

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 17, 2010
POSITION: Oppose

BILL NUMBER: SB 1392
AUTHOR: D. Steinberg

BILL SUMMARY: County Mental Health Funding

This bill would remove the statutory authority for the DMH to pay advances for funding mental health services in monthly increments not to exceed 95 percent of the annual allocation. This bill also would create the Specialty Mental Health Services Federal Trust Fund to be continuously appropriated to the Department of Health Care Services' (DHCS). This bill would require the DHCS to disburse the funding from the Federal Trust Fund directly to community mental health programs, based on adjudicated claims. Additionally, this bill would require the DMH to disburse Mental Health Services Fund (MHSF) money on a monthly basis.

FISCAL SUMMARY

This bill would create additional workload for the DHCS. This bill would essentially require the DHCS to assume the DMH's accounting functions for processing mental health managed care claims in order for the DHCS to properly account for, reconcile, and track county mental health claims. An estimate of the additional cost to the DHCS is not currently available.

There are no additional program costs as a result of removing statutory authority to pay advances for funding mental health services in monthly increments limited to 95 percent of annual allocation; however, this bill would improve the cash flow of counties.

This bill could create cash flow issues for the state by requiring the DMH to distribute the Mental Health Services Act (MHSA) funds to counties on a monthly basis. Recently, the state implemented several measures to manage cash flow and borrowable funds. Chapters 1 and 10, Statutes of 2010, Eighth Extraordinary Session, and Chapter 29, Statutes of 2010, authorize the state, until September 1, 2011, to defer specified payments. The MHSA programs are part of the authorized deferral.

COMMENTS

The Department of Finance is opposed to this bill for the following reasons:

- This bill could create significant costs for DHCS to implement a claims payment system for mental health services. Finance notes the implementation of Short-Doyle Medi-Cal Phase II, used by Mental Health Plans (MHP) to submit claims to the DMH for processing prior to adjudication at DHCS, has significantly increased the efficiency of processing claims. Additional resources would be required to retrofit the system to allow payments directly from DHCS to MHPs. Currently, MHPs submit a claim to the DMH. The DMH receives, verifies, and records the claim, then forwards claims to DHCS for adjudication. Upon approval, the DHCS returns the adjudicated claims to DMH for payment to MHPs. This process currently takes approximately 30 days from receipt of claim to payment.
This bill could create cash flow issues for the state as the bill would require monthly allocations for MHSA programs which are currently part of the state's cash management deferrals. The need for monthly allocations is unclear since approximately \$400 million MHSA funds from prior allocations remained in county treasuries earning interest as of July 2010.

Analyst/Principal Date Program Budget Manager Date
(0522) C. Castaneda Lisa Ann L. Mangat

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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- The author's office indicates that amendments have been drafted and additional amendments are under consideration, which Finance has not seen or analyzed, which may affect the policies being considered.
- It is unknown whether this proposal would create any accountability or administrative concerns at the federal level.
- Apparent goals of this bill are to avoid necessary budget reductions and to expedite payments in the absence of a state budget. Enacting budget reforms and passing the budget as desired by the Administration are more practical ways of achieving these objectives.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
4260/Hlth Care	LA	No		-----	See Fiscal Summary	-----			0890
4440/Mental Hth	LA	No		-----	See Fiscal Summary	-----			0001
4440/Mental Hth	LA	No		-----	See Fiscal Summary	-----			0995
4440/Mental Hth	LA	No		-----	See Fiscal Summary	-----			3085
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0890	Trust Fund, Federal								
0995	Reimbursements								
3085	Mental Health Services Fund								