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FISCAL IMPACT STATEMENT

LS 6710 | **NOTE PREPARED:** Jan 29, 2008
BILL NUMBER: SB 350 | **BILL AMENDED:** Jan 28, 2008

SUBJECT: Funding for Community Mental Health Centers.

FIRST AUTHOR: Sen. Lawson C | **BILL STATUS:** As Passed Senate
FIRST SPONSOR: Rep. Crawford

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
X FEDERAL

Summary of Legislation: (Amended) 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 to community mental health centers (CMHCs) for: (1) certain administrative services; and (2) community mental health rehabilitation services; in a specified time frame. It requires DMHA to ensure that the nonfederal share of funding received from a county is applied only for a county's designated community mental health center. It also specifies the manner in which DMHA may distribute certain excess state funds. The 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 CMHCs to the Department of Mental Health and Addiction. These funds would need to be pooled at the state level in order to utilize the funds for state reimbursement under the Medicaid program. 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.

(Revised) The legislation also stipulates the use of the pooled funding. DMHA would be required to apply state funding for a CMHC's nonfederal share of funding, then apply county funding received from local property taxes to any remaining nonfederal share of funding for the CMHC. Additionally, DMHA would be required to distribute any excess state funds that exceed community mental health rehabilitation services to any CMHC that is entitled to the funds.

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.

In FY 2007, CMHCs spent $54 M in the MHFR program, of which $24.8 M was reimbursed by the federal government. Total MRO spending in FY 2007 was $276 M, of which the state provided $103 M and the federal government provided $173 M. With no change in the funding transfers between CMHCs and the state, $24.8 M in federal reimbursement funding in the Medicaid program can be lost.

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.

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