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**FISCAL IMPACT STATEMENT**

**LS 6710**  
**BILL NUMBER: SB 350**

**NOTE PREPARED: Jan 15, 2008**  
**BILL AMENDED:**

**SUBJECT:** Funding for Community Mental Health Centers.

**FIRST AUTHOR:** Sen. Lawson C  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires a county to transfer money to the Division of Mental Health and Addiction (DMHA) to satisfy the nonfederal share of medical assistance payments for (1) administration; and (2) services in a specified time frame. It specifies the use of the funds. This bill also makes conforming changes.

**Effective Date:** July 1, 2008.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The provisions of this bill would divert local funding for local Community Mental Health Centers (CMHC) to the Department of Mental Health and Addiction. These funds are intended to satisfy the nonfederal share of medical assistance payments to CMHCs for administration services and community mental health and rehabilitation services. Increases in revenue received by DMHA are expected to be \$32 M if counties are required to transfer property tax revenue dedicated to CMHCs to the state.

On May 25, 2008, 29 of the 30 CMHCs in the state will no longer be eligible to provide the state match required for the Medicaid Rehabilitation Option (MRO) and the Mental Health Funds Recovery (MHFR) program due to a federal regulatory change in the definition of a government entity. DMHA reports that transferring this money to the state level should not have an effect on money provided to the state from Medicaid reimbursement provided by the federal government. However with the change in the definition of a government entity, if actions are not taken by the state, the funding CMHCs receive and claim for Medicaid reimbursement would decrease. The provisions of this bill are intended to divert money from county

governments to DMHA in order to qualify this money as money eligible for matching under the MRO and MHFR programs.

Background Information: DMHA will provide \$123 M to CMHCs in FY 2008.

Currently, CMHCs provide the state match required for MRO services. When an MRO service is billed, the CMHCs receive the full value of the service in payment. DMHA bills the centers for the state match portion quarterly. DMHA holds some funding it provides to CMHCs for the matching requirement, and the CMHCs provide any additional funding to the state for any amount not covered by these withholdings. All funding withheld and received to pay for the matching requirement is transferred to Medicaid.

CMHCs are required to certify they have the matching funds available for the MHFR program. This match money is currently not transferred between DMHA and the CMHC. Only the federal portion of the MHFR program are paid to CMHCs.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The provisions of this bill may affect the funding of local CMHCs, dependent on administrative decisions on how to allocate funds to individual CMHCs. DMHA reports that 29 of the 30 CMHCs in the state will no longer be classified as government entities after May 25, 2008, and that if county funding continues to run through the CMHCs rather than come directly to the state, this money would no longer be considered state matching funds for Medicaid.

Background Information: Currently, CMHCs receive funding from numerous sources. They can bill Medicaid, Medicare, private insurance, and individuals without insurance seeking treatment. They also receive funding from both local property taxes and DMHA. Centers also receive funding from the Mental Health Funds Recovery program, which is a Medicaid outreach program.

Currently, CMHCs are under contract with DMHA to provide services to individuals under the MRO. CMHCs are required to set aside federal funds in order to provide services as appropriate, billing Medicaid for said services. CMHCs would receive reimbursements from Medicaid. DMHA would bill CMHCs for their share of the Medicaid payment at a later date.

DMHA reports that during FY 2008, CMHCs are projected to receive \$32 M in county funding for the provision of mental health services. This is the amount that will be diverted to the state.

**State Agencies Affected:** Department of Mental Health and Addiction.

**Local Agencies Affected:** Community Mental Health Centers, county governments.

**Information Sources:** Cathy Boggs, DMHA.

**Fiscal Analyst:** Bill Brumbach, 232-9559.