



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) 654-2309

September 7, 2005

DMH LETTER NO.: 05-07

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 2005-06 INITIAL ALLOCATION

REFERENCE: Budget Act of 2005 (Chapter 38, Statutes of 2005)

The enclosed worksheet contains the allocation for your county's mental health program in accordance with the Budget Act of 2005 for fiscal year (FY) 2005-06. Although this letter addresses State General Fund and Federal Trust Fund dollars, as in prior years, only State General Fund dollars are included on the worksheet. Because the local assistance funding for the Mental Health Services Fund is continuously appropriated it will not appear in the annual Budget Act. Therefore, your worksheet does not reflect any allocation from that fund.

The Budget Act of 2005 includes an increase for the Managed Care Program and the continuation of funding to pay a supplemental rate to Community Treatment Facilities. Other major adjustments are related to reimbursements from the Department of Health Services (DHS) for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program and a one-time General Fund increase to reimburse counties for providing services pursuant to the AB 3632 state mandate for FY 2004-05 and FY 2005-06.

The General Fund increases include: 1) \$120,000,000 in payments to counties for mental health services provided to seriously emotionally disturbed pupils per AB 3632. \$60,000,000 of this amount is for payment for services provided during FY 2004-05 and the remaining \$60,000,000 is for services to be provided during FY 2005-06, and 2) an increase of \$4,743,000 for the Managed Care Program for both inpatient and specialty mental health services.

The increase in reimbursements is the net result of several budget adjustments, including: 1) a net increase in reimbursements of \$61,316,000 from DHS for the EPSDT Program. This increase includes a General Fund increase of \$35,902,000 and an increase of \$25,414,000 in Federal Financial Participation (FFP), 2) an increase of \$4,743,000 to reflect the reimbursement increase that corresponds to the General Fund increase to the Managed Care Program, and 3) an increase of \$464,000 in reimbursements from DHS to reflect adjustments to the funding level for the San Mateo Pharmacy and Laboratory Services Field Test.

The Budget Act of 2005 also appropriates \$14,966,000 for the Department of Mental Health's (DMH) Healthy Families Program (HFP), a decrease of \$2,117,000 from the FY 2004-05 funding level. This reduction is the result of a caseload decrease and a corresponding decrease in county administrative costs. The HFP provides mental health treatment services to eligible children with serious emotional disturbances.

Adjustments to the Federal Trust Fund include: 1) an increase of \$303,000 to reflect the approved funding level for the Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant for Fiscal year 2005-06, and 2) an increase of \$750,000 to reflect the receipt of additional funding for the Projects for Assistance in Transition from Homelessness (PATH) formula grant. Both the additional SAMHSA and PATH funds will be allocated to participating counties based on the Cigarette and Tobacco Products Surtax formula. The FY 2005-06 Federal Trust Fund appropriation also includes Year-Two funding to implement and evaluate evidence-based practices for serving persons with dual diagnoses of mental illness and substance abuse.

Discussed below in detail are policies and procedures pertaining to the local assistance appropriation in the Budget Act of 2005.

- 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 2005 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.

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

The FY 2005-06 Budget again includes \$350,000 to support the Cathie Wright Technical Assistance Center, which provides training and technical assistance to California's counties to implement integrated services programs.

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

The program continues to be funded at \$1,500,000, the same level as in FY 2004-05. These funds are used by 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.

4. Category (3) 10.97 Community Services
- Healthy Families Program (HFP) \$14,966,000

The Budget Act of 2005 appropriates \$14,966,000 (\$98,000 General Fund and \$14,868,000 reimbursement from DHS) to the DMH HFP. This reflects a decrease of \$2,117,000 from the funding level for FY 2004-05. 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 \$52,075,000

The funds appropriated 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 second

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.

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

The Budget Act of 2005 includes an additional \$750,000 in 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) \$10,000,000

The Budget Act of 2005 includes \$10,000,000 in funding for the EMHI Program. 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. \$5,000,000 of this amount is intended to provide continuation of projects in their second year of funding and \$5,000,000 will support new programs, which will begin in the current fiscal year.

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 2005 appropriates \$227,167,000 for FY 2005-06 for the Managed Care Program. The General Fund increase of \$4,743,000 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 (\$4,717,000); 2) a one percent reduction in growth for managed care inpatient services (-\$125,000); 3) a reduction for a decrease in the number of eligibles in the Breast and Cervical Cancer Treatment Program (-\$5,000); and 4) an increase to reflect full implementation of the federal Medicaid managed care regulations for Solano County (\$89,000); and 5) an increase of \$67,000 to reflect changes in the appeals and state fair hearing processes required by federal regulations.

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 provided 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.

E. Budget Act Item 4440-295-0001

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| 1. <u>Category (11) Cost for FY 2004-05 AB 3632 Mandates:</u> | |
| <u>Services to Handicapped Students</u> | \$60,000,000 |
| 2. <u>Category (12) Cost for FY 2005-06 AB 3632 Mandates:</u> | |
| <u>Services to Handicapped Students</u> | \$60,000,000 |

In signing the FY 2005-06 Budget, the Governor made available \$120,000,000 from the General Fund for payments to the counties for mental health services provided to seriously emotionally disturbed pupils pursuant to AB 3632. \$60,000,000 of this amount is for payment for services provided during FY 2004-05 and the remaining \$60,000,000 is for services to be provided during FY 2005-06.

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

The Budget Act of 2005 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, 2005 through June 30, 2006, the Federal Medical Assistance Percentage (FMAP) remains at 50.00 percent federal/50.00 percent state. Effective July 1, 2005 through June 30, 2006, 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). These Statewide Maximum Allowances (SMA) will apply to all SD/MC eligible services by service function. Due to an increase for reimbursement of hospital administrative day services for FY 2005-06 two rates will apply. For the period July 1, 2005 through July 31, 2005, the SMA rate for reimbursement of hospital administrative day services is \$236.82. For the remainder of the fiscal year, August 1, 2005 through June 30, 2006, the SMA rate is \$299.80. A schedule of the established SMA rates reflecting all services for FY 2005-06 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

Enclosures

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