum reimbursement allowances for SD/MC as required by Welfare & Institutions (W&I) Code Section 5720(a) and (b). This Schedule of Maximum Allowances (SMA) will apply to all SD/MC eligible services by service function. There are two SMA rates for reimbursement of hospital administrative day services in FY 2000-2001. For the time period July 1, 2000 through July 31, 2000, the SMA rate for reimbursement of hospital administrative day services is \$221.64. For the remainder of the fiscal year, August 1, 2000 through June 30, 2001, the SMA rate

is \$230.29. A schedule of the established SMAs reflecting all services for FY 2000-2001 is enclosed (Enclosure A).

• COUNTY MATCH AND MAINTENANCE OF EFFORT (MOE) REQUIREMENTS

For State General Fund dollars allocated by DMH, the following reflects county match requirements in effect for FY 2000-2001 pursuant to Section 5712 of the W&I Code:

|              | <u>Population<br/>over<br/>125,000</u> | <u>Population<br/>of 125,000<br/>or less</u> |
|--------------|--|--|
| All Services | 90% State/10% County                   | Waived                                       |

According to W&I Code Section 5712(b), population must be based on the most currently available estimates as determined by the Population Research Unit, Department of Finance. The most current population estimate is enclosed for your information (Enclosure B). Chapter 484, Statutes of 1997 (SB 651) amended W&I Code Section 5712 to specify that the cost requirements for local financial participation shall be waived for funds for the implementation of managed mental health care contracts.

Chapter 64, Statutes of 1993 (SB 627) added Section 17608.05(b) to the W&I Code to allow a county or city to limit its deposit of realignment maintenance of effort (MOE) funds to the amount necessary to meet minimum federal MOE requirements. Chapter 6, Statutes of 1996 (SB 681) amended Section 17608.05(b) of the W&I Code to allow counties permanent MOE relief for mental health services up to \$25,000,000, statewide, per fiscal year. The county realignment MOE requirements have remained the same since FY 1996-97. Please review DMH Information Notice No.: 97-05 for guidelines.

• CATEGORIES OF FUNDING

The local mental health appropriation is structured to accommodate expenditure reporting under the California Fiscal Information System (CFIS).

The Department will control to the various appropriation items and CFIS subcategories reflected on the allocation worksheet. All counties must claim expenditures on their cost reports accordingly.

• ADVANCE PAYMENTS

Except for Budget Act Item 4440-103-0001, Community Services - Other Treatment for Mental Health Managed Care, W&I Code Section 5713 allows DMH to make equal monthly payments to counties not to exceed 95 percent of a county's State General Fund allocation.

It is the responsibility of each county to optimize revenue from all sources in order to provide the highest level of services.

All questions pertaining to the allocation should be addressed to Stan Johnson, Chief, County Financial Program Support at (916) 654-3060.

Sincerely,

Original Signed by

LINDA A. POWELL  
Deputy Director  
Administrative Services

Enclosures

c: California Mental Health Planning Council  
Chief, Technical Assistance and Training  
Chiefs, Medi-Cal Oversight