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September 8, 2004

DMH LETTER NO.: 04-09

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 2004-05 INITIAL ALLOCATION

REFERENCE: Budget Act of 2004 (Chapter 208, Statutes of 2004)

The enclosed worksheet contains the allocation for your county's mental health program in accordance with the Budget Act for Fiscal Year (FY) 2004-05. Although this letter addresses State General Fund and Federal Trust Fund dollars, as in prior years, only State General Fund dollars are specified on the worksheet.

The Budget Act of 2004 includes several major budget adjustments, some of which restore proposed reductions that were included in the 2004-05 Governor's Budget. Also included are adjustments that eliminate funding as well as reduce the Department's General Fund local assistance budget.

Other significant adjustments are related to a General Fund increase for the Mental Health Managed Care Program, the collection of additional Federal Fund Participation (FFP) through the Short-Doyle/Medi-Cal (SD/MC) Program and reimbursements from the Department of Health Services (DHS) for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, the San Mateo Pharmacy and Laboratory Services Field Test and the Healthy Families Program.

The increase in reimbursements is the net result of several budget adjustments, including: 1) a net increase in reimbursements of \$210,650,000 from DHS for the EPSDT Program. No change to the 10 percent county match requirement is reflected in the EPSDT funding; 2) an increase in reimbursements of \$95,000,000 from DHS (FFP only) to reflect additional funds to be paid to the counties through the Short-Doyle/Medi-Cal Program. The addition of these funds will bring the Department's local assistance reimbursement authority closer to expected collections; 3) an increase of \$3,278,000 in reimbursements from DHS to reflect adjustments to the funding level for the San Mateo Pharmacy and Laboratory Services Field Test; and 4) an increase in reimbursements of \$3,240,000 for the Healthy Families Program (HFP).

The Budget Act of 2004 also provides for a net General Fund increase of \$4,648,000 for the Managed Care Program for both inpatient and specialty mental health services. It also makes available \$1,200,000 to continue payment of a supplemental rate for Community Treatment Facility beds through FY 2004-05.

In addition, adjustments to the Federal Trust Fund include: 1) a reduction of \$1,149,000 to reflect the approved funding level for the Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant for Fiscal Year 2004-05; 2) an increase of \$1,037,000 to reflect the receipt of additional funding for the Projects for Assistance in Transition from Homelessness (PATH) formula grant. These additional funds will be allocated to those counties receiving PATH funding based on the Cigarette and Tobacco Products Surtax formula; and 3) an increase of \$325,000 to reflect receipt of a three-year grant to implement and evaluate evidence-based practices for serving persons with a dual diagnosis of mental illness and substance abuse.

Reductions reflected in this year's Budget include, 1) the elimination of \$308,000 in supplemental funding used by thirteen counties to match federal rehabilitation dollars, and 2) \$19,650,000 in funding for the Children's System of Care program.

Discussed below in detail are policies and procedures pertaining to the local assistance appropriation in the Budget Act of 2004.

- LOCAL ASSISTANCE

- A. Budget Act Item 4440-101-0001

- 1. Category (1) 10.25 Community Services

- Other Treatment

\$57,770,000

The Budget Act of 2004 provides for a General Fund appropriation of \$57,770,000 in Category (1) 10.25 Community Services - Other Treatment. Funding is included for support of the following programs: (1) \$54,850,000 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, and (2) \$1,200,000 to continue payment of a supplemental rate for Community Treatment Facility beds through FY 2004-05.

1.5 Category (1.5) 10.47 Children's Mental Health Services \$350,000

In signing the 2004-05 Budget Bill, the Governor reduced by \$19,650,000 the \$20,000,000 legislative augmentation to restore funding for Children's System of Care. The remaining \$350,000 will support the Cathie Wright Technical Assistance Center, which provides training and technical assistance to the counties to implement integrated services programs.

2. Category (2) 10.85 AIDS \$1,500,000

The program continues to be funded at \$1,500,000, the same level as in FY 2003-04. These funds are used by the Department of Mental Health (DMH) to support the provision of mental health services to persons with AIDS and their families/caregivers. Services are delivered through county and private non-profit providers.

3. Category (3) 10.97 Community Services
- Healthy Families Program (HFP) \$17,083,000

The Budget Act of 2004 has appropriated \$17,083,000 (\$98,000 General Fund and \$16,985,000 FFP) to the DMH HFP. This reflects an increase of \$3,240,000 in reimbursements above the level for FY 2003-04. 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. 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 (1) 10.25 Community Services
- Other Treatment \$51,772,000

The funds appropriated include \$51,447,000 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 first year of a three-year grant to implement and evaluate evidence-based practices for serving persons with a dual diagnosis of mental illness and substance abuse.

2. Category (2) 10.75 Community Services
- Homeless Mentally Disabled \$6,632,000

The Budget Act of 2004 provides increased spending authority for 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 (EMHI) \$5,000,000

D. Budget Act Item 4440-485-0001

1. For local assistance, Department of Mental Health
(Proposition 98) for early mental health services (EMHI) \$5,000,000

The Budget Act of 2004 includes a total of \$10,000,000 in funding for the EMHI Program. This funding, which was eliminated in the FY 2004-05 Governor's Budget, was restored by legislative augmentation and sustained by the Governor in signing the Budget Act of 2004. The funding for FY 2004-05 is included in two separate Budget Act items. Budget Act Item 4440-485-0001 reflects the one-time only reappropriation of unspent Proposition 98 funds from prior fiscal years. 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. The \$10,000,000 for FY 2004-05 is intended to provide continuation of projects in their third year of funding and also support new projects, which will be awarded funding through an RFA process.

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

The Budget Act of 2004 has appropriated \$222,424,000 for FY 2004-05 for the Managed Care Program. The General Fund increase of \$4,648,000 for the Managed Care Program for both inpatient and specialty mental health services reflects the following adjustments: 1) changes in the number of Medi-Cal beneficiaries (\$5,681,000); 2) a one percent reduction in growth for managed care inpatient services (-\$49,000); 3) a net reduction of \$1,031,000 to reflect elimination of one-time costs associated with the new federal regulations; 4) a reduction of \$10,000 for a decrease in the number of eligibles in the Breast and Cervical Cancer Treatment Program, and 5) an increase of \$57,000 for the costs associated with implementing the new managed care regulations in the Solano County Mental Health Plan. The General Fund changes also result in an increase of \$4,648,000 in reimbursements from DHS reflected in the Department's local assistance appropriation.

The enclosed allocation worksheet includes General Fund support for the funding of psychiatric inpatient hospital services and specialty mental health professional services, including funding that is equivalent to 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 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.

- DEPARTMENT OF EDUCATION BUDGET

Budget Act Item 6110-161-0001 (Prop 98) for the Department of Education includes a provision requiring that \$31,000,000 of the amount appropriated "be used to provide mental health services required by an individual education plan pursuant to

the federal Individuals with Disabilities Education Act (IDEA) and pursuant to legislation enacted in the 2003-04 Regular Session that clarifies the manner in which the services are to be provided.”

Budget Act Item 6110-161-0890 (Federal Trust Fund) for the Department of Education includes a provision requiring that \$69,000,000 of the amount appropriated “shall be used exclusively to support mental health services provided during the 2004-05 fiscal year by county mental health agencies pursuant to Chapter 26.5 (AB 3632) and that are included within an individualized education program pursuant to the federal Individuals with Disabilities Education Act (IDEA).”

- SHORT-DOYLE/MEDI-CAL (SD/MC)

The Budget Act of 2004 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, 2004 through June 30, 2005, the rate changes from 52.95 percent federal/47.05 percent state to 50.00 percent federal/50.00 percent state. Effective July 1, 2004 through June 30, 2005, the enhanced FMAP for the HFP is 65.00 percent federal/35.00 percent state.

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.

- 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 rates for reimbursement of hospital administrative day services for all of FY 2004-05 will remain at \$236.82. A schedule of the established SMA rates reflecting all services for FY 2004-05 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,

STEPHEN W. MAYBERG, Ph.D.
Director

Enclosures

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