

# COVID-19: ECONOMIC IMPACT ON THE PUBLIC BEHAVIORAL HEALTH SYSTEM

Michelle Doty Cabrera, Executive Director

[mcabrera@cbhda.org](mailto:mcabrera@cbhda.org)

[www.cbhda.org](http://www.cbhda.org)



April 29, 2020  
Attachment 10a

# AGENDA

1. Basics of public behavioral health financing
2. COVID-19 impacts
3. Early Fiscal Forecast

# POPULATIONS SERVED



## Medi-Cal

Specialty Mental Health  
Substance Use Disorder  
EPSDT



## *Also:*

Uninsured  
Commercially  
Insured

# BASICS OF PUBLIC BEHAVIORAL HEALTH FINANCING



1991 Realignment



2011 Realignment



Mental Health Services Act (MHSA)



Federal Financial Participation  
(Medicaid aka Medi-Cal in California)



Other local funds (variable) and  
grants

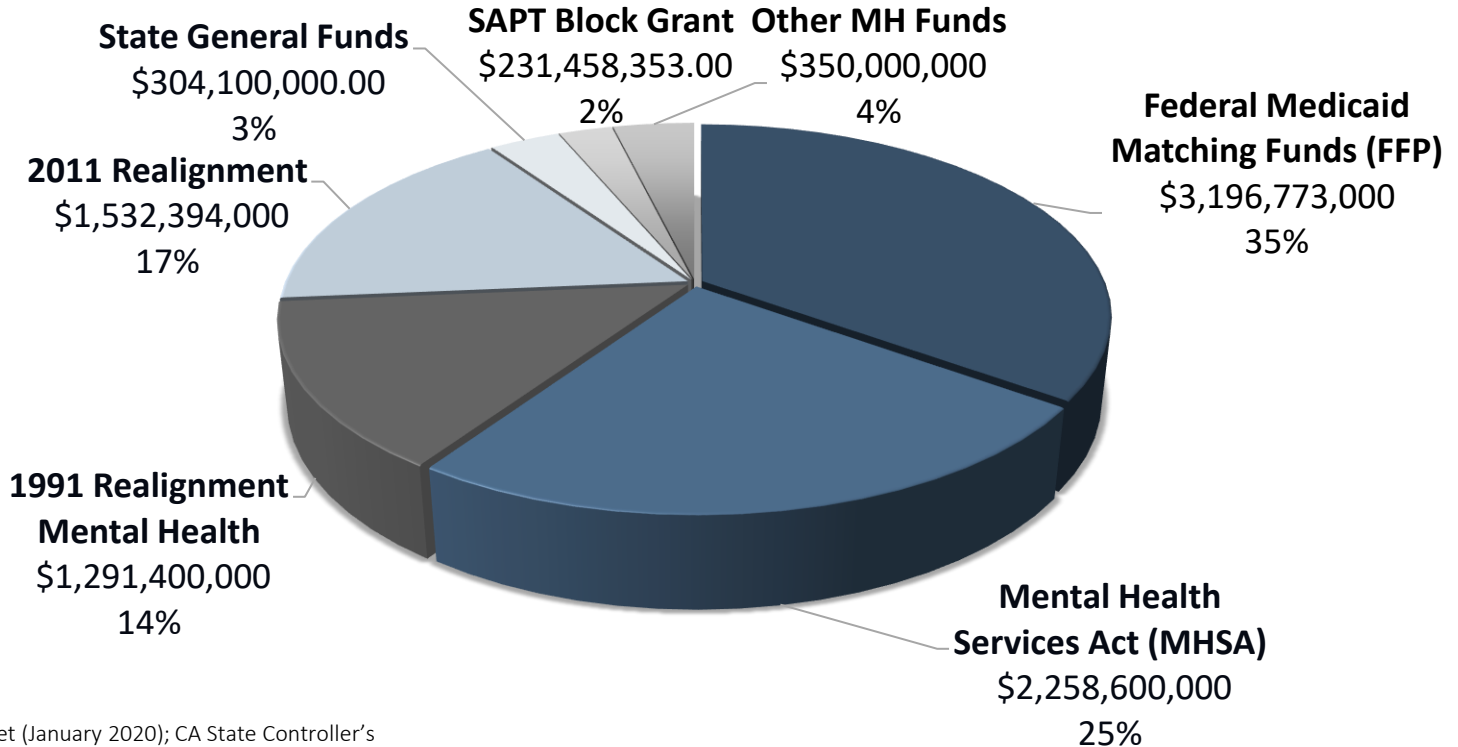
## COUNTY BEHAVIORAL HEALTH SOURCES OF FUNDING

# Funding for County Behavioral Health: \$9 Billion

(FY 2019-20 Estimate)

**Total Medi-Cal:**  
\$105.2 billion  
\$23 billion GF

**Covers 13 million**  
*(1 in 3) Californians*



# SOURCES OF FUNDING

- **Largest single funding source (35%): Federal Medicaid matching funds (FFP)**
  - Must be claimed and spent according to federal Medicaid rules
  - Does not pay for IMD level care
  - Crucial to county behavioral health networks
- **Second largest funding source (25%): MHSA**
  - Accounts for 1 out of every 3 Medi-Cal behavioral health dollars statewide
  - Volatile and vulnerable to changes in economic outlook
  - Must be spent in compliance with MHSA rules and requirements
  - Reserve levels are capped at 33% of CSS component

# SOURCE: 1991 REALIGNMENT

- Flexible Funding for programs realigned to counties:
  - Community-based mental health (MH) services
  - MH services for civil commitments/conservatorships
  - Institutes for Mental Disease (IMDs)
  - \$1.1 billion base funding
- Source of Funding
  - *Sales Tax and Vehicle License Fee*



## SOURCE: 2011 REALIGNMENT

- Counties (not the state) are responsible for Medi-Cal:
  - Specialty Mental Health for Adults with Serious Mental Illness (SMI)
  - EPSDT
  - Drug Med-Cal and Substance Use Disorder services
- Guaranteed base of \$1.4 billion
  
- Sources of Funding
  - *Sales Tax and Vehicle License Fee*

# SOURCE: MHSA

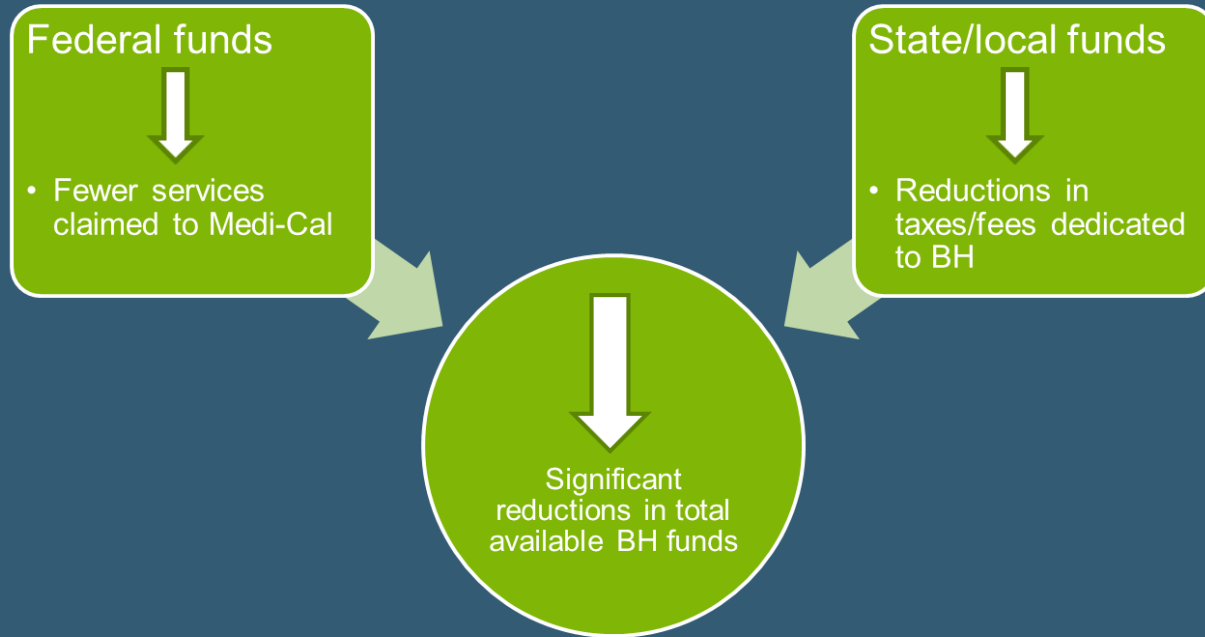
- Client and community centered
- Funds Community Services and Supports (CSS), Prevention and Early Intervention (PEI), Workforce and Education Training (WET), Capital and Innovations
- Source of Funding
- **1% personal income tax on millionaires**

# COUNTY BEHAVIORAL HEALTH: A UNIQUE OBLIGATION

- **Medi-Cal**
  - Specialty delivery system for serious mental illness and substance use disorders
  - Beneficiaries must meet state medical necessity criteria
  - EPSDT entitlement for children/youth
- **All Populations, regardless of insurance** – obligation to serve, within resources
  - Mental Health Crisis Services (5150s, LPS conservatorships)
- **All Populations if dedicated funding available**
  - Mental Health Services Act (Prop 63)
  - SAMHSA Grants (relatively small; payer of last resort)
  - Public Safety Realignment (AB 109)
  - Proposition 47 Grants (for criminal justice-involved)

# COVID-19 IMPACTS

# COVID-19 IMPACT ON FUNDING



# COVID-19 IMPACTS ON FUNDING

1. **Lower federal Medi-Cal payments:** Lower Medi-Cal billable services means fewer federal dollars and a significant negative impact overall.
  - COVID-19 lowered volume due to: Cancelled appointments, provider staffing challenges, illness, digital divide, etc.
2. **Loss of core funding:** main sources of funding (MHSA and Realignment) are drawn from millionaire's tax, sales tax, and vehicle licensing fees.
  - *All are projected to decrease significantly* over the next 1-5 years as the U.S. and California face economic recession.
3. **Increase in Medi-Cal beneficiaries:** More Californians will qualify for Medi-Cal Behavioral Health due to job loss and increases in mental illness and substance use disorders.
  - New beneficiaries will not come with new funding.

# COVID-19 IMPACTS ON FUNDING (CONT.)

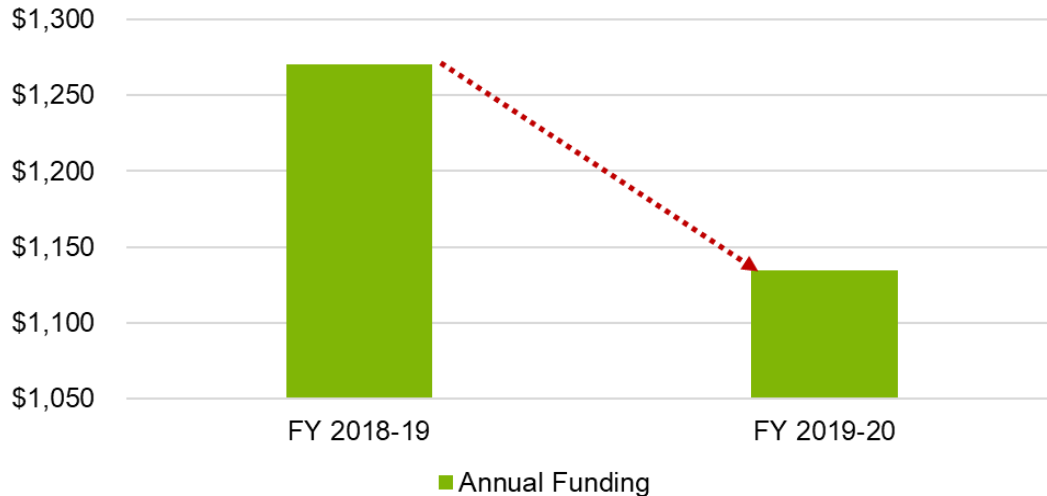
4. **Increased community need for emergency crisis supports:** Broad community reliance on public behavioral health safety net due to anxiety and stress of the global pandemic and related economic and other impacts.
5. **Migration to telehealth and phone-based services:** County behavioral health has undergone a complete shift to phone and telehealth-based services where possible with no new funding invested.
6. **Alternative sites for new and existing clients:** County behavioral health must self-finance alternative settings to help with isolation, new populations, and alternatives to residential and congregate care settings.
7. **Support for providers:** Counties have invested more in trying to ensure contracted providers can weather the crisis financially so that we maintain access to services.

# FISCAL FORECAST



# 1991 REALIGNMENT

1991 Realignment Annual Funding in Millions

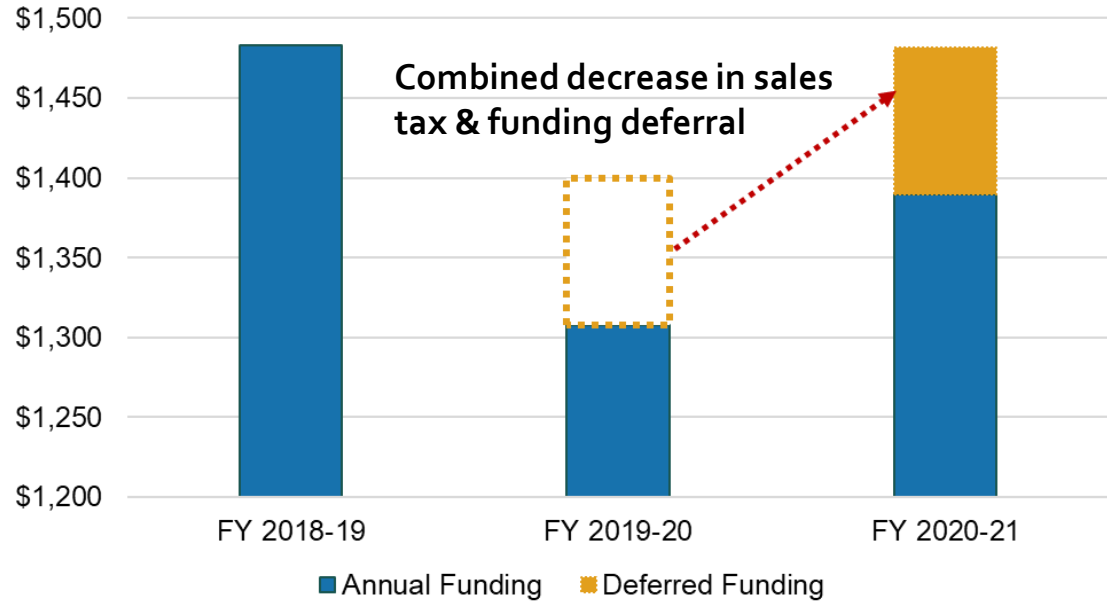


- **10% Drop in 1991 Realignment Funding**
- Counties limited primarily to the state mandated base of \$1.1 billion beginning in the current Fiscal Year

# 2011 REALIGNMENT

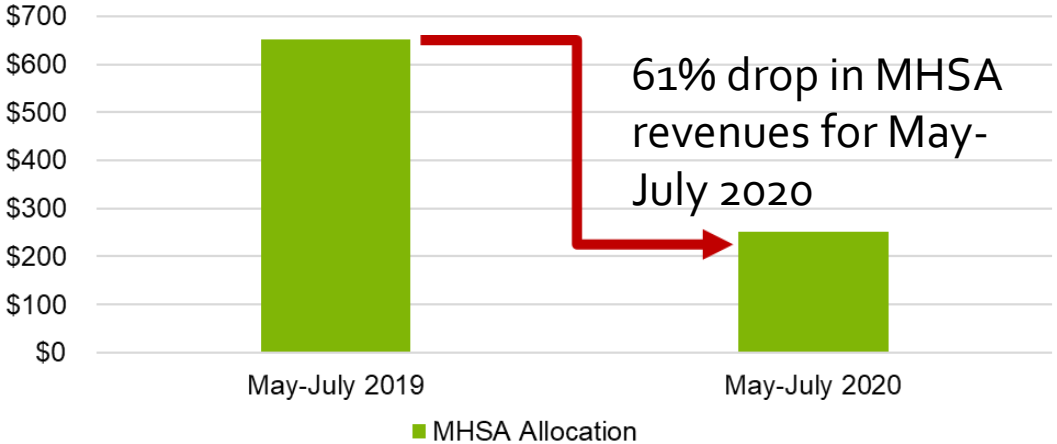
- Current year:
  - \$80 million decrease in sales tax
  - \$92 million deferral from 2019-20 to 2020-21
- Counties limited primarily to statutory base approximately \$1.4 billion with no growth
- Estimated 5-10% reduction in sales tax revenue from FY 2018-19

## 2011 Realignment Annual Funding in Millions



# MHSA 2019-2020

### MHSA Funding in Millions



- Estimate a loss of \$100 million due to lower revenues
- Estimated loss in current year of \$300 million due to deferral
- Impact greater in current year due to loss of federal matching funds

# FISCAL FORECAST FACTORS & ASSUMPTIONS

- **Key factor:** The tax filing and payment deadline for calendar year 2019 taxes has been delayed until July 15, 2020
- **Key assumption:** The total decline in estimated revenues is comparable to revenues during the Great Recession
- **Delayed impact:** The economic downturn in Calendar Year 2020 will be felt in FY 2022-23 and beyond for MHSa funding
- **Cumulative impact:** Between deferrals, current year losses, and lost revenues from move to telehealth, we estimate a total loss of \$400 million - \$800 million in the current year
- **Far-reaching impacts, beyond behavioral health:** The state and local budgets will both take major hits. Base funding in mental health (1991 and 2011 realignment) has in the past served to buffer mental health services in particular.

# PROPOSED FISCAL SOLUTIONS

1

Ask for greater flexibility to use MHA funds for COVID-19 response

2

Ask for \$100 million in state COVID-19 emergency relief funding

3

Ask for federal matching funds for board and care facilities' COVID-19 response

4

Adapt delivery systems to ensure client access and maximize Medi-Cal billing post COVID-19

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Executive Director

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