LAO
70 YEARS OF SERVICE

February 21, 2012

Governor's Proposed Community Mental Health Program Shift

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Joint Oversight Hearing of the Assembly and Senate Health Committees and Assembly and Senate Budget Subcommittees on Health and Human Services

Hons. Bill Monning, and Ed Hernandez, Chairs, Assembly and Senate Health Committees

Hons. Holly Mitchell and Mark DeSaulnier, Chairs, Assembly and Senate Budget Subcommittees on Health and Human Services

LAO
70 YEARS OF SERVICE

Overview

☑ ***Department Responsibilities.*** The Department of Mental Health (DMH) directs and coordinates statewide efforts for the treatment of mental disabilities. The department's primary responsibilities are to: (1) provide for the delivery of mental health services through a state-county partnership, (2) operate five state hospitals, (3) manage state prison treatment services at the California Medical Facility at Vacaville and at Salinas Valley State Prison, and (4) administer various community programs directed at specific populations.

☑ ***Governor Proposes Elimination of DMH.*** The Governor's plan shifts community mental health programs to other departments and creates a Department of State Hospitals (DSH) to administer the state hospitals and in-prison programs. The administration has provided the following rationale for its proposal: it would (1) allow DSH to focus on effective patient treatment and increased worker and patient safety, (2) integrate services to provide an effective continuum of care, consistent with federal health care reform, and (3) better align the programs' mission and functions to improve efficiency and program delivery.

☑ ***Community Mental Health Shift May Be Beneficial.*** Shift of these community mental health programs may be beneficial to the delivery and services of community mental health, but the Legislature will have to address some significant issues in finalizing this plan.

☑ ***Organization of Handout.*** This handout provides information on:

- Major community mental health treatment programs, including federal, state, and county administrative roles in funding.
- The Governor's DMH elimination proposal.
- Key questions the Legislature should ask in evaluating the Governor's proposal.

LAO
70 YEARS OF SERVICE

Certain Mental Health Services and Funding Were Realigned in 1991 and 2011

☑ ***Bronzan-McCorquodale Act Realigned Many Mental Health Services to Counties.*** Under this 1991 act, the following mental health services programs were realigned to the counties:

- ***Community-Based Mental Health Services.*** These services, which are administered by county departments of mental health, include short- and long-term treatment, case management, and other services to seriously mentally ill children and adults.
- ***State Hospital Services for County Patients.*** Counties have fiscal responsibility for certain civil commitments to state hospitals. Counties currently contract with DMH for these beds on an annual basis.
- ***Institutions for Mental Diseases (IMDs).*** The IMDs, administered by independent contractors, generally provide short-term nursing level care to the seriously mentally ill.

☑ ***2011 Realignment.*** Full fiscal responsibility at the state level was shifted to the counties in 2011 for the following programs (that generally receive one-half of their funding from the federal government):

- ***Mental Health Managed Care.*** Counties provide Medi-Cal specialty mental health managed care, including inpatient and psychiatric and outpatient services, to mostly adult beneficiaries through county Mental Health Plans (MHPs).
- ***Early and Periodic Screening, Diagnosis and Treatment (EPSDT).*** The EPSDT is a federally mandated, county administered, program that requires states to provide a broad range of screening, diagnosis, and medically necessary treatment services—including mental health services—to Medi-Cal beneficiaries under age 21.

☑ ***Funding.*** Beginning in 2012-13, the programs realigned in 2011 will be supported with local revenue funds which consist of sales tax and vehicle license fees.

LAO
70 YEARS OF SERVICE

State Oversight of Some Programs Is Already Shifting to the Department of Health Care Services (DHCS)

☑ ***Both MHPs and EPSDT Are Medicaid Benefits.*** Both MHPs and EPSDT are benefits under Medicaid (known as Medi-Cal in California), a joint federal-state program for the provision of health care services for low-income families with children, seniors, and persons with disabilities. The DHCS administers the Medi-Cal Program which provides physical health services to about 7.7 million Californians.

☑ ***2011-12 Budget Authorizes Shift.*** Chapter 33, Statutes of 2011 (SB 87, Leno), authorizes the transition of positions and employees performing administrative functions for EPSDT and MPHs from DMH to DHCS.

LAO
70 YEARS OF SERVICE

Governor Proposes to Shift Remaining DMH Programs to Various Departments

☑ ***Proposition 63 Oversight Shifted From DMH to DHCS.*** The Governor proposes to shift oversight of Proposition 63 activities (also known as the Mental Services Act) to DHCS. Proposition 63 provides state funding for certain new or expanded mental health programs through a personal income tax surcharge of 1 percent on the portion of a taxpayer's taxable income in excess of $1 million.

- Currently, DMH, in coordination with certain other agencies, has the lead role at the state level in implementing most of the programs specified in the measure.
- Most Proposition 63 funds are continuously appropriated with annual revenues ranging from about $900 million to $1.5 billion.

☑ ***Proposition 63 Workforce Program Shifted From DMH to the Office of Statewide Health, Planning and Development (OSHPD).*** Under the Governor's budget proposal, the OSPHD would administer the program under Proposition 63 related to workforce and education training in counties.

☑ ***Certain Proposition 63 Administration Duties Shifted From DMH to Mental Health Oversight and Accountability Commission (MHOAC).*** Under the Governor's plan, the MHOAC will administer various mental health consumer empowerment and county training contracts as well as provide Proposition 63 technical assistance and program evaluation.

☑ ***Mental Health Licensing Functions Shifted From DMH to Department of Social Services (DSS).*** Under the Governor's budget proposal, DSS will now be in charge of performing licensing functions for mental health rehabilitation centers and psychiatric health facilities.

LAO 70 YEARS OF SERVICE

Governor Proposes to Shift Remaining DMH Programs to Various Departments *(Continued)*

☑ ***New Office of Health Equity in Department of Public Health.*** The Governor's proposal includes a proposal to establish an Office of Health Equity that includes DMH's existing Office of Multicultural Services to address disparities in mental health and promote culturally competent policies.

(Dollars in Millions)

From Department of Mental Health (DMH)	2011-12 Personnel Years	2011-12 Total Funds[a]	2012-13 Personnel Years	2012-13 Total Funds[a]	To
Mental Health, Medi-Cal, and Propositon 63 Oversight	74.7	$4.2	132.2	$80.9	Department of Health Care Services
Licensing Functions	—	—	10.8	1.1	Department of Social Services
Proposition 63—Mental Health Workforce Development Programs	—	—	0.9	12.3	Office of Statewide Health Planning and Development
Early Mental Health Initiative[b]	—	—	—	—	California Department of Education (CDE)
Proposition 63—Mental Health Services Act Technical Assistance and Training	—	—	—	1.7	Mental Health Oversight Accountability Committee
Office of Multicultural Services	—	—	2.8	2.2	Department of Public Health

[a] Includes state operations and local assistance.

[b] In lieu of shifting $15 million in funding from DMH to the CDE the Governor proposes to eliminate funding for the Early Mental Health Initiative.

Note: Personnel years and total funds are displayed as shown in the Governor's budget proposal for the department receiving the program or function from DMH.

☑ The figure shows the personnel years and total funds (combined state operations and local assistance) that the Governor proposes to shift from DMH to the entities listed in the right-hand column of the figure.

LAO
70 YEARS OF SERVICE

General Principles of When Government Reorganizations Make Sense

☑ **Reorganization Should Maintain or Improve Efficiency**

- Eliminate overlapping or duplicative government functions.
- Maximize existing resources through better departmental coordination and allocation of administrative functions.
- Result in savings from eliminating duplicative government functions and achieving economies of scale.

☑ **Reorganization Should Maintain or Improve Effectiveness**

- Contribute toward the fulfillment of the mission of the department or entity that will assume responsibility for administration of program(s).
- Result in the public receiving better government services.

☑ **Reorganization Should Maintain or Improve Accountability**

- Result in a government structure where the Legislature and the public can identify the person or entity responsible for management of a program and hold that person or entity accountable for achieving defined goals and objectives.
- Clearly delineate the roles and responsibilities of each of the divisions within the new or expanded department or entity.

☑ **Reorganization Should Be Based Upon a Policy Rationale**

- Be consistent with an underlying policy rationale to address a problem or inefficiency that has been clearly identified.

☑ **Reorganization Should Reflect Legislative Priorities**

- Be consistent with priorities that the Legislature has set for a program or government function.

LAO
70 YEARS OF SERVICE

Key Questions for the Legislature to Consider

☑ Some key questions the Legislature may wish to consider in discussing the merits of eliminating DMH and shifting programs to other departments.

- Will the reorganization result in savings from eliminating duplicative functions, achieving economies of scale, or better coordinating administrative functions? If not, what are the policy and/or fiscal rationale for shifting these programs?
- How will the new functions be integrated into the broader functions of the transferee departments?
- What is the transferee department's mission and is this transfer consistent with the fulfillment of that mission?
- Are the transferee departments clear on their roles for implementing and overseeing their new programs?
- What oversight mechanisms are in place to ensure the future accountability of the entity that will assume new responsibilities for administration of a program?
- What policy rationale is there for making a transfer?
- Does the transfer reflect legislative priorities?