



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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September 28, 2001

DMH LETTER NO.: 01-05

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 2001-2002 INITIAL ALLOCATION

REFERENCE: Budget Act of 2001 (Chapter 106, Statutes of 2001)

The enclosed worksheet contains the allocation for your county's mental health program in accordance with the Budget Act for Fiscal Year (FY) 2001-2002. As in prior years, only State General Fund dollars are specified.

The Budget Act of 2001 includes 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 three major budget adjustments: (1) \$22,083,000 in the Managed Care Program for both inpatient and specialty mental health services; (2) \$10,000,000 to provide additional funding to support the expansion of the demonstration projects established pursuant to Chapter 617, Statutes of 1999 (AB 34) and Chapter 518, Statutes of 2000 (AB 2034); and (3) \$650,000 for the first year of a three-year pilot project to test a set of strategies to expand the availability of community based options for the long term care of patients currently residing in Institutions for Mental Disease. Also included in the Budget Act of 2001 is a provision for two one-time only General Fund appropriations to provide, over a three-year period, dual diagnosis treatment for individuals who are mentally ill and substance abusing: \$400,000 will be provided to Nevada County and \$250,000 will be contracted to Asian American Recovery Services.

The increase in reimbursements from DHS through the SD/MC Program is the result of two budget adjustments: (1) \$133,664,000 for the continued expansion of the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program (\$66,072,000 General Fund and \$67,592,000 through SD/MC FFP); and (2) \$3,226,000 to reflect adjustments to the funding level for the San Mateo Pharmacy (\$1,920,000) and Laboratory Services



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(\$31,000) Field Test and the risk corridor calculation (\$1,275,000).

The Budget Act also includes an increase of \$18,514,000 (\$17,647,000 in reimbursements from DHS and \$867,000 General Fund) to comply with the court order in the Emily Q. v. Bonta lawsuit that requires DMH and the County Mental Health Plans to provide therapeutic behavioral services (TBS) as a Medi-Cal benefit. Funding has been provided to support the provision of additional services, reimburse costs associated with compensatory TBS, and support additional administrative requirements.

The Budget Act has appropriated \$8,821,000 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. The increase in funding reflects caseload growth in the HFP and an increase in the percentage of legal immigrants in the program from 1.57 percent to 5.89 percent.

Because California is heading into a difficult year with a softening economy and is expecting substantial revenue decreases, the following reductions are reflected in the DMH budget for FY 2001-2002: (1) \$5,000,000 from the Supportive Housing Program; (2) \$2,095,000 from Children's Mental Health Services; (3) \$772,000 from Adult System of Care; and (4) \$100,000 from dual diagnosis services for underserved populations. In addition, \$6,000,000 to fund Crisis Intervention and Stabilization Assistance was also reduced. Initially funded in FY 2000-2001, the program had not yet begun, and thus, no ongoing services are affected.

Discussed below in detail are policies and procedures pertaining to the local assistance appropriation in the Budget Act of 2001.

- LOCAL ASSISTANCE

- A. Budget Act Item 4440-101-0001

- 1. Category (1) 10.25 Community Services  
- Other Treatment

\$94,330,000

The Budget Act provides for a General Fund appropriation of \$94,330,000 in Category (1) 10.25 Community Services – Other Treatment. General Fund adjustments for FY 2001-2002 include the following: (1) an increase of \$10,000,000 to provide additional funding to support the expansion of the demonstration projects established pursuant to Chapter 617, Statutes of 1999 (AB 34) and Chapter 518, Statutes of 2000 (AB 2034). The projects focus on providing integrated services to severely mentally ill adults who are homeless or would otherwise be at risk of homelessness. (2) \$1,200,000 for supplemental funding of community treatment facilities (CTFs). These funds will be matched with county dollars to provide a supplemental rate of \$2,500 per month for up to 100 CTF beds. (3) \$650,000 for the first year of a three-year pilot project to test a set of strategies to expand the availability of community based options for the long term care of patients currently residing in

## Institutions for Mental Disease.

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

The appropriation of \$7,000,000 for FY 2001-2002 reflects a reduction of \$772,000 from the FY 2000-2001 funding level. This program provides integrated mental health services to adults similar to the Integrated Services to Homeless Adults Program that has been increased by \$10 million. The funds appropriated in Category (2) 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).

3. Category (3) 10.47 Children's Mental Health Services \$39,759,000

The appropriation of \$39,759,000 for FY 2001-2002 reflects a reduction of \$2,095,000 from the FY 2000-2001 funding level. This funding for Children's System of Care is made available for children's mental health services pursuant to Chapter 1229, Statutes of 1992 (AB 3015). The Budget also provides \$443.3 million for mental health treatment to Medi-Cal eligible children through the EPSDT Program and \$8.9 million for mental health services for children in the HFP.

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

The program continues to be funded at \$1,500,000, the same level as in FY 2000-2001. 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 (5) 10.97 Community Services – Healthy Families \$ 8,851,000

The Budget Act has appropriated \$8,851,000 for the DMH HFP. The increase in funding reflects caseload growth in the HFP and an increase in the percentage of legal immigrants in the program from 1.57 percent to 5.89 percent. HFP provides health insurance for uninsured children and youth from one year old up to their 19<sup>th</sup> birthday 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.

6. Category (6) 97.20.004 Local Projects \$ 650,000

The Budget Act of 2001 included a new schedule in the DMH Local Assistance Budget, 4440-101-0001(6) 97.20.0004 – Local Projects. Of the amount appropriated in this item, Nevada County will receive \$400,000 (one-time only)

to provide dual diagnosis treatment for individuals who are mentally ill and substance abusing. These funds will be available for a three-year period. The remaining \$250,000 (one-time only) appropriated in this item will be contracted to Asian American Recovery Services for a dual diagnosis project to provide treatment services for individuals who are mentally ill and substance abusing. These funds will also be available for a three-year period.

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

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|--|--------------|
| 1. <u>Category (1) 10.25 Community Services - Other Treatment</u>            | \$52,323,000 |
| 2. <u>Category (2) 10.75 Community Services - Homeless Mentally Disabled</u> | \$ 4,866,000 |

The Budget Act of 2001 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 (PATH) 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 of 2001 provides for the continuation of this program. The appropriation of \$15,000,000 for FY 2001-2002 remains the same as in FY 2000-2001. 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 of 2001 has appropriated \$204,815,000 for FY 2001-2002. The increase in State General Fund for inpatient and specialty mental health services reflect the following adjustments: (1) changes in the number of

Medi-Cal beneficiaries (\$16,829,000); (2) the impact of Medi-Cal provider rate increases for services provided by psychiatrists and psychologists (\$11,198,000); and (3) a one percent reduction in growth for managed care inpatient services (-\$193,000). Also reflected in the Budget Act is a General Fund increase of \$867,000 for administrative requirements associated with the court order in the Emily Q. v. Bonta lawsuit that requires DMH and the County Mental Health Plans to provide therapeutic behavioral services as a Medi-Cal benefit.

Due to the softening economy in California and expected substantial revenue decreases, the 3.0 percent adjustment for the medical component of the Consumer Price Index has been eliminated for FY 2001-2002. This resulted in a reduction of \$5,041,000.

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 of 2001 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 2000-2001 level of \$12,334,000.

• SHORT-DOYLE/MEDI-CAL

The Budget Act of 2001 provides for an increase in the collection of additional FFP through the SD/MC Program for the continued expansion of the EPSDT Program (\$67,592,000). Once again, there is a change in the federal/state sharing ratio for the SD/MC Program. Effective October 1, 2001, the federal/state sharing ratio changes from 51.25 percent federal/48.75 percent state to 51.40 percent federal/48.60 percent state. The Enhanced Federal Medical Assistance federal/state sharing ratio effective October 1, 2001 that applies to the HFP is 65.98 percent federal/34.02 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 2001-2002. For the time period July 1, 2001 through July 31, 2001, the SMA rate for reimbursement of hospital administrative day services is \$230.29. For the remainder of the fiscal year, August 1, 2001 through June 30, 2002, the SMA rate is \$231.30. A schedule of the established SMAs reflecting all services for FY 2001-2002 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 2001-2002 pursuant to Section 5712 of the W&I Code:

	Population over <u>125,000</u>	Population of 125,000 <u>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). County matching funds are waived for integrated services provided to severely mentally ill adults who are homeless or would otherwise be at risk for homelessness (AB 34 and AB 2034), Adult System of Care, Children’s Mental Health Services, and Community Services – Other Treatment for Mental Health Managed Care.

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,

LINDA A. POWELL  
Deputy Director  
Administrative Services

Enclosures

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