

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

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MHSA Revenues (Dollars in Millions)

MHSA Estimated Revenues
(Cash Basis-Millions of Dollars)

	Fiscal Year							
	Actual		Estimated					
	12/13	13/14	14/15	15/16	16/17	17/18	18/19	
Cash Transfers	\$1,204.0	\$1,189.0	\$1,355.0	\$1,420.0	\$1,465.0	\$1,538.0	\$1,553.0	
Annual Adjustment	\$157.0	\$153.5	\$479.8	\$94.3	\$415.0	\$390.0	\$385.0	
Interest	\$0.7	\$1.2	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	
Total	\$1,361.7	\$1,343.7	\$1,835.4	\$1,514.9	\$1,880.6	\$1,928.6	\$1,938.6	

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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

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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

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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

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Other Community Mental Health Funding

- 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

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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

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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
