



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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October 15, 2002

DMH LETTER NO.: 02-05

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 2002-03 INITIAL ALLOCATION

REFERENCE: Budget Act of 2002 (Chapter 379, Statutes of 2002)

The enclosed worksheet contains the allocation for your county's mental health program in accordance with the Budget Act for Fiscal Year (FY) 2002-03. As in prior years, only State General Fund dollars are specified.

The Budget Act of 2002 includes some General Fund increases related to the Managed Care Program and the continuation of funding for payment of a supplemental rate for Community Treatment Centers. The more significant adjustments are related to the collection of additional Federal Financial Participation (FFP) through the Short-Doyle/Medi-Cal (SD/MC) Program and reimbursements from the Department of Health Services related to the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program and for Therapeutic Behavioral Services (TBS).

The General Fund increases include: (1) \$8,760,000 for the Managed Care Program for both inpatient and specialty mental health services and (2) \$1,200,000 to continue the payment of a supplemental rate for Community Treatment Facility beds through FY 2002-03 until the appropriate rate structure for these facilities can be developed.

The increase in reimbursements is the net result of several budget adjustments including: (1) an increase of \$116,904,000 to reflect the collection of additional FFP associated with the Specialty Mental Health Services portion of the Managed Care Program. This increase was partially offset by two reductions totaling \$6,227,000; (2) a net increase of \$86,003,000 associated with the continued expansion of the EPSDT and TBS Programs (\$85,385,000); and (3) adjustments to the funding level for San Mateo Pharmacy and Laboratory Services (\$618,000).

A significant adjustment occurred in the May Revision to the Governor's Budget relative to the funding for the EPSDT and TBS Programs. For the first time since the inception of



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both programs, the Administration proposed a 10 percent county match. The Legislature eliminated the match requirement but approved a reduction of \$59,618,000 to reflect the application of managed care principles to limit program growth. In signing the 2002 Budget Bill, the Governor further reduced funding by \$5,439,000 and stated the Administration would proceed to administratively implement a 10 percent match requirement. This match requirement is intended to act as an incentive to the counties to control program costs which have increased by an average of 30 percent per year.

In an effort to eliminate the General Fund gap that has resulted from changes in California's economic outlook for the upcoming budget year, the following reductions are reflected in the DMH budget for FY 2002-03:

- \$21,000,000 from funding for supportive housing which was the entire amount appropriated in FY 2001-02
- \$10,000,000 from funding for the Integrated Services to the Homeless Project, leaving a total of \$54,850,000
- \$7,000,000 from funding for the Adult System of Care programs pursuant to Chapter 982 of the Statutes of 1988 (AB 3777) which was the entire amount appropriated in FY 2001-02
- \$19,759,000 from funding for Children's Systems of Care (CSOC). \$20,000,000 remains for ongoing support of the CSOC Program
- \$2,700,000 in supplemental funding for Santa Clara County related to the closure of East Valley Pavilion, a county-owned Institution for Mental Disease (IMD)
- \$1,500,000 in funding for Dual Diagnosis Projects
- \$12,334,000 in funding for the Special Education Pupils Program. These costs are expected to be recovered by the counties through the local mandates process.

Discussed below in detail are policies and procedures pertaining to the local assistance appropriation in the Budget Act of 2002.

- LOCAL ASSISTANCE

- A. Budget Act Item 4440-101-0001

- 1. Category (1) 10.25 Community Services
- Other Treatment \$58,730,000

The Budget Act provides for a General Fund appropriation of \$58,730,000 in Category (1) 10.25 Community Services – Other Treatment. General Fund adjustments for FY 2002-03 include the following: (1) a decrease of

\$10,000,000 from funding for the Integrated Services to the Homeless Project established pursuant to Chapter 617, Statutes of 1999 (AB 34), Chapter 518, Statutes of 2000 (AB 2034), and Chapter 454, Statutes of 2001 (AB 334). A balance of \$54,850,000 remains to fund projects that 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 to continue the payment of a supplemental rate for Community Treatment Facility beds through FY 2002-03 until the appropriate rate structure for these facilities can be developed. (3) \$650,000 for the second 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 in IMDs.

2. Category (2) 10.40 Adult System of Care \$0

The Budget Act of 2002 reflects a reduction of \$7,000,000 for support of the Adult System of Care Program. This eliminates all support for this program and impacts Los Angeles (\$1.7 million), Stanislaus (\$1.7 million) and Ventura (\$3.6 million) counties. Successful program components will be incorporated into the Integrated Services to Homeless Adults Program (AB 34/2034/334) for which \$54,850,000 is appropriated in FY 2002-03.

3. Category (3) 10.47 Children’s Mental Health Services \$20,000,000

The appropriation of \$20,000,000 for FY 2002-03 reflects a reduction of \$19,759,000 from the FY 2001-02 funding level. This funding for CSOC is made available for children’s mental health services pursuant to Chapter 1361, Statutes of 1987 (AB 377) and Chapter 1229, Statutes of 1992 (AB 3015).

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 2001-02. 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 Program (HFP) \$98,000

The Budget Act provides for a General Fund appropriation of \$98,000 for the DMH HFP. HFP provides health insurance for uninsured children and youth

from one year old up to their 19th 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

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| 1. <u>Category (1) 10.25 Community Services - Other Treatment</u> | \$52,290,000 |
| 2. <u>Category (2) 10.75 Community Services - Homeless Mentally Disabled</u> | \$5,339,000 |

The Budget Act of 2002 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 2002 provides for the continuation of this program. The appropriation of \$15,000,000 for FY 2002-03 remains the same as in FY 2001-02. 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 2002 has appropriated \$213,155,000 for FY 2002-03.

The increase in State General fund for inpatient and specialty mental health services reflect the following adjustments: (1) increase in inpatient and specialty mental health services (\$11,735,000); (2) elimination of the provider rate increase that had been granted in FY 2000-01 (-\$5,563,000); (3) a one percent reduction in growth for managed care inpatient services (-\$142,000); (4) an adjustment to reflect a change in the Medi-Cal sharing ratio (\$4,053,000); (5) a reduction of the funding of two HMOs serving Sacramento County (-\$488,000); and (6) an increase to support the provision of mental health services through the Breast and Cervical Cancer Prevention and Treatment Program (\$32,000). In addition, \$867,000 for administration of TBS by the County Mental Health Plans has been reduced.

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 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 2002 has reduced \$12,334,000 in support for services for special education pupils (SEP) (AB 3632). Counties are expected to recover these costs by filing claims for reimbursement through the local mandates process.

• SHORT-DOYLE/MEDI-CAL

The Budget Act of 2002 provides for an increase in the collection of additional FFP through the SD/MC Program for the continued expansion of the EPSDT and TBS Programs; an augmentation for the Managed Care Program to reflect an increase in the number of eligibles and a change in the Medi-Cal sharing ratio. Effective October 1, 2002, the federal/state sharing ratio for the SD/MC Program changes from 51.40 percent federal/48.60 percent state to 50.00 percent federal/50.00 percent state.

The Enhanced Federal Medical Assistance federal/state sharing ratio effective October 1, 2002 that applies to the HFP is 65.00 percent federal/35.00 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 2002-03. For the time period July 1, 2002 through July 31, 2002, the SMA rate for reimbursement of hospital administrative day services is \$231.30. For the remainder of the fiscal year, August 1, 2002 through June 30, 2003, the SMA rate is \$236.38. A schedule of the established SMAs reflecting all services for FY 2002-03 is enclosed (Enclosure A).

- 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 schedules 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