

FEBRUARY 28, 2023

# Overview of Major Recent Behavioral Health Initiatives

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PRESENTED TO:

Assembly Committee on Health  
Hon. Jim Wood, Chair

Assembly Budget Subcommittee No. 1 on  
Health and Human Services  
Hon. Joaquin Arambula, Chair



LEGISLATIVE ANALYST'S OFFICE

# Order of Presentation

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- ▶ **Key Takeaways**
- ▶ **Publicly Funded Behavioral Health in California: Multiple Delivery Systems**
- ▶ **Financing Public Community Mental Health Services**
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## Key Takeaways

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- ***Unprecedented Influx of Additional Resources for Behavioral Health, Mainly From the General Fund.*** From 2018-19 through 2026-27, we estimate that over \$11 billion (\$8.8 billion General Fund) in new resources will flow to behavioral health purposes, the vast majority of which was approved in the 2021-22 and 2022-23 budgets. This estimate generally captures state budget augmentations above the annual base level of funding of around \$12 billion for public community mental health in the health and human services program area. While the primary contributor to the new funding, the General Fund provides relatively minor support (less than 10 percent) to base funding for this purpose.
- ***Roughly Three-Quarters of Influx One-Time or Temporary.*** Just as the recent surge in state revenues was mostly temporary, the resulting increase in behavioral health spending reflects mostly one-time or temporary augmentations. The temporary nature of the commitments—much of them for infrastructure, workforce, and other capacity-building purposes—raises important questions about the long-term financing of underlying services.
- ***Base Funding for County Mental Health Services Has Roughly Doubled in Past Decade.*** While base funding for county mental health services has doubled from just over \$5 billion in 2013-14 to just over \$10 billion in 2022-23, it is unclear whether this funding growth has kept pace with the growth in mental health services costs. We note that this base funding growth reflects growth in revenue sources that were committed to ongoing county mental health services prior to 2018-19.



# Publicly Funded Behavioral Health in California: Multiple Delivery Systems

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***Medi-Cal Behavioral Health Services for the Most Severe Needs Primarily Are Funded and Delivered Through Counties.*** Counties have the primary role in the funding and delivery of public behavioral health—encompassing both mental health and substance use disorder (SUD)—services. In particular, counties generally are responsible for arranging and paying for community behavioral health services for low-income individuals with the highest service needs.

***Mild-to-Moderate Outpatient Mental Health Services Provided Primarily Through Medi-Cal Managed Care.*** Medi-Cal mild-to-moderate outpatient mental health services, screening services, and psychotropic medications are funded and delivered through managed care plans or, to a lesser degree, state-administered fee-for-service.



# Financing Public Community Mental Health Services

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## Overview

**Public Community Mental Health.** We define public community mental health as including publicly funded outpatient and inpatient mental health services and psychotropic medications provided primarily in community settings. It generally does not include services provided through the Department of State Hospitals, prisons, Medicare, private insurance, or the K-12 educational system.

**Funding Derived From Several Sources.** As Medicaid is a state-federal partnership, federal funds make up the largest category (roughly 40 percent) of public community mental health funding, with the nonfederal portion coming from three main sources.

- **Local Realignment Revenues.** Over time, responsibility for providing various health and human services and public safety programs—including specialty mental health and SUD treatment services—has been realigned to counties. Counties have some discretion in determining how to fulfill these responsibilities while meeting local needs. To fund realigned behavioral health services, the state redirected revenue from the sales and use tax and the vehicle license fee totaling \$3.8 billion in 2022-23.
- **Mental Health Services Fund.** Proposition 63 (2004) levied a 1 percent surcharge on taxable income over \$1 million. Nearly all of the tax proceeds—estimated to be \$3.3 billion in 2022-23—flow to counties to support mental health services.
- **State General Fund.** A relatively small portion of the nonfederal share comes from the state General Fund. Most notably, the General Fund serves as the match for noncounty Medi-Cal mental health services.

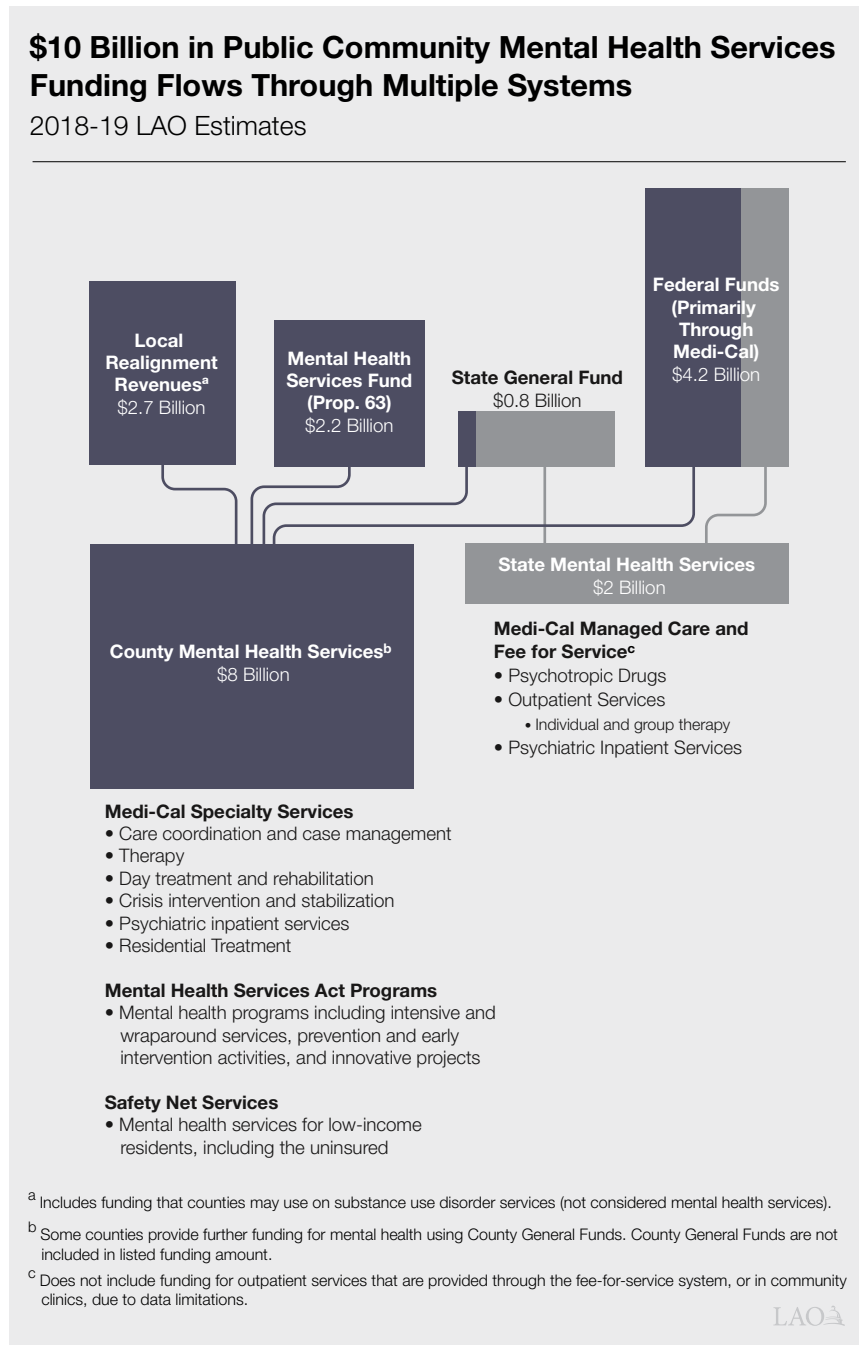


# Financing Public Community Mental Health Services

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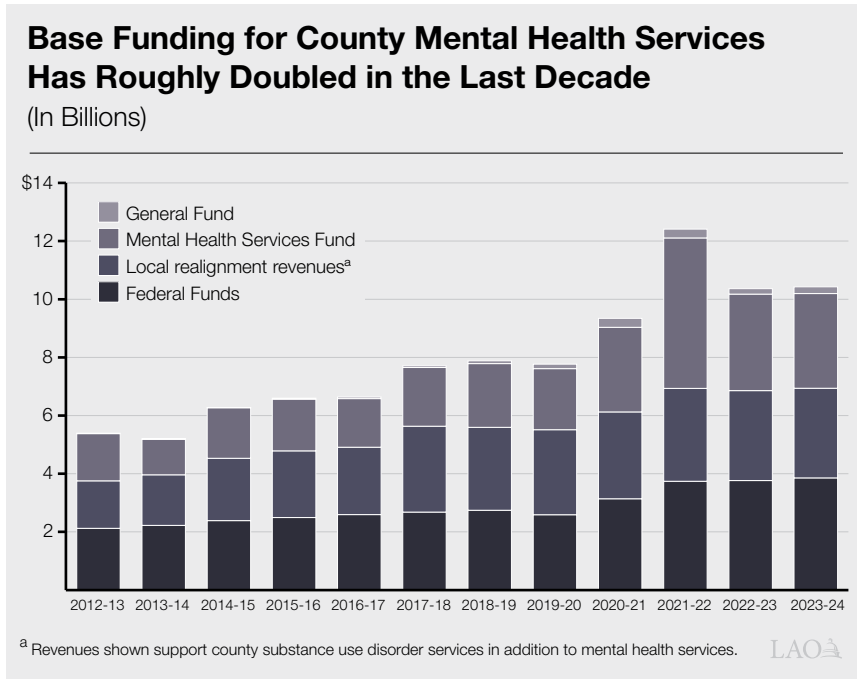
## \$10 Billion in Public Community Mental Health Services Funding Flows Through Multiple Systems

2018-19 LAO Estimates



# Financing Public Community Mental Health Services

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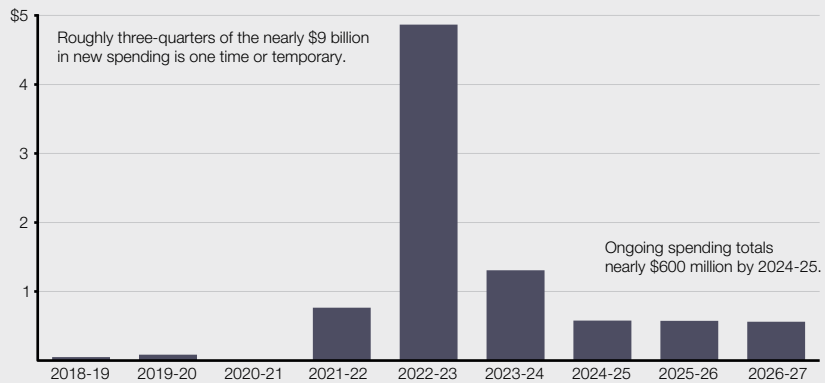


# Financing Public Community Mental Health Services

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## Recent, Mostly Temporary, Surge in General Fund Spending on Behavioral Health Programs

(In Billions)



Note: Does not reflect the impact of proposals in the 2023-24 Governor's Budget. Generally does not include behavioral health spending outside of the health and human services budget area. Excludes behavioral health spending in broad-reaching programs, such as California Advancing and Innovating Medi-Cal (CalAIM), where we are unable to isolate spending specifically on behavioral health purposes.

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# Major Recent Behavioral Health Initiatives

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## Children and Youth Behavioral Health Initiative (CYBHI)

**2021-22 Budget Included Over \$4 Billion Package of Augmentations Planned Over Multiple Years.** CYBHI includes many programs administered by several state entities totaling \$4.5 billion (total funds) over 2021-22 through 2026-27. About \$3.4 billion of this funding comes from the state General Fund, with most of the rest coming from federal funds. CYBHI includes the following key components:

- **Behavioral Health Virtual Services and E-Consult Platform (\$974 Million).** This new virtual platform (\$838 million) will provide behavioral health services to children and youth age 25 and younger—regardless of payer source—through (1) interactive exercises and games, (2) automated screening and assessment tools, and (3) direct services delivered by peers or coaches. The platform also will refer children and youth with higher behavioral health needs to licensed providers (\$136 million).
- **Workforce Programs (\$800 Million).** The initiative includes \$800 million over 2021-22 through 2023-24 to increase behavioral health workforce capacity targeted at children and youth (\$427 million) and develop a state behavioral health counselor and coach workforce (\$338 million).
- **Medi-Cal Dyadic Services Benefit (\$664 million).** Makes dyadic care—a model of care which provides integrated physical and behavioral health screening and services to children and youth and their families—an ongoing covered Medi-Cal benefit funded at roughly \$140 million per year.
- **School Behavioral Health Infrastructure Grants (\$550 Million).** Grants to educational, governmental, and health care entities for infrastructure and capacity aimed at better coordination of school behavioral health services.
- **Grants to Support Evidence-Based Practices (\$429 Million).** Grants to plans, providers, and other entities to support the provision of evidence-based behavioral health interventions to children and youth.



## Major Recent Behavioral Health Initiatives

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- **Mental Health Student Services Act (MHSSA) Grant Program (\$282 Million).** The 2019-20 budget created the MHSSA program, which provides grants to encourage county-school partnerships and increase student access to mental health services. Eligible activities under this grant program include: (1) provision of school-based mental health services, (2) suicide prevention services, (3) dropout prevention services, and (4) outreach to vulnerable youth. The 2021-22 budget package included \$205 million Mental Health Services Fund (MHSF) over 2021-22 and 2022-23 for the program, in addition to \$40 million one time and \$10 million ongoing from the MHSF provided in the 2019-20 budget plan.
- **Other (About \$750 Million).** Other activities funded under CYBHI include incentives for managed care plans to build behavioral health capacity (\$389 million), funding for health literacy and public awareness (\$125 million), free crisis counseling and support services through a centralized resource website (\$45 million), and development of a statewide fee schedule for behavioral health services provided in schools.



## Major Recent Behavioral Health Initiatives

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### Behavioral Health Continuum Infrastructure Program (BHCIP)

***Provides \$2.2 Billion in Grants to Local Entities to Acquire or Rehabilitate Facilities for Behavioral Health Treatment.*** The 2021-22 budget package included \$1.7 billion one-time General Fund (\$2.2 billion total funds) over 2021-22 and 2022-23 for the Department of Health Care Services (DHCS) to award grants to develop new behavioral health treatment facilities. The grants are available to cities, counties, tribes, nonprofits, and corporations. Grant funding can be used to construct, acquire, or renovate facilities. Grants provided under this program fund a variety of community behavioral health facility types to treat individuals with varying levels of behavioral health needs.

***Funding Distributed in Six Rounds.*** To date, four of the six rounds of BHCIP funding have been awarded as follows: (1) \$145 million for mobile crisis infrastructure, (2) \$16 million for county and tribal planning grants, (3) \$519 million for “launch ready” projects, and (4) \$481 million for projects targeted at children and youth. Round five, a general-purpose round totaling \$480 million, currently is underway. Round six, totaling \$481 million, is intended to address remaining needs based on an assessment conducted by DHCS. (These amounts exclude a total of \$79 million in state operations funding.)

***Governor’s Budget Proposes to Delay Sixth Round of Grants Totaling \$480 Million.*** The Governor’s budget proposes to delay the sixth round of BHCIP grant funding previously budgeted for 2022-23, to address the current budget problem. Half of the delayed funds would be provided in 2024-25 with the remaining amount provided in 2025-26.



## Major Recent Behavioral Health Initiatives

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### Behavioral Health Bridge Housing (BHBH)

**Bridge Housing Transitions Individuals Out of Homelessness Into Stable Living Environments.** Bridge housing—also referred to as transitional housing—is housing intended to transition individuals immediately out of homelessness into a stable living environment in advance of further placement into permanent housing.

**BHBH Provides \$1.5 Billion for Counties and Tribes to Provide Bridge Housing Options That Include Behavioral Health Services.** The 2022-23 budget package included \$1 billion General Fund in 2022-23 and \$500 million General Fund 2023-24 for DHCS to award grants to counties and tribes to develop transitional housing for individuals experiencing homelessness who also have serious behavioral health conditions. The administration plans three rounds of funding: (1) \$908 million distributed via a formula to county behavioral health departments, (2) \$50 million to tribal entities, and (3) a competitive round of grants for counties and tribes totaling \$250 million.

**Governor’s Budget Proposes to Delay \$250 Million.** The Governor’s budget proposes to delay \$250 million in BHBH funding previously budgeted for 2023-24 to 2024-25 to address the current budget problem.



## Major Recent Behavioral Health Initiatives

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### **Community Assistance, Recovery, and Empowerment (CARE) Act**

**CARE Program Provides Access to Services for High-Needs Populations.** Chapter 319 of 2022 (SB 1338, Umberg) established the CARE program—a new judicial process to compel individuals who meet certain criteria to engage with various behavioral health-related services. These criteria include the person being over the age of 18 as well as currently experiencing both a severe mental illness and having a diagnosis of schizophrenia or other psychotic disorders. An individual (called a “respondent”) can be referred to the program by certain qualified members of the community, and a court assesses whether the respondent meets the specified criteria for admission to the program. If the court determines that the respondent meets these admission criteria, the court may order the provision of behavioral health care, stabilization medications, housing, and other supportive services, which are expected to be delivered by counties.

**CARE Program Phased in Over Two Cohorts; Initial Planning and Implementation Funding Provided.** Senate Bill 1338 specified that one group of counties (“Cohort 1”)—which included Glenn, Orange, Riverside, San Diego, San Francisco, Stanislaus, and Tuolumne Counties—are generally required to begin CARE program operations no later than October 1, 2023. All remaining counties (“Cohort 2”) are generally required to begin CARE program operations no later than December 1, 2024. In January 2023, Los Angeles County—a member of Cohort 2—announced plans to implement the CARE program by December 1, 2023, a year earlier than required. The 2022-23 budget included \$88.3 million General Fund for the CARE program, mainly for county planning and implementation costs.

**2023-24 Budget Proposal Includes Multiyear Funding Across Judicial Branch and Health Entities.** In 2023-24, the administration proposes a total of \$52.4 million General Fund for the CARE program—\$22.6 million in DHCS and \$29.9 million in the judicial branch. Funding would increase to \$214.6 million annually beginning in 2025-26. The full, multiyear funding proposal for the CARE program can be found in the Appendix to this handout.



# Major Recent Behavioral Health Initiatives

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## California Advancing and Innovating Medi-Cal (CalAIM) Initiatives Impacting Behavioral Health Initiatives

***CalAIM is a Major Medi-Cal Reform Effort That Includes Various Initiatives Impacting Behavioral Health.*** Medi-Cal is the state's Medicaid program. As a joint state-federal program, Medi-Cal costs generally are shared between the federal, state, and local governments. Federal Medicaid rules outline what health care services and populations are eligible to receive federal Medicaid funding. Through a federal waiver opportunity for states known as the 1115 waiver, states can receive federal funding for experimental, innovative programs whose rules do not strictly conform to federal Medicaid rules. Adopted in the 2021-22 budget package, CalAIM is a large set of reforms in Medi-Cal to expand access to new and existing services and streamline how services are arranged and paid. Some of the key reforms impacting behavioral health include the following:

- ***Enhanced Care Management (ECM) and Community Supports.*** The ECM benefit is intensive care coordination for certain populations of focus, including those with acute behavioral health needs, that will serve individuals in the community and connect them with health and health-related services. Community Supports are optional nonmedical services, such as housing support and transitional services, that managed care plans can provide to address the social determinants of health.
- ***Behavioral Health Payment Reform.*** Beginning July 1, 2023, counties will transition away from cost-based reimbursement to a less administratively burdensome and more timely process for receiving federal Medicaid funds for behavioral health-related services. Under the new intergovernmental transfer process, counties will transfer funds covering their nonfederal share of cost into a state account, which will be used to draw down the associated federal funds.



## Major Recent Behavioral Health Initiatives

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- **Other Behavioral Health Policy Adjustments.** CalAIM also includes a number of adjustments to existing services and guidance to help streamline and improve behavioral health service delivery. Some of these policy changes include: (1) updating and clarifying the responsibilities of specialty mental health plans including updates to the criteria to access specialty mental health services, (2) creating a “No Wrong Door” policy where beneficiaries receive mental health services regardless of the delivery system where they seek care, (3) standardizing behavioral health screenings as well as transition of care tools to ensure beneficiaries receive the appropriate treatments and level of care across counties and managed care plans, and (4) allowing counties to draw down federal funding for SUD treatment services that are not currently eligible for reimbursement.
- **Proposed California Behavioral Health Community-Based Continuum Demonstration (CalBH-CBC).** The 2023-24 budget proposal includes a total of \$6.1 billion (\$314 million General Fund, \$175 million Mental Health Services Fund, \$2.1 billion Medi-Cal County Behavioral Health Fund, and \$3.5 billion federal funds) over five years to DHCS and the Department of Social Services for the new CalBH-CBC demonstration. The demonstration would allow for federal reimbursement under Medi-Cal for eligible services provided in Institutions for Mental Disease (IMDs) to certain individuals with acute mental health needs. Under the current waiver, counties can receive federal reimbursement only for substance use disorder services provided in IMDs. The CalBH-CBC demonstration waiver— if approved by the federal government— would allow for federal reimbursement of mental health services provided in short-term (less than 60 days) IMD stays.



# Appendix: Recent Behavioral Health Augmentations Within Health and Human Services

Total Funds (In Millions)

Program (Departments)	Description	2018-19 Through 2022-23	2023-24	2024-25 Through 2026-27	Total Through 2026-27
Children and Youth Behavioral Health Initiative (DHCS, HCAI, CDPH, MHSOAC, DMHC, Office of the Surgeon General, CHHSA)	Large package of workforce funding, grants to improve behavioral health in schools and support evidence-based behavioral health practices, a virtual platform, a new Medi-Cal dyadic services benefit, Mental Health Student Services Act, and other efforts aimed at improving behavioral health outcomes for children and youth.	\$2,536	\$586	\$1,328	\$4,451
Behavioral Health Continuum Infrastructure Program (DHCS)	Provides grants to local entities to acquire or rehabilitate facilities for behavioral health treatment.	2,203	2	—	2,205
Behavioral Health Bridge Housing (DHCS)	Provides funding to counties and tribes to develop transitional housing that includes behavioral health services.	1,000	500	—	1,500
California Advancing and Innovating Medi-Cal (CalAIM, DHCS) <sup>a</sup>	Large package of broad Medi-Cal reforms. Related to behavioral health, includes service delivery and payment reforms, an enhanced care management benefit that coordinates care for high-needs, high-risk beneficiaries, and community supports such as housing deposits.	67	19	—	87
Community Assistance, Recovery, and Empowerment (CARE) Program (DHCS, Judicial Branch, CHHSA)	A judicial process to compel individuals who meet certain criteria to engage with various behavioral health-related services.	88	52	574	715
Mobile Crisis Intervention Services Benefit (DHCS)	Rapid provision of behavioral health services to individuals experiencing a behavioral health crisis in the community.	72	253	758	1,083
Other behavioral health workforce (HCAI, DHCS, MHSOAC)	Various programs targeted at increasing behavioral health workforce.	320	127	—	447
Medication Assisted Treatment Expansion Project (DHCS)	Aims to further reduce overdose and death related to opioid misuse.	101	61	183	345
Other suicide prevention efforts (DHCS, CDPH)	Funding for suicide hotlines, peer-run warm line, youth suicide prevention, and Office of Suicide Prevention.	220	72	26	318
Other behavioral health efforts (DHCS, MHSOAC, CDPH)	Homelessness outreach and prevention grants, Early Psychosis Prevention Plus, Reducing Disparities Project, urgent needs and emergent issues in behavioral health, youth mental health drop-in centers, and All Children Thrive.	393	26	29	448
<b>Grand Totals</b>		<b>\$7,001</b>	<b>\$1,699</b>	<b>\$2,898</b>	<b>\$11,598</b>
General Fund		\$5,767	\$1,308	\$1,717	\$8,793
Other state funds		462	19	43	524
Federal funds		772	371	1,138	2,282

<sup>a</sup> Reflects spending on the behavioral health quality improvement program. While many components of CalAIM include a behavioral health aspect, we are unable to isolate behavioral health funding in most CalAIM programs.

<sup>b</sup> Includes \$5 million in 2022-23 from the Opioid Settlements Fund. Remainder from the Mental Health Services Fund.

Note: Reflects estimates as of 2023-24 Governor's Budget but does not reflect Governor's proposals. Excludes certain federal grant funding. Generally does not include funding outside of the health and human services budget area (such as in the education budget) or for services provided outside of the community.

