DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 11, 2011
POSITION: Oppose unless amended
SPONSOR: California Mental Health Directors Association (CMHDA)

BILL NUMBER: AB 1297
AUTHOR: W. Chesbro

<u>BILL SUMMARY</u>: Medi-Cal: Mental Health

This bill would require the Department of Mental Health (DMH) conform to federal standards when reimbursing counties' Medi-Cal claims. This bill would require the DMH to specifically use the federal upper payment limit when calculating federal reimbursement to counties, and require counties participate in developing the reimbursement methodology. This bill also would require counties conform to federal timeframes when submitting claims for reimbursement. Finally, this bill would require that administrative costs be reimbursed consistent with federal Medicaid requirements.

FISCAL SUMMARY

The DMH anticipates General Fund costs of $143,000 per year for staffing and operating expenses incurred to revise and submit changes to the state's Medicaid Plan. These costs would be incurred by DMH initially, and by the Department of Health Care Services (DHCS) after the transition of community mental health programs from the DMH to the DHCS.

This bill may increase the federal funding counties receive, because claims would no longer be subject to the statewide maximum allowance (SMA) for services. Claims would, however, be subject to the federal upper payment limit (UPL). This may result in significant increases in federal funding for counties although the amounts are unknown.

COMMENTS

Finance is opposed to this bill unless it is amended to take effect July 1, 2012, consistent with the realignment of community mental health programs to the counties. As currently drafted, the timing of this bill could expose the state to additional General Fund cost. The Governor's realignment of community mental health programs to counties is scheduled to go into effect July 1, 2012, and this bill would go into effect January 1, 2012. Consequently, the state may be responsible for increases in non-federal matching funds from January 1 through July 1, 2012.

Finance also notes that the state would no longer be able to control costs through the SMA. In the future, if the state should have to resume the administrative duties associated with these programs, the state would have to amend statute to allow a SMA be implemented. It also would have to submit a newly revised SPA to effectively back out the changes mentioned above, reinstating the SMA.

Analyst/Principal (0522) C. Castaneda	Date	Assistant Program Budget Manager	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved_______ Position Disapproved

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ANALYSIS

A. Programmatic Analysis

Currently, the DMH is responsible for administering community mental health portions of the Medicaid program. Under realignment, local authorities would take over fiscal responsibility for the community mental health portions of the Medicaid program. Counties would then be fully responsible for the non-federal matching funds. The DHCS would take over any oversight or administrative roles that DMH previously performed, such as processing claims and generating cost estimates.

B. Fiscal Analysis

In some cases, the state currently limits reimbursement to a statewide maximum allowance (SMA). This is, in some cases, less than actual cost of the medical procedure. Federal policy does not specifically limit reimbursement. As a result, counties may be able to get additional federal funding, for those claims that were being paid at less than actual cost. This would require changes to the state's Medicaid plan, through a state plan amendment (SPA).

Finance notes that should realignment fail, the state would no longer be able to control costs through the SMA. The state would have to amend statute to allow a SMA be implemented, and submit a newly revised SPA to reinstate the SMA.

Additionally, the timing of the bill could expose the state to additional General Fund cost. The realignment of community mental health programs to the counties is scheduled to go into effect July 1, 2012. This bill's effective date is January 1, 2012, which could result in state responsibility for any non-federal matching funds from January 1 through July 1, 2012.

The DMH anticipates approximately $143,000 in one time General Fund costs, for staff and expenses related to the modification of the state Medicaid plan. Any cost after the initial implementation of this bill would be minor and absorbable.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	(Fiscal Impact by Fiscal Year) (Dollars in Thousands) 2011-2012	FC	2012-2013	FC	2013-2014	Fund Code
4440/Mental Hth	LA	No	C	$72	C	$71		--	0001