

## Mental Health Services in Medi-Cal

Mental health services have been part of the benefits package for Medi-Cal, California's Medicaid program, since the program was established in 1965. Mental health services are delivered in the Medi-Cal program through a system—or set of local public systems—distinct from other Medi-Cal services. Today, most Medi-Cal beneficiaries using mental health care obtain services through county-administered mental health plans. The California Department of Health Services (DHS) delegates administrative responsibility for most mental health services to the Department of Mental Health (DMH).

### Coverage & Utilization of Services

Medi-Cal has traditionally covered a broad range of mental health and substance abuse services. Covered services include treatment by psychiatrists, psychologists, and licensed clinical social workers; hospitalization or institutional treatment; rehabilitative services; targeted case management; and medication management.

While all Medi-Cal beneficiaries are eligible for medically necessary mental health services, a small proportion of beneficiaries (roughly 6 percent) actually use them. Of the five million Medi-Cal beneficiaries enrolled in fiscal year 1999-2000, approximately 325,013 used these services. More than half of these clients (168,946) were disabled Medi-Cal beneficiaries, some 46,333 were adults in a Medi-Cal family aid category, about 74,444 were children on Medi-Cal, and 40,801 children were in California's Foster Care system.

### Expenditures & Funding Sources

Approximately \$700 million in Medi-Cal funds are spent on mental health services annually in California. The average mental health expenditure per Medi-Cal beneficiary using services in FY 1999 was \$2,027, excluding payments for state psychiatric hospital care. In FY 1998, the majority of Medi-Cal

mental health expenditures were for adults (63 percent) while approximately one-third were for children (32 percent) and 2 percent for seniors.

Counties may contribute local funds toward Medi-Cal mental health services. These monies draw down Medicaid federal matching funds. There is a high degree of variation among counties in their expenditure of county funds and capture of federal funds.

Medi-Cal funds are a significant source of funding for public mental health systems in California, though they are not the primary source. Other sources include Healthy Families, CalWORKs, and Realignment funds.

Realignment funds are the greatest single funding stream for public mental health systems in the state and provide roughly one billion dollars annually. The Realignment program, created in 1991, shifted to counties the programmatic and financial responsibility for providing health and social services to Medi-Cal and indigent populations, and established a funding stream drawn from state sales tax and vehicle license fee revenues. The state retained responsibility for: setting mental health policies; administering contracts with county mental health departments; operating five state inpatient mental health facilities; and ultimate fiscal accountability for the Medi-Cal mental health program.

### Implementation of Managed Care

In the early 1990s, concerns about rising health care costs and cost-shifting between state and county programs, as well as a desire to improve service integration, led policymakers to develop a plan to consolidate mental health funding and service delivery at the county level through a managed care model. In 1994, the state received a federal 1915(b) or "freedom of choice" Medicaid waiver to consolidate the inpatient services of the Short-Doyle/Medi-Cal (care delivered via county contracted providers) and forerunner/Medi-Cal programs (care delivered via

## Highlights

- **While all Medi-Cal beneficiaries are eligible for medically necessary mental health services, a small proportion of beneficiaries (roughly 6 percent) actually use them.**
- **The average mental health expenditure per Medi-Cal beneficiary using services in FY 1999 was \$2,027.**
- **Each California county operates its own mental health plan for Medi-Cal beneficiaries.**

DHS certified providers). In 1997, the state received federal approval to modify its 1915(b) Medicaid waiver to include inpatient hospital services, outpatient specialty mental health services, and certain skilled nursing facility services. Implementation of the consolidation of specialty mental health services at the county level was completed by July 1998.

Counties now provide mental health services to Medi-Cal beneficiaries through a publicly or privately operated mental health managed care plan contracting with DMH and share in the financial risk. Each California county operates its own mental health plan for Medi-Cal beneficiaries. San Mateo and Solano Counties operate under separate authority. Sutter County's plan includes Yuba County and Placer County's plan includes Sierra County. San Diego and Orange Counties contract with commercial health care plans to administer major components of their programs.

Each local mental health plan directly provides or contracts for specialty services for Medi-Cal beneficiaries that meet certain diagnostic and impairment criteria. Categories of services or programs that are provided outside of the mental health plan include: California Children Services, County Medical Services Program, claims for Medicare/Medi-Cal beneficiaries, and services provided by rural health clinics and Federally Qualified Health Centers (FQHCs).

In addition to mental health managed care plans, 21 of California's 58 counties have a Medi-Cal physical health managed care plan (e.g., Two-Plan Model, COHS, or GMC). Generally, the physical health care plan is responsible for mental health services delivered by a primary care provider and physical health care services delivered in an inpatient psychiatric facility. The local mental health plan is responsible for inpatient and outpatient specialty mental health services delivered by a specialty provider to a beneficiary whose condition or impairment meets specific criteria.

The state was required, under its federal waiver, to conduct an independent assessment demonstrating the program met standards for access, quality, and cost-effectiveness. The analysis, released to the Legislature this year, concluded the standards were met, largely evidenced by declines in inpatient services and increases in outpatient care. Recommendations for improvement included increased collection and use of data in policy making and increased attention to care for seniors and individuals with dual diagnoses.

## Issues & Policy Questions

Medi-Cal faces several challenges in improving access to mental health services for its beneficiaries. Many of the issues raised by the shift to managed care for mental health services are similar to those for physical health care services: data collection and reporting, quality measurement, and reimbursement rates. There are issues, however, that are unique to mental health and the structure of California's county-based approach such as the integration of care with physical care plans and the new roles for local mental health departments.

In addition to managed care models, counties are piloting programs, called "Systems of Care," to increase coordination of services across public agencies for individuals with severe mental illness. The System of Care model, developed in 1984 for children, was expanded in 1988 to include piloting of Systems of Care for adults. The applicability of this model for other populations with mental illness requires further examination.

Changes in public programs such as Healthy Families, Foster Care, and CalWORKs also impact Medi-Cal's mental health system. Increasing numbers of insured children and increasing health care costs raise issues about provider supply, the adequacy of funding formulas, and coordination across public programs.

Additional policy questions for the Medi-Cal program and mental health care include:

- How is California meeting Early and Periodic Screening, Diagnosis and Treatment (EPSDT) mental health screening requirements?
- What has been the impact of a mental health carve-out on continuity and quality of care?
- Where are opportunities for increased integration between physical and mental health care systems in Medi-Cal?
- How has the implementation of CalWORKs altered counties' mental health care systems and related policy priorities?
- What have been the fiscal impacts of recent Medi-Cal mental health policy changes on providers, counties, and the state?

These questions and many others require timely public discussion and further attention from California's policymakers.