Orange County MHSA
Steering Committee

MHSA Fiscal Update
December 7, 2015

Mental Health Services Act

- The MHSA created a 1% tax on income in excess of $1 million to expand mental health services
- Approximately 1/10 of one percent of tax payers are impacted by tax
- Two primary sources of deposits into State MHS Fund
  - 1.76% of all monthly personal income tax (PIT) payments (Cash Transfers)
  - Annual Adjustment based on actual tax returns
    - Settlement between monthly PIT payments and actual tax returns

Mental Health Services Act

- Cash Transfers are largest in months with quarterly tax payments and year end tax payments
  - January, April, June and September
- Annual Adjustments are incredibly volatile
  - Two year lag
  - Known by March 15th
  - Deposited on July 1st
- Funds distributed to counties monthly based on unspent and unreserved monies in State MHS Fund at end of prior month
  - Counties receive one amount not identified by component
  - Orange County receives approximately 8.1% of statewide MHSA distributions
MHSA Estimated Revenues

• Sources for projections:
  • FY15/16 May Budget Revision
  • Department of Finance estimates of accrued MHSA revenues (reported by CCCBHA)
  • Legislative Analyst Office estimate of personal income tax revenues
    • Assumes continued economic growth through 2020

MHSA Revenues
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12/13</td>
<td>13/14</td>
</tr>
<tr>
<td>Cash Transfers</td>
<td>$1,204.0</td>
<td>$1,189.0</td>
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<tr>
<td>Annual Adjustment</td>
<td>$157.0</td>
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<tr>
<td>Interest</td>
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<tr>
<td>Total</td>
<td>$1,361.7</td>
<td>$1,343.7</td>
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</table>

MHSA Estimated Revenues

• January, 2013 total Personal Income Tax Collections were significantly higher than anticipated
  • Due to primarily higher than anticipated 2012 estimated tax payments
  • Proposition 30 created three higher income tax brackets for families with taxable income above $500,000 retroactive to 2012
  • Reduced Federal tax rates expired at the end of 2012 increasing taxes for dividend income and capital gains in 2013
  • State tax law change does not impact amount earned in State MHS Fund
    • Increases cash transfers but decreases annual adjustment
  • Proposition 30 set to expire at end of 2018
    • Anticipate lower cash transfers in FY18/19 but higher annual adjustment in FY20/21
## Orange County MHSA Component Funding (Dollars in Millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12/13</td>
<td>13/14</td>
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<tr>
<td>CSS</td>
<td>$96.9</td>
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<td>PEI</td>
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<td>Innovation</td>
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<tr>
<td>Total</td>
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<td>$100.4</td>
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* 5% of the total funding must be utilized for innovative programs (W&I Code Section 5892(a)(6)).

## Orange County MHSA Estimated Component Funding (Millions of Dollars)

### MHSA Component Funding

- Approximately 15% of FY12/13 Component Funding was from prior year State MHS Fund deposits
- Decrease anticipated in FY15/16 due to decrease in annual adjustment
- FY16/17 through FY18/19 anticipated to be highest funding to date
- Assumes no amendments to MHSA
MHSA Fiscal Planning

- Act allows CSS to be transferred to WET, CF/TN and/or PR
- Orange County began to transfer CSS to WET in FY13/14 and plans to continue through Three Year Plan
- Anticipate CF/TN fully expended by FY16/17
- Funding level of PR is probably sufficient
- Amount of component funding is not guaranteed
  - State updated individual county allocation percentages in FY15/16
  - Positively impacted Orange County
- Cash flow varies during the fiscal year
  - 40% of MHSA cash transfers received in last three months of fiscal year
- Use tools provided in MHSA to manage funding
  - Funds still subject to reversion if not spent within specified time period

Other Community Mental Health Funding

- 1991 Realignment
  - Mental Health guaranteed minimum level of funding
  - Orange County has a minimum base of $67.3 million beginning in FY12/13
    - Includes VLF Collection
  - Additional growth in FY13/14 and FY14/15 adds to base
    - FY13/14 growth was $1.3 million
    - FY14/15 growth was $3.5 million
    - FY15/16 base is $72.2 million
  - Orange County should receive approximately $700,000 in from FY14/15 growth in 2011 Realignment

- 2011 Realignment
  - EPSDT and Managed Care included in Behavioral Health Subaccount beginning in FY12/13
  - FY15/16 Orange County receives 3.13% of deposits into Behavioral Health Subaccount ($36.5 million)
    - EPSDT
    - Mental Health Managed Care
    - Substance Use Disorders
  - Significant growth occurred in FY14/15
    - $119.4 million growth in Behavioral Health Subaccount (11.5% increase from FY13/14)
    - State has indicated first priority for growth is federal entitlement programs
    - Individual County amounts most likely not known and received until end of FY15/16
Medi-Cal Program Changes

- Affordable Care Act increased number of individuals eligible for Medi-Cal
  - Federal reimbursement covers 100% through 2017
- Counties looking towards new federal reimbursement system in future
  - Current claims-based, minutes of service system with modes and service functions not sustainable
- Probably move to capitated payments within next several years
  - County Mental Health Plan would receive federal payments based on the number of Medi-Cal beneficiaries in the county
- State implementing a Federal 1115 Demonstration Waiver for Drug/Medi-Cal services

Opportunities and Challenges

- Majority of community mental health funding still driven by economy and not demand for services
- Counties being given more flexibility in return for increased responsibility and risk
  - MHSA
  - 2011 Realignment
- Affordable Care Act began in January, 2014
  - Potential new federal reimbursement system could provide increased flexibility as well as additional risk to counties
- Continued integration of behavioral health services