



May 22, 2013

**TO:** Honorable Chair and Members, Senate Budget Subcommittee #3  
Honorable Chair and Members, Assembly Budget Subcommittee #1

**FROM:** Patricia Ryan, Executive Director;  
Kirsten Barlow, Associate Director, Legislation and Public Policy  
California Mental Health Directors Association

**SUBJECT: Governor's May Revise for 2013-14: Concerns Regarding Mental Health Implications of Health Reform Proposals**

On behalf of the California Mental Health Directors Association (CMHDA), which represents the directors of public mental health authorities in counties throughout California, we are writing to communicate our concerns regarding the mental health implications of the Governor's health reform proposals in the May Revise.

As communicated by the California State Association of Counties (CSAC), counties strongly support the goal of enrolling millions of uninsured Californians in Medi-Cal by January 1, 2014 and appreciate Governor Brown's continued commitment to timely implementation and recognition that a state-based approach to Medi-Cal expansion is the correct course. Further, we appreciate that the Governor's May Revise acknowledged that the redistribution of funds should be based on actual savings generated by the Affordable Care Act (ACA) rather than an arbitrary number. However, we have significant concerns with some aspects of the Governor's May Revise proposals for ACA implementation pertaining to mental health services, which are described below.

**(1) The Administration's proposal does not acknowledge or provide for an opportunity for counties to reinvest local savings that will accrue as a result of Medicaid expansion under the ACA.**

CMHDA believes counties should be able to reinvest resulting savings into behavioral health services, including care coordination, crisis response, behavioral health/primary care integration, information technology and improving data reporting systems. These reinvestments in mental health are acutely needed, given substantial resource reductions in recent years and the new demands that have been placed on public mental health services, including:

- The state's recent diversion of \$861 million in Mental Health Services Act funds;
- Significant reductions in 1991 Realignment revenues due to the recession;

- The realignment of low-level offenders, many of whom have mental health needs;
- Increased rates for state hospital beds and Institutions for Mental Disease;
- Significant delays in federal Medicaid reimbursement; and
- Expanded Medi-Cal caseloads and costs due to the Katie A. settlement and Healthy Families elimination.

*We request alternatives that allow for counties to reinvest in mental health services using local savings that accrue as a result of Medi-Cal expansion.*

**(2) We oppose the Administration’s proposal that counties pay the future non-federal share of cost for services provided through the Drug Medi-Cal and Specialty Mental Health carve outs for the Medi-Cal expansion population.**

As you know, the ACA requires states to begin to contribute to the cost of Medicaid expansion, beginning in year 2017 (by up to ten percent in year 2020). As part of 2011 Realignment, counties have 100 percent of the financial responsibility and risk for Medi-Cal Specialty Mental Health for existing Medi-Cal eligibles. However, counties negotiated provisions within Proposition 30 of 2012 that require the state to cover the costs of future law changes associated with the programs realigned to counties in 2011. We believe that requiring counties to assume the state’s share of cost for new Medi-Cal beneficiaries who enroll as a result of the state’s implementation of ACA Medicaid expansion is a violation of the provisions of Proposition 30 and, therefore, unconstitutional. Specifically, Proposition 30 added the following provisions to the State Constitution:

(4) (A) Legislation enacted after September 30, 2012, that has an overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation shall apply to local agencies only to the extent that the State provides annual funding for the cost increase. Local agencies shall not be obligated to provide programs or levels of service required by legislation, described in this subparagraph, above the level for which funding has been provided. [See Article X111, Section 36(c)(4)(A)]

*We respectfully request that the Legislature reject the Administration’s proposal that counties provide the non-federal share using existing resources, and to recognize that Proposition 30 requires the state to fund the non-federal cost of implementing Medicaid expansion for enrollees with serious mental health conditions.*

**(3) We are concerned that the Administration has not acknowledged the impact that federally-required simplifications to Medi-Cal will have on counties, who now bear the full financial risk for the Medi-Cal Specialty Mental Health program, including Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) mental health services.**

As the state streamlines the Medi-Cal enrollment process and the Exchange advertises the availability of health coverage to uninsured residents, the Governor and Legislature have acknowledged that many new individuals are likely to enroll in Medi-Cal, but with only 50 percent federal match because they are eligible for the program within current eligibility standards. The Governor’s January budget provided a \$350 million placeholder for the cost to the state General Fund of providing health care to these individuals. However, what is not

captured in that estimate is the impact of the additional Medi-Cal caseload on county mental health systems. Under 2011 Realignment, counties must pay 100% of the state's share of cost to provide specialty mental health services to the new enrollees – with only 50 percent federal match for enrollees who are currently eligible. Using the Administration's figures, we project this will increase counties' annual costs for Medi-Cal Specialty Mental Health by \$40 to \$80 million. Further, many of these newly enrolled, but currently eligible, beneficiaries will be adults with children, and we anticipate many of the children will qualify for and need federally entitled EPSDT mental health services.

*It is imperative that sufficient resources are available for counties to meet the mental health needs of all anticipated Medi-Cal enrollees who need specialty services to recover from a serious mental health disorder.*

If California wants to be a leader in health reform, we need to ensure there are adequate resources in our communities to meet the needs of people with mental health disorders. Thank you for your consideration of these issues. Please do not hesitate to contact us at (916) 556-3477, [pryan@cmhda.org](mailto:pryan@cmhda.org), or [kbarlow@cmhda.org](mailto:kbarlow@cmhda.org) with any questions or concerns you may have.

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