



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

1600 9th Street, Sacramento, CA 95814
(916) 654-2378

October 28, 1999

DMH LETTER NO.: 99-05

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 1999-2000 INITIAL ALLOCATION

REFERENCE: Budget Act of 1999 (Chapter 50, Statutes of 1999)

The enclosed worksheet contains the allocation for your county's mental health program in accordance with the Budget Act for Fiscal Year (FY) 1999-2000. As in prior years, only State General Fund dollars are specified.

The Budget Act of 1999 included significant increases in General Fund dollars and in 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) \$2,000,000 for the expansion of the Children's System of Care Program; (2) \$2,065,000 in the Managed Care Program for both inpatient and specialty mental health services; (3) \$1,000,000 for supportive housing for CalWORKS recipients with special needs; and (4) \$10,000,000, on a one-time only basis, to be used by counties for existing successful programs to provide integrated services to severely mentally ill adults who would otherwise be at risk of homelessness or incarceration. On October 10, 1999, Governor Gray Davis signed AB 34 (Chapter 617, Statutes of 1999) that stipulates that the \$10,000,000 is for the funding of up to three counties that demonstrate the ability to provide comprehensive services to severely mentally ill adults. AB 34 also allows \$500,000 to be reappropriated to the Department of Mental Health's support appropriation. As a result of this legislative change, \$9,500,000 of the original \$10,000,000 will be allocated to up to three counties.

The Budget Act provides for an increase in reimbursements of \$184,249,000 in local assistance to reflect the collection of additional General Fund dollars (\$89,000,000) from DHS and FFP through the SD/MC Program (\$95,249,000) for the expansion of the Early and Periodic Screening, Diagnosis

and Treatment (EPSDT) Program. Additional increases in reimbursements include: (1) \$6,926,000 from DHS to be provided to San Mateo County for field testing pharmacy and laboratory services as the next phase of managed care consolidation; (2) \$1,000,000 from DHS for implementation of therapeutic behavioral services as an EPSDT benefit; and (3) \$687,000 to reflect the collection of additional FFP through the SD/MC Program as a result of a change in the federal sharing ratio from 51.55 percent to 51.67 percent effective October 1, 1999.

Also included in the Budget Act is a decrease in local assistance reimbursements of \$9,035,000 for additional mental health day treatment services for foster care children. This additional funding, recommended by the Foster Care Task Force and included in the Department's FY 1998-99 Budget, could not be utilized because the population for which it was designated was not Medi-Cal eligible.

Discussed below in detail are policies and procedures pertaining to the local assistance appropriation in the Budget Act of 1999.

- LOCAL ASSISTANCE

- A. Budget Act Item 4440-101-0001

- 1. Category (a) 10.25 Community Services

- Other Treatment \$15,730,000

The Budget Act provides for a General Fund increase of \$11,000,000 in Category (a) 10.25 Community Services – Other Treatment. \$1,000,000 is provided to expand services and encourage collaborative partnerships among local agencies to develop additional supportive housing for CalWORKS recipients with special needs. The remaining \$10,000,000, on a one-time only basis, is to be used for local incentive grants and to provide funding to counties for existing successful programs for the provision of integrated services to severely mentally ill adults who would otherwise be at risk for homelessness or incarceration. On October 10, 1999, Governor Gray Davis signed AB 34 (Chapter 617, Statutes of 1999) that stipulates that the \$10,000,000 is for the funding of up to three counties that demonstrate the ability to provide comprehensive services to severely mentally ill adults. AB 34 also allows \$500,000 to be reappropriated to the Department of Mental Health's support appropriation. As a result of this legislative change, \$9,500,000 of the original \$10,000,000 will be allocated to up to three counties.

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

The appropriation of \$7,772,000 for FY 1999-2000 remains the same as in FY 1998-99. 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, and 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 \$26,354,000

The Budget Act provides for a General Fund augmentation of \$2,000,000 for the expansion of the Children’s System of Care Program (AB 377). A total of \$26,354,000 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 1998-99. These funds are used by the Department of Mental Health (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 \$11,568,000

Also provided in the Budget Act is \$11,568,000 in reimbursements from DHS for the funding of mental health services through the Healthy Families Program (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 between 100 percent and 200 percent of the federal poverty level. 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 \$33,249,000*
- 2. Category (b) 10.75 Community Services - Homeless Mentally Disabled \$ 2,982,000*

** Reflects technical adjustment of \$641,000 to scheduling of Federal Trust Fund appropriation.*

The Budget Act provides for the continuation of the mental health portion of the Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant for community mental health services. The Federal Trust Fund was decreased by \$2,384,000 to reflect the completion of the five-year California Comprehensive System of Care Grant that provided additional funding to counties to enhance their Children's System of Care efforts.

The Budget Act includes an increase of \$1,896,000 from the Federal Trust Fund: \$634,000 from the Projects for Assistance in Transition from Homelessness (PATH) Grant and \$1,262,000 from the SAMHSA Block Grant. Of these funds, \$1,275,000 will be used to expand innovative supportive housing options for persons with mental illness and the balance of \$621,000 will be used to expand mental health services. The PATH grant funds will target those persons with mental illness who are homeless, while the SAMHSA Block Grant funds will focus on adults with serious mental illness.

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 1999-2000 remains the same as in FY 1998-99. 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 \$169,202,000 in State General Funds for the Managed Care Program, a General Fund increase of \$2,065,000 for both inpatient and specialty mental health services. This increase includes the following adjustments: (1) changes in the number of Medi-Cal beneficiaries (-\$2,529,000); (2) a cost adjustment factor based on the medical component of the national Consumer Price Index (\$4,807,000); (3) an adjustment to reflect a change in the Medi-Cal sharing

ratio effective October 1, 1999 and to annualize the change in the sharing ratio which was effective October 1, 1998 (-\$557,000); (4) an increase to reflect the impact of an increase in the Medi-Cal rate paid to physicians for specified service codes (\$367,000); (5) a one percentage reduction in growth for managed care inpatient services (-\$25,000); and (6) an increase to reflect a change in the sharing ratio for IMD ancillary services (\$2,000).

The enclosed allocation worksheet reflects State General Fund dollars for the funding of psychiatric inpatient services and specialty mental health professional services and the non-reimbursable FFP portion for minor consent services. The outpatient specialty mental health services for the minor consent program continue to be the responsibility of County Mental Health Plans.

The allocation of the non-reimbursable FFP portion for the Institutions for Mental Disease 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 1998-99 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. Additional increases in reimbursements include: (1) \$95,249,000 for the expansion of the EPSDT Program; and (2) \$687,000 as a result of a change in the federal/state sharing ratio from 51.55 percent federal/48.45 percent state to 51.67 percent federal/48.33 percent state effective October 1, 1999.

Counties should make every effort to maximize 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. The SMA rate for reimbursement of hospital administrative day services has changed from \$214.90 to \$218.68. This is the first change in rate for hospital administrative day services since August 1, 1994. A schedule of the established SMAs reflecting all services for FY 1999-2000 is enclosed (Enclosure A).

- COUNTY MATCH AND MAINTENANCE OF EFFORT (MOE) REQUIREMENTS

For State General Fund dollars allocated by DMH pursuant to Section 5712 of the W&I Code, the following reflects county match requirements in effect for FY 1999-2000:

	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). Chapter 484, Statutes of 1997 (SB 651) has 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 maximize 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