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FISCAL IMPACT STATEMENT

LS 6710
BILL NUMBER: SB 350

NOTE PREPARED: Feb 28, 2008
BILL AMENDED: Feb 21, 2008

SUBJECT: Funding for Community Mental Health Centers.

FIRST AUTHOR: Sen. Lawson C
FIRST SPONSOR: Rep. Crawford

BILL STATUS: As Passed House

FUNDS AFFECTED: <u>X</u> **GENERAL**
<u>X</u> **DEDICATED**
<u>X</u> **FEDERAL**

IMPACT: State & Local

<u>Summary of Legislation:</u> (Amended) This bill requires a county (other than Marion County) to transfer money to the Division of Mental Health and Addiction (Division) 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. This bill permits the Health and Hospital Corporation of Marion County to make payments to the Division for the operation of a community mental health center.

This bill also requires the Division 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 the Division may distribute certain excess state funds.

This bill provides that the county levy for community mental health services is allocated to: (1) the Division of Mental Health and Addiction for operational expenses of community mental health centers; and (2) the community mental health centers. It also requires the Division of Mental Health and Addiction to ensure that community mental health centers are allocated funding based on the funding provided in the 2006-2007 state fiscal year. The bill also requires the Division of Mental Health and Addiction to provide certain funding information to community mental health centers.

The bill provides that the provisions of the bill are applicable only to the extent that: (1) the congressional moratorium on the implementation of certain rules by the U.S. Secretary of Health and Human Services is not extended; and (2) the restricted rules are implemented. It specifies the allocation formula for the 2008-2009 appropriation from the Tobacco Master Settlement Fund and the state General Fund to community mental health centers. The bill also makes conforming changes.

Effective Date: (Amended) Upon passage; July 1, 2008.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) 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 all counties transfer property tax revenue dedicated for CMHC operations to the state. The legislation excludes from the required transfer to DMHA funds levied from local property taxes for construction of CMHCs. The legislation states that the funding transfer between DMHA and CMHCs will only take place if the change in the Federal Register's definition of a "governmental entity" is not further postponed past the current date of implementation of May 25, 2008.

Additionally, the legislation adds that the Health and Hospital Corporation of Marion County may make payments to DMHA for CMHC operations. This will also increase revenue to DMHA to the extent that the Health and Hospital Corporation of Marion County elects to make payments.

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.

The legislation also adds the definition of a "mental health transformation pilot project". This is a project that is funded from sources that are not used to fund the community mental health centers. DMHA reports that no such project or projects currently exist. The legislation also requires that if there are additional funds as part of the "mental health transformation pilot project", these funds cannot be included in the allocation percentage amounts provided by DMHA to CMHCs.

Additionally, the legislation adds that DMHA is responsible for the following: (1) determining the total funding provided to each CMHC for FY 2007 and specifying the funding sources, (2) determining the percentage of total funding provided to each CMHC from DMHA funding, (3) ensuring that each CMHC receives the same funding distribution percentage specified in part (2) in subsequent fiscal years based on the total amount of funding available to CMHCs, and (4) providing notice to each CMHC at the beginning of the state fiscal year that details how much funding is eligible for the nonfederal funds under the community mental health rehabilitation services program. DMHA reports that the addition of this provision to the legislation will result in a reduction of $9 M from draw-down dollars provided by the federal government under the Medicaid program.

The legislation also adds that the authority of the Office of the Secretary of FSSA and the State Budget Agency's role in approving the allocation of money appropriated to CMHCs from the General Fund and the Tobacco Master Settlement Agreement Fund is voided. FSSA reports that they have made appropriations from these funds contingent upon CMHCs reporting of process measures for provider performance.

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: (Revised) The provisions of this bill may affect the funding of local CMHCs, depending 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. Currently, under the legislation, CMHC funds for the MRO program would not be affected.

The legislation also adds that the Health and Hospital Corporation of Marion County can make payments to DMHA for the operation of a CMHC. Midtown CMHC, which is part of the Health and Hospital Corporation of Marion County, has DMHA hold state payments that would otherwise be sent to the Midtown Center to help them make match payments for Medicaid programs. In FY 2009, their MRO match is estimated at $5.8 M and their MHFR match is estimated at $1.9 M.

Background Information: Currently, CMHCs receive funding from numerous sources. They can bill Medicaid, Medicare, private insurance, and individuals who are seeking treatment without insurance. 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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