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FISCAL IMPACT STATEMENT

LS 6710

BILL NUMBER: SB 350

NOTE PREPARED: Mar 25, 2008

BILL AMENDED: Mar 18, 2008

SUBJECT: Funding for Community Mental Health Centers.

FIRST AUTHOR: Sen. Lawson C

FIRST SPONSOR: Rep. Crawford

BILL STATUS: Enrolled

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires a county (other than Marion County) to transfer money to the Division of Mental Health and Addiction (DMHA) to satisfy the non-federal share of medical assistance payments to Community Mental Health Centers (CMHC) for: (1) certain administrative services; and (2) community mental health rehabilitation services; in a specified time frame. The bill also permits the Health and Hospital Corporation of Marion County to make payments to DMHA for the operation of a Community Mental Health Center. It also requires DMHA to ensure that the non-federal share of funding received from a county is applied only for a county's designated community mental health center. The bill specifies the manner in which DMHA may distribute certain excess state funds. This bill also provides that the county levy for community mental health services is allocated to: (1) the DMHA for operational expenses of Community Mental Health Centers; and (2) the 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. The bill makes conforming changes.

Effective Date: Upon passage; July 1, 2008.

Explanation of State Expenditures:

Explanation of State Revenues: The provisions of this bill would divert funding for local CMHCs to DMHA. These funds would 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

funds levied from local property taxes for construction of CMHCs from the required transfer to DMHA. 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 targeted 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 non-federal 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 eligible for federal 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 amounts 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, 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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