



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 3, 2003

DMH LETTER NO.:03-06

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 2003-04 INITIAL ALLOCATION

REFERENCE Budget Act of 2003 (Chapter 157, Statutes of 2003)

The enclosed worksheet contains the allocation for your county's mental health program in accordance with the Budget Act for Fiscal Year (FY) 2003-04. 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 2003 includes some major adjustments to the Department's General Fund local assistance budget. The Governor, in signing the 2003-04 Budget Bill, restored funding for both the Integrated Services to the Homeless Project (\$54,850,000) and the Children's System of Care Program (CSOC) (\$20,000,000). In addition, \$10,000,000 was restored for the Early Mental Health Initiative (EMHI).

The Budget Act of 2003 also provides for a General Fund increase of \$4,621,000 for the Managed Care Program for both inpatient and specialty mental health services and continuation of \$1,200,000 for the payment of a supplemental rate for Community Treatment Facility beds through FY 2003-04, until the appropriate rate structure for these facilities can be developed.

In addition, the budget includes an increase in reimbursements of \$6,048,000 for the Healthy Families Program (HFP), an increase of \$1,100,000 in reimbursements from the California Children and Families Commission to continue and expand the Infant, Preschool and Family Member Mental Health Initiative, and a decrease of \$2,399,000 in reimbursements for the Early Periodic Screening, Diagnosis and Treatment (EPSDT) Program.



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The reduction in EPSDT Program funding is the result of implementing a new budgeting methodology, as well as a major change in accounting of Medi-Cal expenditures from an accrual to a cash basis. This latter change is consistent with actions taken on much of the Medi-Cal budget. The county share of costs will also be adjusted to reflect the final funding level for EPSDT.

Discussed below in detail are policies and procedures pertaining to the local assistance appropriation in the Budget Act of 2003.

- LOCAL ASSISTANCE

- A. Budget Act Item 4440-101-0001

- 1. Category (1) 10.25 Community Services
 - Other Treatment \$58,728,000

The Budget Act of 2003 provides for a General Fund appropriation of \$58,728,000 in Category (1) 10.25 Community Services - Other Treatment. Funding is included but not limited to 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; (2) \$1,200,000 to continue payment of a supplemental rate for Community Treatment Facility beds through FY 2003-04 until the appropriate rate structure for these facilities can be developed; and (3) \$650,000 for the final 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 Institutions for Mental Disease (IMDs).

- 1.5 Category (1.5) 10.47 Children's Mental Health
 - Services \$20,000,000

Children's System of Care continues to be funded at \$20,000,000, the same level as in FY 2002-03. 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).

- 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 2002-03. 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 \$13,843,000

The Budget Act of 2003 has appropriated \$13,843,000 (\$98,000 General Fund and \$13,745,000 Federal Fund Participation (FFP) to the DMH HFP. This reflects an increase of \$6,048,000 in reimbursements from FY 2002-03. 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 (SAMHSA Block Grant) \$52,290,000
2. Category (2) 10.75 Community Services
 - Homeless Mentally Disabled \$5,595,000

The Budget Act of 2003 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)

The Budget Act of 2003 provides for the continuation of this program at a level of \$10,000,000. 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 2003-04 is intended to provide continuation funding for those projects first awarded grants in FY 2001-02 or FY 2002-03.

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 2003 has appropriated \$217,776,000 for FY 2003-04 for the Managed Care Program. The General Fund increase for the Managed Care Program for both inpatient and specialty mental health services reflects from the following adjustments: (1) changes in the number of Medi-Cal beneficiaries (\$1,912,000); (2) restoration of the provider rate increase, eliminated in the 2002-03 May Revision, and later restored as a result of the enactment of Chapter 1164, Statutes of 2002 (AB 3006) (\$5,563,000); (3) a one percent reduction in growth for managed care inpatient services (-\$38,000); (4) an adjustment to reflect a change in the Medi-Cal sharing ratio (\$1,472,000); (5) a caseload increase in the Breast and Cervical Cancer Treatment Program (\$13,000); (6) an increase for Therapeutic Behavioral Services (TBS) administration (\$876,000); (7) implementation of new federal regulations for managed care programs (\$6,235,000); and (8) a 5 percent across the board program reduction (-\$11,412,000). The General Fund changes result in a net increase of \$4,020,000 in reimbursements from Department of Health Services (DHS), reflected in the Department's local assistance appropriation.

Control Section 8.30, Budget Act of 2003, authorized the Department of Finance to adjust departmental appropriations to reflect the impact of a temporary increase in the Federal Medical Assistance Percentage (FMAP) that will be available to California. That reduction, which was effective September 29, 2003, reduced the DMH Managed Care appropriation by a total of \$13,784,000. A corresponding increase of \$13,784,000 was added to local assistance reimbursements to reflect the additional FFP that will be collected during FY 2003-04.

The enclosed allocation worksheet reflects General Fund dollars for the funding of psychiatric inpatient hospital services and specialty mental health professional services, including 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 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 6110-161-0890 (Federal Trust Fund - Department of Education)

Of the funds appropriated in this item, \$69,000,000 shall "be used exclusively to support mental health services provided during the 2003-04 fiscal year by county mental health agencies pursuant to Chapter 26.5..." (AB 3632). \$12,334,000 of these funds shall be distributed consistent with an allocation plan formulated by DMH, in consultation with county mental health agencies. The balance of the \$69,000,000 will be used to pay a proportional share of county mandate claims submitted for services provided in FY 2001-02.

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

The Budget Act of 2003 includes corresponding adjustments to the funding for the SD/MC Program to reflect changes to the Managed Care Program. In addition, a recently enacted federal law will change the FMAP available to California in FY 2003-04. Effective July 1, 2003 through September 30, 2003, the federal/state sharing ratio for the SD/MC Program changes from 50.00 percent federal/50.00 percent state to 54.35 percent federal/45.65 percent state. Beginning October 1, 2003 through June 30, 2004, the rate changes from 54.35 percent federal/45.65 percent state to 52.95 percent federal/47.05 percent state. Effective October 1, 2003, 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. There are two SMA rates for reimbursement of hospital administrative day services in FY 2003-04. For the time period July 1, 2003 through July 31, 2003, the SMA rate for reimbursement of hospital administrative day services is \$236.38. For the remainder of the fiscal year, August 1, 2003 through June 30, 2004, the SMA rate is \$236.82. A schedule of the established SMAs reflecting all services for FY 2003-04 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,

(Original Signed By)

STEPHEN W. MAYBERG, Ph.D.
Director

Enclosure

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