

Attachment A

ADMHS Overview and State Context

Department Overview

ADMHS promotes the prevention and recovery from addiction and mental illness among individuals, families and communities. ADMHS' overall FY 11-12 Estimated Actual expenditure budget is \$76.2M (excluding designations and transfers between ADMHS funds).

- Outpatient Community Mental Health Services to Adults and Children
 - \$27.9M funded by the Mental Health Fund 0044
 - \$25.9M funded by the Mental Health Services Act (MHSA) Fund 0048
- Inpatient Mental Health Services
 - \$11.9M funded by the Mental Health Fund 0044
- Outpatient Alcohol Drug Program (ADP) Services
 - \$10.5M funded by the Alcohol Drug Program (ADP) Fund 0049

Alcohol and Drug Program

ADMHS' Alcohol and Drug Program services are supported by Drug Medi-Cal and State and Federal funding, including time-limited grants for specific populations from the Federal Substance Abuse and Mental Health Services Administration. ADP's priority populations include youth at risk of abusing or becoming dependent on alcohol and other drugs, pregnant and postpartum women, their babies and their families and individuals receiving treatment as part of a court order.

During FY 10-11 ADP services were provided to 4,500 persons. Services include detoxification, residential treatment and transitional living services, perinatal services, outpatient treatment for individuals and families, drug testing, HIV testing and counseling, Recovery Oriented System of Care (ROSC) Groups and Primary Prevention.

Mental Health Services

ADMHS, as the County's Mental Health Plan provides Specialty Mental Health Services to all Mental Health Medi-Cal beneficiaries in Santa Barbara County who meet the criteria for medical necessity as defined in California Code of Regulations, Title 9, Chapter 11. In addition, to the extent resources allow, ADMHS serves the following mental health priority populations:

- Children with serious emotional disturbance (SED);
- Adults and older adults with serious mental illness (SMI).

Children's Mental Health Services

In FY10-11, 2,892 children and adolescents were served by ADMHS or providers. Children's Services include residential treatment, crisis services (SAFTY), outpatient services through ADMHS Clinics and contracted providers such as Therapeutic Behavioral Services, Wraparound, Intensive In-Home and services within Juvenile Justice institutions.

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Adult Mental Health Services

During FY 10-11, 4,737 adults were served by ADMHS or providers. Adult Mental Health Services include crisis services and outpatient services through ADMHS Clinics and Crisis and Recovery Emergency Services (CARES). Services offered through contracted providers include Community Residential Facilities, short term Crisis Residential and outpatient services such as Assertive Community Treatment, Supported Housing and services to the homeless.

Inpatient Mental Health Services

Inpatient services include acute inpatient psychiatric hospital services, such as the County's Psychiatric Health Facility (PHF) and contract hospitals, and long term residential treatment in Institutions for Mental Disease (IMD), which are nursing facilities primarily involved in providing treatment to individuals with mental health conditions.

Funding Sources

The mental health services provided by ADMHS are primarily funded by Mental Health Medi-Cal, Medicare and Mental Health Services Act (MHSA) funding.

- Mental Health Medi-Cal is California's version of the Federal Medicaid program, providing assistance to certain low-income individuals and families. Mental Health Medi-Cal is administered by the State and is composed of a combination of funding streams, including Federal Financial Participation (FFP), and for children under age 21, Early and Periodic Screening, Diagnosis and Treatment (EPSDT) funds. The FY 11-12 Mental Health Medi-Cal revenue estimated actual is \$16.1M.
- Medicare is a Federal health program for individuals aged 65 and older and people under age 65 with certain disabilities. Medicare Part A Hospital Insurance helps cover inpatient care in hospitals, including ADMHS' Psychiatric Health Facility. Medicare Part B Medical Insurance helps cover doctors' services and outpatient care. Medicare funding comes directly from the Federal Centers for Medicare and Medicaid Services (CMS). For FY 11-12, Medicare revenue is estimated at \$0.9M.
- MHSA provides increased funding for personnel and other resources to support county mental health services and monitor progress toward statewide goals for serving children, transition-age youth, adults, older adults and families with mental health needs. In FY 11-12, MHSA revenue is estimated at \$26.3M (includes \$5.2M in Mental Health Medi-Cal not included in \$16.1M above)
- ADMHS receives a fixed allocation from the State (Realignment, Vehicle Licensing Fees, Managed Care) to serve as match for FFP for services to Medi-Cal beneficiaries and to provide services to persons without insurance with serious mental health conditions. These funds are estimated at \$10.4M for FY 11-12.
- ADMHS also receives \$2.27M in County General Fund contributions for mental health services.

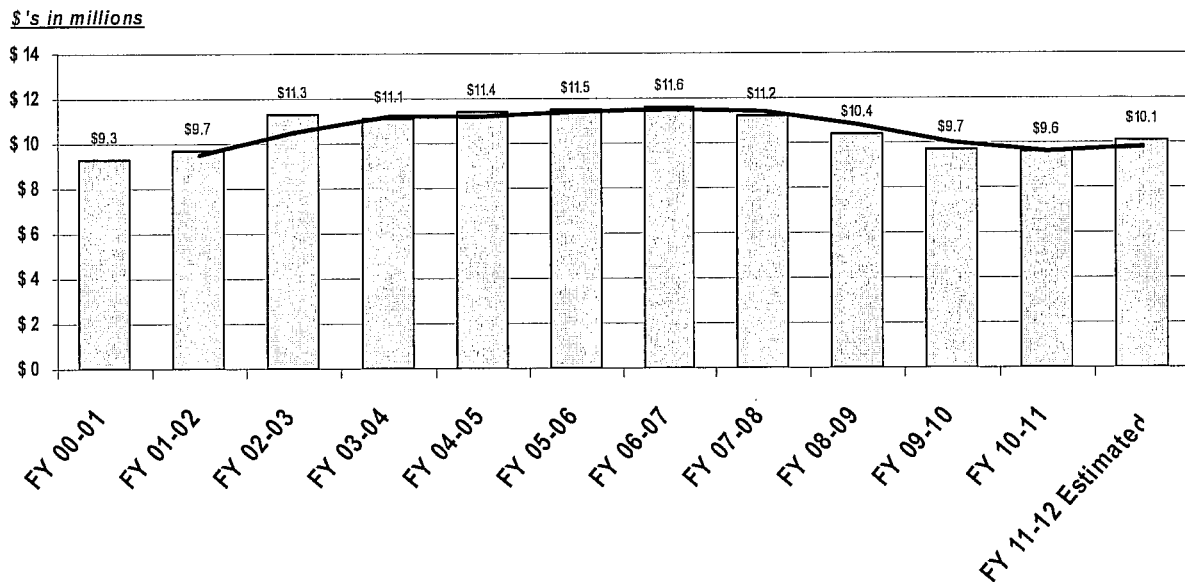
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The Big Picture: Community Mental Health Services in the State of California

Since the 1970's, the Community Mental Health system in California has undergone tremendous change in an effort to transform from an institutional (hospital) based system to community-based services. Over the years, there has been a major shift of responsibility for mental health services and costs to counties. The following summarizes key events in the evolution of the system.

- Realignment was passed in 1991, transferring the responsibility for mental health services from the State to the counties. Funding from a ½ cent sales tax and Vehicle License Fees were to be dedicated to Mental Health. However, Realignment was expanded to include caseload driven Social Services and Public Health programs which were first to receive any growth. The Realignment formula resulted in Mental Health funding remaining flat for a number of years while demand and costs continued to increase. As illustrated below, ADMHS anticipates receiving \$10.1 M in Realignment in FY 11-12, which is \$1.5 M less than in FY 06-07.

History of Realignment Revenue 2000-2011



- Mental Health Medi-Cal Specialty Mental Health Services were combined in 1995-98 under one Mental Health managed care plan, the Mental Health Plan (MHP), in each County. All Medi-Cal beneficiaries were required to get mental health services through the MHP, which is ADMHS in Santa Barbara County. The State provided a base allocation to counties, and any costs beyond that would need to be covered by Realignment or County funds. No Cost of Living Adjustments were provided beginning in 2000, and in fact this base allocation has declined over time due to State budget problems. Thus, the County must use Realignment to cover the Mental Health Medi-Cal match, leaving even less funds to cover uninsured individuals.

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- It has been estimated that California's mental health system serves only about 40% of individuals with serious mental illness¹. MHSA, the 1% tax imposed on millionaires, began in 2005 with the intent to expand the mental health system to serve un-served or underserved populations. However, limitations on the use of MHSA (prohibition of funding inpatient services and programs existing prior to 2005, such as outpatient clinics) did not fix the inherent funding imbalance previously described. Therefore, as new innovative MHSA programs have been developed over the last several years, counties have seen their core mental health systems eroded.

Mental Health Medi-Cal payment, cost settlement and audit process

ADMHS anticipates it will provide approximately \$31.0 million in mental health services to Mental Health Medi-Cal beneficiaries this fiscal year. A portion of related costs will not be reimbursed by Medi-Cal (certain types of services and costs are not allowable by Medi-Cal and indirect costs are capped). Mental Health Medi-Cal denial of claims has increased from under 2% to approximately 9% since the State implemented a new claiming system (Short Doyel II and 5010) which continues to undergo significant modifications. MHPs must use Realignment and other funds to cover these costs.

The State provides each County a provisional payment based on a calculation of the approved units of service and a provisional rate based on the prior year's costs. Ultimately, reimbursement for mental health services provided to Mental Health Medi-Cal beneficiaries is subject to a complex and lengthy cost settlement process. Counties are required to submit an annual Cost Report of all actual costs associated with providing mental health services for the previous Fiscal Year. In this process, the State settles to the lower of: 1) Actual Cost; 2) Published Charges which are the fees charged to the general public (as adopted by the Board of Supervisors); or 3) Statewide Maximum Allowances (SMA) rate, which is set by the State. Approximately two years later, the State issues a preliminary settlement of the costs it will allow for reimbursement. However, the settlement is not complete until DMH performs the final "audit settlement", which takes place approximately five years after the close of any given Fiscal Year. This lag time between the delivery of services and final settlement poses problems for mental health agencies because it prevents potential liabilities from being identified in time to take corrective action. A prime example being ADMHS' discoveries in FY 07-08 related to MISC/CEC and Self-Disclosures, further described in ADMHS' Board Letter dated March 20, 2012.

¹ California Mental Health Funding; Evolution and Policy Implications, Pre- and Post MHSA. CMHDA. February 2008.