



OCTOBER 17, 2006

DMH LETTER NO.: 06-06

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

SUBJECT: FISCAL YEAR 2006-07 LOCAL ASSISTANCE
APPROPRIATIONS

REFERENCE: Budget Act of 2006 (Chapter 47, Statutes of 2006)

This letter is issued to provide information pertaining to Local Assistance Funding for county mental health programs in accordance with the Budget Act of 2006 for Fiscal Year (FY) 2006-07. Significant General Fund adjustments reflected in the 2006 Budget Act include:

- 1) \$333,460,000 for the Early Periodic Screening, Diagnosis and Treatment (EPSDT) program, which is a permanent transfer of General Fund dollars from the Department of Health Services (DHS) to the Department of Mental Health (DMH) and a corresponding reduction in reimbursements from DHS. Also included is an additional increase of \$25,880,000 for increased cost of EPSDT services (\$12,968,000 General Fund and \$12,912,000 federal funds) determined by prior year's claim history and cost settlement adjustment;
- 2) \$52,000,000 for a categorical program for special education mental health services;
- 3) \$3,809,000 for the Managed Care Program, reflecting changes in the number of Medi-Cal beneficiaries;
- 4) \$5,000,000 for a one-time increase for the Early Mental Health Initiative (EMHI) Program from FY 2005-06 Proposition 98 General Funds for a new round of three-year grants, and

- 5) \$6,482,000 reflecting the permanent transfer of General Funds to DMH, for the San Mateo pharmacy and laboratory services program with a corresponding reduction in reimbursements from DHS. An additional adjustment to the funding level for this program includes a decrease of \$3,930,000 (\$1,917,000 General Fund and \$2,013,000 reimbursements) reflecting an adjustment for the full-year impact of Medicare Part D.

The Budget Act also includes an increase in reimbursements of \$2,884,000 for the Healthy Families Program to reflect increased claims cost (\$2,621,000) and a corresponding increase for county administrative costs (\$263,000).

Reimbursement to counties for costs of implementing the AB 3632 State mandate in FY 2004-05 and FY 2005-06 has been reduced from \$120,000,000 to \$66,000,000, resulting in a net decrease of \$54,000,000 in one-time funding.

The following State General Fund appropriations are paid to counties/cities through the DMH allocation process:

- 1) Budget Act Item 4440-101-0001 -- \$54,850,000
Integrated Services to the Homeless Program (AB 34/234/2034),
- 2) Budget Act Item 4440-103-0001 -- \$230,976,000
Mental Health Managed Care Program
- 3) Budget Act Item 4440-104-0001 -- \$52,000,000
Mental Health Services to Special Education Pupils (AB 3632).

The information provided below addresses local assistance State General Fund and Federal Trust Fund appropriations contained in the Budget Act of 2006, including detail on the disbursement of individual fund categories:

- LOCAL ASSISTANCE

- A. Budget Act Item 4440-101-0001

1. For local assistance, Department of Mental Health
Category (1) 10.25 Community Services – Other Treatment \$57,770,000

The Budget Act of 2006 provides for a General Fund appropriation of \$57,770,000 in Category (1) 10.25 Community Services - Other Treatment. Budget Items supported with this funding include:

1) AB 34/2034/334 \$54,850,000
Support continues at the same funding level as was budgeted in FY 2005-06 to continue funding 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). The project focuses on providing integrated services to severely mentally ill adults who are homeless or would otherwise be at risk of homelessness.

Allocation letters and worksheets will be issued under separate cover, reflecting the AB 34/2034/334 allocation.

2) Community Treatment Facilities \$1,200,000
Funding continues for payment of a supplemental rate for Community Treatment Facility beds.

3) Community Services -- Other Treatment \$1,720,000
This appropriation includes payment for various contract and program items.

2. Category (2) 10.30 EPSDT \$346,428,000

The Budget Act of 2006 provides for an appropriation of \$346,428,000 in Category (1) 10.30 Community Services, including \$333,460,000 in General Fund dollars, which is a permanent transfer from DHS to DMH and a corresponding reduction in reimbursements from DHS. It also includes an additional \$12,968,000 increase for costs determined by prior year's claim history and cost settlement adjustment.

EPSDT General Fund payments are made monthly based on Short-Doyle/Medi-Cal (SD/MC) claims data for the Mental Health Plans of the beneficiary. For a detailed description of the EPSDT distribution process, please refer to the August 22, 2006, All County Mental Health Directors' letter.

3. Category (3) 10.47 Children's Mental Health Services \$350,000

The FY 2006-07 Budget again includes \$350,000 to support the Cathie Wright Technical Assistance Center (CWTAC). Funding provides training and technical assistance to California's counties to implement integrated services programs and is awarded to CWTAC by contract.

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 2005-06. These funds are used by DMH to support the provision of mental health services, delivered through county and private non-profit providers, to persons with AIDS and their families/caregivers.

Services include individual and group counseling, crisis counseling, peer counseling, information and referral for a variety of services, professional training, community development and education, medication monitoring, community outreach, an AIDS hotline, development of educational materials, and volunteer outreach and specialized care for individuals with AIDS dementia. Funding is awarded to county programs and private non-profit agencies via contract.

5. Category (5) 10.97 Community Services
- Healthy Families Program (HFP) \$17,850,000

The Budget Act of 2006 appropriates \$17,850,000 (\$98,000 General Fund and \$17,752,000 reimbursement from DHS) to the DMH HFP. This reflects an increase of \$2,884,000 above the funding level for FY 2005-06. HFP provides health insurance for uninsured children and youth from one year of age to their 19th birthday who are not eligible for no-cost, full scope Medi-Cal and whose family income is below 250 percent of the federal income guidelines. It also provides for a supplemental mental health benefit for children with serious emotional disturbance which is managed by county mental health programs. Reimbursement through the claims processing system used for the SD/MC program is based on claims for services actually provided to the eligible population. For details regarding the HFP, please refer to DMH Information Notice No. 98-16, dated September 30, 1998.

B. Budget Act Item 4440-101-0311

1. For local assistance, Department of Mental Health
Category (1) 10.87 Community Services
- Traumatic Brain Injury Projects \$1,088,000

These funds are transferred into the Traumatic Brain Injury Fund pursuant to subdivision (f) of Section 1464 of the Penal Code. These funds are dispersed via contract to private, non-profit agencies within California to provide the direct services stipulated in statute.

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

1. For local assistance, Department of Mental Health
Category (1) 10.25 Community Services - Other Treatment \$52,075,000

The funds appropriated again include \$51,750,000 from the SAMHSA Block Grant for assistance to local agencies in the establishment and operation of mental health services. The appropriation also includes \$325,000 for the final year of a three-year grant to implement and evaluate evidence-based practices for serving persons with dual diagnoses of mental illness and substance abuse.

The SAMHSA Block Grant funds are allocated to counties to provide local mental health services for Adults and Older Adults with Serious Mental Illness and Children with Severe Emotional Disturbance. These funds are paid out monthly in increments of 1/12th of the counties' allocation.

2. Category (2) 10.75 Community Services
- Homeless Mentally Disabled \$7,382,000

The appropriation for the Projects for Assistance in Transition from Homelessness (PATH) Federal Grant continues at the same level as FY 2005-06.

The PATH Formula Grant funds are allocated to counties to provide local mental health services for Adults and Older Adults with Serious Mental Illness, who are homeless or at risk of imminent homelessness. These funds are paid out monthly in increments of 1/12th of the counties' allocation.

Allocation letters that describe the requirements for both the SAMSHA Block Grant and the PATH grant funds will be issued under separate cover.

D. Budget Act Item 4440-102-0001

1. For local assistance, Department of Mental Health
(Proposition 98) for Early Mental Health Services (EMHI) \$15,000,000

The Budget Act of 2006 includes \$10,000,000 in funding for the EMHI Program. An additional \$5,000,000 in one-time Proposition 98 General Funds was also appropriated for a new round of three-year grants. These projects provide school-based services to children in kindergarten through third grade in order to enhance their educational, and social-emotional and mental health development.

These funds are awarded to Local Education Agencies (LEA) through a Request for Application (RFA) process. \$10,000,000 of this amount is intended to provide continuation of projects in their second and third year of funding, and \$5,000,000 will support new programs. Funds are dispersed based on invoices submitted by LEAs to DMH reflecting actual program cost.

E. 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 \$230,976,000

The Budget Act of 2006 appropriates \$230,976,000 for FY 2006-07 for the Managed Care Program. The General Fund increase of \$3,809,000 for the Managed Care Program for both inpatient and specialty mental health services reflects the following adjustments: 1) an increase to reflect changes in the number of Medi-Cal beneficiaries (\$3,901,000); 2) a reduction in growth for managed care inpatient services (-\$39,000); 3) an increase in the number of eligibles in the Breast and Cervical Cancer Treatment Program (\$14,000); and 4) a decrease to eliminate the one-time funding provided in FY 2005-06 for changes in the appeals and state fair hearing processes (-\$67,000). The net General Fund increase results in a corresponding increase in reimbursements from DHS.

This year's General Fund appropriation provides support for the funding of psychiatric inpatient hospital services and specialty mental health professional services, including funding that is equivalent to the non-Federal Fund Participation (FFP) reimbursable portion for minor consent services and the historical fee-for-service/Medi-Cal costs of ancillary services provided to beneficiaries in Institutions for Mental Disease (IMD). The outpatient specialty mental health services for the minor consent program and specialty mental health services for 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.

Allocation letters and worksheets will be issued under separate cover, reflecting the Mental Health Managed Care allocation.

E. Budget Act Item 4440-104-0001 **New Budget Item for FY 2006-07**

1. For local assistance, Department of Mental Health, AB 3632
mental health services to special education pupils \$52,000,000

In signing the FY 2006-07 Budget, the Governor made available \$52,000,000 in funding to provide AB 3632 mental health services to special education pupils through a categorical program.

Allocation letters and worksheets will be issued under separate cover, reflecting the AB 3632 allocation.

F. Budget Act Item 4440-111-0001

1. For local assistance, Department of Mental Health \$11,747,000

This appropriation provides funding for caregiver resource centers serving families of adults with acquired brain injuries. These funds are awarded via contract to private, non-profit agencies within California to provide the direct services stipulated in statute.

G. Budget Act Item 4440-295-0001 \$66,000,000

1. For local assistance, Department of Mental Health
Category (1) Cost for FY 2004-05 AB 3632 Mandates:
Services to handicapped students and seriously emotionally
disturbed pupils \$33,000,000

1. Category (2) Cost for FY 2005-06 AB 3632 Mandates:
Services to handicapped students and seriously emotionally
disturbed pupils \$33,000,000

The Budget Act of 2006 includes \$66,000,000 in General Funds, distributed by the Controller, for payments to the counties for mental health services provided to handicapped students and seriously emotionally disturbed pupils pursuant to AB 3632. \$33,000,000 of this amount is for payment for services provided during FY 2004-05 and the remaining \$33,000,000 is for services provided during FY 2005-06.

Following is additional information not included in the annual Budget Act:

- MENTAL HEALTH SERVICES ACT

The Mental Health Services Act (MHSA) funding includes \$668,948,000 from the Mental Health Services Fund which is continuously appropriated to DMH for county implementation of the MHSA. Approved program funds are distributed by DMH to counties on a quarterly basis.

- REALIGNMENT

For FY 2006-07, it is estimated that a total of \$1,221,671,000 will be available for mental health services. This is an increase of \$23,649,000 (2.0 percent) from the amount budgeted for FY 2005-06. Funds are allocated on a monthly basis by the Controller.

- SHORT-DOYLE/MEDI-CAL

The Budget Act of 2006 provides for an increase in the collection of additional FFP through the SD/MC Program for the EPSDT Program and an augmentation for the Managed Care Program for both inpatient and specialty mental health services to reflect changes in the number of Medi-Cal beneficiaries. Effective July 1, 2006, through June 30, 2007, the Federal Medical Assistance Percentage (FMAP) remains at 50.00 percent. Effective July 1, 2006, through June 30, 2007, the enhanced FMAP for the HFP is 65.00 percent federal.

Counties should make every effort to optimize provider eligibility 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 and requirements regarding SD/MC Service Definitions, Documentation, Quality Management/Quality Assurance and Provider Certification.

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). These Statewide Maximum Allowances (SMA) will apply to all SD/MC eligible services by service function. Due to an increase in reimbursement of hospital administrative day services for FY 2006-07 two rates will apply. For the period July 1, 2006, through July 31, 2006, the SMA rate for reimbursement of hospital administrative day services is \$299.80. For the remainder of the fiscal year, August 1, 2006, through June 30, 2007, the SMA rate is \$310.68. A schedule of the established SMA rates reflecting all services for FY 2006-07 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.

- LOCAL ASSISTANCE ALLOCATIONS

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 Local Assistance allocation items should be addressed to Robin Mandella, Chief, Cost and Financial Reporting System at (916) 654-2314.

Sincerely,

Original signed by:

STEPHEN W. MAYBERG, Ph.D.
Director

Enclosures

cc: California Mental Health Planning Council
Chiefs, County Operations
Chiefs, Medi-Cal Oversight