

Governor's Budget for Fiscal Year 2021-2022

Overview of Behavioral Health Issues

January 10, 2021

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Medi-Cal and Community Behavioral Health Care

- **Overarching Effects of COVID-19 on Medi-Cal Costs:** According to Department of Health Care Services (DHCS), COVID-19 has resulted in \$7 billion in costs to Medi-Cal in FY 2020-21 and \$15.4 billion in FY 2021-22. These new costs are primarily due to more individuals enrolling in Medi-Cal and the cost to administer the COVID-19 vaccine to Medi-Cal enrollees. ([DHCS](#), pg. 4)
- **New Community Behavioral Health Infrastructure Funding:** In recognition of insufficient community outpatient behavioral health treatment options in California, the Governor proposes providing \$750 million in state General Funds to counties (through competitive applications) over three years for DHCS to “invest in critical gaps across the community-based behavioral health continuum, including the addition of at least 5,000 beds, units or rooms” to expand capacity. DHCS Department indicates the resources would “provide a comprehensive continuum of services to address short-term crisis stabilization, acute needs, peer respite, and other clinically enriched longer-term treatment and rehabilitation opportunities for persons with behavioral health disorders, in the least restrictive and least costly setting.” Counties would be required to provide local matching funds. ([DHCS](#), pg. 7)
- **CalAIM Initiative:** In 2019, DHCS proposed Medi-Cal reforms under a framework titled, “California Advancing and Innovating Medi-Cal (CalAIM).” Due to the COVID-19 pandemic, the costs to implement the Newsom Administration’s proposals were not included in last year’s budget. The Governor proposes to reinstate and revise CalAIM’s system, program, and payment reforms. Taking a whole-system, person-centered approach to health and social care, CalAIM would invest about half a billion dollars in state General Funds during calendar year 2022, with increasing amounts over time. If DHCS’s proposals are approved by the federal government, federal Medicaid matching funds would be available. By FY 2024-25, DHCS estimates ongoing costs to implement CalAIM would be \$846 million, half of which would be provided by state General Funds and the other half from federal match.

Details of the Administration’s updated CalAIM proposals are available [online](#). The proposals of particular note for behavioral health are briefly described below.

- A new enhanced care management benefit, including target populations such as youth with a first episode of psychosis, individuals experiencing homelessness, high utilizers of hospitals, and individuals with behavioral health needs at risk of institutionalization.
- A new “in lieu of services” benefit to provide flexible, wrap-around services (e.g., housing navigation/supporting services, recuperative care, respite, sobering centers).

- Pursue participation in the federal Institution for Mental Disease (IMD) Serious Mental Illness (SMI)/Serious Emotional Disturbance (SED) demonstration program.
 - Require Medi-Cal screening, enrollment, and linkage to community service systems, prior to individuals' release from county jails.
 - By 2026 (following significant stakeholder engagement and planning), pilot a full integration plan providing physical, behavioral, and oral health under one contracted entity in a county or region.
 - Develop a long-term plan for improving health outcomes and delivery of health care for foster care children and youth.
 - County behavioral health payment reform to move from a cost-based reimbursement methodology to a structure that incentivizes outcomes and quality.
 - Re-evaluate and clarify medical necessity criteria for Specialty Mental Health and Drug Medi-Cal services.
 - Integrate administrative functions (e.g., contracts, chart audits, cost reporting) across Specialty Mental Health and Drug Medi-Cal services.
 - Permit counties to contract on a regional basis for Specialty Mental Health and Drug Medi-Cal administrative and/or service delivery responsibilities.
 - Renew the Drug Medi-Cal Organized Delivery System (DMC-ODS) pilot program and make policy improvements.
- **MHSA Flexibilities:** The Governor proposes to extend for an additional year the flexibilities in county spending of local Mental Health Services Act (MHSA) funds included in last year's budget (in response to the COVID-19 pandemic). Trailer bill language pending. ([Governor's Budget Summary](#), pg. 102). These MHSA flexibilities are described in [DHCS Information Notice 20-040](#).
 - **Counties' Drug Medi-Cal Parity Implementation Costs:** The Governor's budget includes \$1.5 million in state General Funds to support counties' new utilization review and quality assurance activities to comply with federal parity requirements for Drug Medi-Cal. DHCS indicates it will standardize and align requirements for Drug Medi-Cal to ensure parity across all Medi-Cal delivery systems by July 1, 2021. ([DHCS](#), pg. 9)
 - **Eligibility for Post-Partum Coverage Extended:** Last year's budget provided Proposition 56 (tobacco tax increase passed in 2016) revenues to expand Medi-Cal coverage for post-partum mothers diagnosed with a mental health condition. However, this benefit is scheduled for suspension on July 1, 2021. The Governor's budget proposes to delay the suspension for one year. ([DHCS](#), pg. 10)
 - **Screening for Adult Substance Use:** Last year's budget provided Proposition 56 (tobacco tax increase passed in 2016) revenues to expand primary care screening of adults for substance use disorders. This expanded screening, which has long been limited to alcohol abuse only, was scheduled for suspension on December 31, 2021. However, this benefit will become mandatory under a recent US Preventive Services Task Force recommendation. Trailer bill language pending. ([DHCS](#), pg. 10)

Student Mental Health

“Isolation and uncertainty caused by the COVID-19 Pandemic have impacted children as well as adults. Preliminary data suggest that depression and anxiety may have increased in children during the pandemic. These issues are complex and require the collaborative work of many across several state and local agencies.” ([Governor’s Budget Summary](#), pg. 71)

- **Medi-Cal Behavioral Health Services to Students:** The Governor proposes spending \$200 million in state General Funds (plus \$200 million in federal Medicaid match) over multiple years to incentivize Medi-Cal managed care plans to increase the number of children and adolescents receiving preventative and early intervention behavioral health services. The managed care plans would coordinate with county behavioral health and schools to build infrastructure and partnerships. Trailer bill language pending. ([DHCS](#), pgs. 7-8)
- **County-School Partnerships:** The Governor proposes \$25 million in additional, one-time Mental Health Services Funds (Prop. 63) over multiple years to expand the Mental Health Student Services Act Partnership Grant Program. This grant is currently administered by the Mental Health Services Oversight & Accountability Commission (MHSOAC) and supports partnerships between county behavioral health and K-12 schools. ([Governor’s Budget Summary](#), pg. 72)

The budget also provides \$25 million in ongoing Proposition 98 General Funds to “fund innovative partnerships with county behavioral health to support student mental health services. This funding would be provided to local educational agencies to match funding in county Mental Health Services Act spending plans dedicated to the mental health needs of students.” ([Governor’s Budget Summary](#), pg. 72)

- **College Student Mental Health:** For community colleges, the budget proposes \$40.6 million in ongoing Proposition 98 General Funds, in part to increase student mental health resources. ([Governor’s Budget Summary](#), pg. 81). The budget provides \$15 million each in ongoing state General Funds to the University of California and California State University systems, in part to increase student mental health resources. ([Governor’s Budget Summary](#), pgs. 84-85, 88)

Master Plan for Aging

In June 2019, Governor Newsom issued an [Executive Order](#) directing the California Health and Human Services Agency to convene a workgroup to develop a “Master Plan for Aging.” The budget includes a \$5 million General Fund “placeholder,” in anticipation of spring proposals to implement the Master Plan for Aging. Additionally, the budget includes the cost for the Governor appoint a new “Senior Advisor on Aging, Disability, and Alzheimer’s.” ([Governor’s Budget Summary](#), pg. 99)

Health Equity

- **COVID-19:** The Newsom Administration is significantly focused on improving equity in California and aims to reduce disparities in the levels of COVID-19 transmission, access to health care, and

gaps in cultural and linguistic appropriateness of services. The budget proposes to add continuous glucose monitoring systems as a Medi-Cal benefit for adults with Type 1 diabetes (communities of color have a higher prevalence of diabetes) and to make the temporary COVID-19 telehealth flexibilities in Medi-Cal a permanent reimbursable mode of service. Trailer bill language pending. ([DHCS](#), pg. 5)

The budget also includes \$1.7 million state General Fund in FY 2021-22 and \$154,000 in 2022-23 and ongoing for the California Health and Human Services Agency to conduct an analysis of the intersection of COVID-19, health disparities, and health equity to help inform any future response. ([Governor's Budget Summary](#), pg. 98).

- **Racial Equity Dashboard:** The budget provides the California Health and Human Services Agency with \$3.7 million General Fund in 2021-22 and \$1.6 million ongoing to “further reorient the administration of its programs through the use of data and the development of a racial equity dashboard.” The dashboard would be used to “identify data completeness, disparities, disproportionalities, and program participation for California Health and Human Services programs.” Additionally, \$2.5 million General Fund is provided to support the “CALeads” initiative to diversify the state workforce within California Health and Human Services departments. ([CHHS Detail](#), pg. 2)
- **Health Plan Equity and Quality Standards:** In spring, the Administration will propose funding for the California Department of Managed Health Care to establish a “priority set of standard quality measures for full service and behavioral health plans, including quality and health equity benchmark standards, and to take enforcement actions against non-compliant health plans.” ([Governor's Budget Summary](#), pg. 98)
- **Chief Equity Officer:** The budget provides the Governmental Operations Agency \$290,000 to establish a Chief Equity Officer to “create a more inclusive, respectful, and equitable state workplace.” ([Governor's Budget Summary](#), pg. 190)
- **Reparations:** The budget provides \$1.1 million General Fund in 2021-22 and 2022-23 to the Department of Justice to implement Chapter 319, Statutes of 2020 (AB 3121). The funds will support a task force to study and develop reparation proposals for African Americans, with a special consideration for African Americans who are descendants of person enslaved in the United States. ([Assembly Budget Committee Budget Highlights](#), pg. 47)

Health Care Affordability

The Governor proposes a new “Office of Health Care Affordability” charged with “increasing transparency on cost and quality, developing cost targets for the health care industry, enforcing compliance through financial penalties, and filling gaps in market oversight of transactions that may adversely impact market competition, prices, quality, access, and the total cost of care.” Additionally, the Office would “promote health care workforce stability and training needs, report quality performance and equity metrics on the entire health care system, advance payment models that reward high-quality, cost-efficient care, and promote investments in primary care and behavioral health.” ([Governor's Budget Summary](#), pg. 96).

Homelessness

The Governor’s budget includes \$1.75 billion for homelessness efforts. Of this amount, the Governor includes the \$750 million in proposed behavioral health community infrastructure grants described earlier in this document. Total investments made by the Newsom Administration over recent years to address homelessness are described further in the Governor’s Budget Summary section on [Housing and Homelessness](#).

- The budget provides \$750 million General Fund to Housing and Community Development for “Project Homekey” to continue providing competitive grants so that local governments can purchase and rehabilitate housing (including hotels, motels, vacant apartment buildings) and convert them into interim or permanent long-term housing. The Administration is requesting the Legislature take early action to approve \$250 million one-time General Funds in 2020-21 to continue funding Project Homekey projects. ([Governor’s Budget Summary](#), pg. 131).
- The budget provides \$250 million to the Department of Social Services for acquisition and rehabilitation of Adult Residential Facilities and Residential Care Facilities for the Elderly to serve individuals experiencing homelessness.
- The budget notes that California’s [Homeless Coordinating and Financing Council \(HCFC\)](#) is developing a homelessness data warehouse and in October 2020, the HCFC adopted a two-year framework and goals “to strengthen coordination across state, regional and local partners with a focus on strengthening homelessness systems, people experiencing unsheltered homelessness, sheltering and interim housing, permanent housing, and homelessness prevention.”

State Hospitals

The Governor’s budget funds a variety of community-based competency restoration programs to address the Department of State Hospitals’ Incompetent to Stand Trial (IST) felony waiting list (currently at 1,428 individuals), briefly described below. ([Governor’s Budget Summary](#), pg. 118-119).

- \$233.2 million General Fund in 2021-22 and \$136.4 million General Fund in 2022-23 and ongoing for a “Community Care Demonstration Project” in 3 counties to provide services to felony ISTs in the community instead of state hospitals.
- \$9.8 million General Fund in 2020-21, \$4.5 million General Fund in 2021-22, and \$5 million General Fund in 2022-23 and ongoing to expand the existing Los Angeles County Community Based Restoration Program and establish new programs in additional counties.
- \$46.4 million one-time General fund for three years to expand the existing IST Diversion program.
- \$785,000 General Fund in 2020-21 and \$6.3 million General Fund in 2021-22 and ongoing to expand the Jail-Based Competency Treatment Program to 7 additional counties.
- \$5.6 million General Fund in 2021-22, \$8 million General Fund in 2022-21 and 2023-24, and \$8.2 million General Fund in 2024-25 and ongoing to implement a “FACT team” model within the Forensic Conditional Release Program (CONREP).
- \$3.2 million General Fund in 2020-21 and \$7.3 million General Fund in 2021-22 and ongoing to expand the community continuum of care for CONREP.

Public Safety and Justice

- The budget provides \$50 million in one-time General Funds to county probation departments as part of an Early Action Package for youth and adult populations, including the support of Division of Juvenile Justice (DJJ) realignment from the state to counties. These funds may be used for a “broad range of services with an emphasis on keeping youth and adults out of the criminal justice system, moving them quickly and successfully through the system, and keeping them from reentering the system.” ([Governor’s Budget Summary](#), pg. 181).
- The Administration proposes to close the California Department of Corrections and Rehabilitation’s DJJ by June 30, 2023. Last year, as a part of DJJ realignment to counties, SB 823 established an ongoing Juvenile Justice Realignment Block Grant that provides:
 - \$3.4 million General Fund in 2021-22 and \$3.1 million ongoing to establish the “Office of Youth and Community Restoration” within the California Health and Human Services Agency to develop reports on youth outcomes in the juvenile justice system, staff a Child Welfare Council committee, and create an Office Ombudsperson.
 - \$1.9 million General Fund in 2021-22, and \$1 million 2022-23 to the Department of Justice to convene a working group to submit a plan for the replacement of the Juvenile Court and Probation Statistical System with a modern database. ([Governor’s Budget Summary](#), pg. 183).
- The budget provides \$19.5 million in one-time General Funds for county probation departments to supervise the “temporary increase” in average daily population of individuals on Post-Release Community Supervision. ([Governor’s Budget Summary](#), pg. 183).

Cannabis Fund

The Governor’s Budget estimates \$443.1 million will be available from the Cannabis Tax Fund to be allocated for the following purposes, pursuant to Proposition 64 ([Governor’s Budget Summary](#), pgs. 214-215):

- Education, prevention, and treatment of youth substance use disorders and school retention – 60% (\$265.9 million).
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20% (\$88.6 million).
- Public safety-related activities – 20% (\$88.6 million).

County Behavioral Health Revenue Estimates: Governor's Budget for Fiscal Year (FY) 2021-22

Source: Fund Conditions Statements at <http://www.ebudget.ca.gov/budget/2021-22/#/FundIndex>

Note: The California Department of Health Care Services (DHCS) Medi-Cal Estimate for November 2020 was not publicly available at the time of this writing. As such, these figures do not include estimated federal Medicaid matching funds.

SOURCE	FY 2019-20	FY 2020-21	FY 2021-22
Mental Health Services Fund (Prop. 63)			
Beginning Balance	\$173,698,000	\$199,720,000	\$288,880,000
Personal Income Tax Revenue	\$2,369,653,000	\$2,540,417,000	\$2,635,717,000
Total Resources	\$2,500,308,000	\$2,610,831,000	\$2,795,289,000
State Operations Expenditures	\$103,474,000	\$47,957,000	\$50,742,000
Local Assistance Expenditures	\$2,197,114,000	\$2,273,994,000	\$2,376,931,000
Total Expenditures	\$2,300,588,000	\$2,321,951,000	\$2,427,673,000
Fund Balance	\$199,720,000	\$288,880,000	\$367,616,000
2011 Realignment - Behavioral Health			
Base	\$1,465,202,000	\$1,488,360,000	\$154,545,600
Growth	\$0	\$9,398,000	\$0
Total Resources	\$1,465,202,000	\$1,582,340,000	\$154,545,600
1991 Realignment - Mental Health			
Total Resources	\$1,120,551,000	\$1,129,949,000	\$1,120,551,000
Federal Substance Abuse Prevention & Treatment Block Grant			
Total Resources	\$231,404,353	\$231,392,353	\$254,453,810