



May 19, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol Building, 1st Floor
Sacramento, CA 95814

The Honorable Toni Atkins
Senate President pro Tempore
State Capitol Building, Rm 205
Sacramento, CA 95814

The Honorable Anthony Rendon
Assembly Speaker
State Capitol Building, Rm 219
Sacramento, CA 95814

Holly Mitchell
Chair, Senate Budget and Fiscal Review
California State Senate
State Capitol, Room 5019
Sacramento, CA 95814

Phil Ting
Chair, Budget Committee
California State Assembly
State Capitol, Room 6026
Sacramento, CA 95814

RE: Steep Decline in Realignment and Mental Health Services Act Funding Coupled with Significant Growth in Entitlement Responsibilities Requires Additional Funding for Public Behavioral Health Safety Net

Dear Governor Newsom, Pro Tem Atkins, Speaker Rendon, Chair Mitchell, and Chair Ting:

The County Behavioral Health Directors Association of California (CBHDA) joins our county partners in expressing our appreciation to the Administration and the Legislature for your leadership and collaboration in responding to the COVID-19 pandemic. California's county behavioral health agencies are on the front lines as essential workers ensuring low-income Californians continue to receive critical behavioral health services via Medi-Cal while also working to address the growing stress and trauma caused by the COVID-19 public health crisis. However, the state's safety net system as delivered by counties is under immense strain and, in light of the growing behavioral health and public health crises and steep economic recession, we join the California State Association of Counties and other county partners in notifying you that these realigned services are at extreme risk and in dire need of direct state support.

All core county behavioral health funding sources are expected to plummet. In Fiscal Year (FY) 18-19, total funding for county behavioral health equaled approximately \$9 billion. Based on fiscal projections for the current and the budget year, county behavioral health is estimated to lose close to \$1 billion in funding due to drops in revenues and the impacts of COVID-19. This county behavioral health revenue will be unavailable to address current and growing behavioral health needs. As indicated in the table

below, county behavioral health funding will steeply decline in the current fiscal year by over \$600 million in core county behavioral health funding sources. These funds will be unavailable to leverage for federal match resulting in an additional loss of approximately \$300 million. For the budget year and outyears, the core funding sources for county behavioral health will continue to decline and fall well below the FY 18-19 funding level.

Behavioral Health Estimated Funding (Dollars in Millions)						
	18/19	19/20	20/21	21/22	22/23	% Change 18/19-22/23
1991 MH Realignment	\$1,270.8	\$1,134.6	\$1,134.6	\$1,134.6	\$1,134.6	-10.7%
2011 BH Realignment	\$1,483.2	\$1,250.2	\$1,278.5	\$1,322.9	\$1,383.7	-6.7%
MHSA	\$2,105.3	\$1,847.8	\$2,242.3	\$1,919.3	\$1,704.0	-19.1%
Total	\$4,729.4	\$4,060.9	\$4,424.0*	\$4,172.6	\$4,013.6	-13.1%
Dollar Change		-\$626.70	\$422.80	-\$278.60	-\$154.50	
Percent Change		-12.9%	9.9%	-6.0%	-3.5%	

*The increase in FY 20/21 is due to the deferral of MHSA funds from FY 19/20 to FY 20/21.

This forecast does not account for an estimated decline in Medi-Cal billed behavioral health services of approximately 30% in the current year due to the transition to telehealth, which has resulted in a compounding loss of federal revenues to support these programs. County behavioral health agencies will experience an ongoing deficit of around \$136 million/10% in realignment funding for behavioral health and still larger deficits in Mental Health Services Act (MHSA) funding because of steep outyear reductions. This drop will take county realignment funding for behavioral health services back to funding levels from sixteen years ago, which when adjusted for inflation is equivalent to a \$400 million ongoing structural deficit. This structural deficit is on top of pre-COVID-19 existing shortfalls in realignment funding. Even before the pandemic, both 1991 and 2011 realignments were failing to keep up with federal requirements for entitlement programs, including increasing demand for behavioral health services among children and young adults.

Behavioral Health Funding for Children is at high risk. The Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program provides that any child within Medicaid is eligible for all appropriate and medically necessary services needed to correct and ameliorate identified health conditions. When responsibility for EPSDT nonfederal share was realigned to counties in 2011, following the Great Recession, counties received dedicated revenues through sales and vehicle license fees to cover those costs, in addition to funding for adult substance use disorder treatment services. Currently, approximately 70% of 2011 realignment funds are dedicated toward spending on EPSDT. As a consequence, immediate reductions followed by a lack of growth in available 2011 realignment funds, along with newly eligible beneficiaries, will harm counties' ability to meet the increased need for children's behavioral health services that will arise as a result of trauma experienced by children and families coping with physical, emotional, and economic fallout from COVID-19.

While county behavioral health funding plummets, needs for behavioral health services has grown significantly. While county behavioral health agencies will experience a 11-19% reduction in revenues, it is important to note, the reduction in revenue comes at a time when more Californians will qualify for Medi-Cal because of the COVID-19 associated economic downturn. Medi-Cal caseloads is projected to grow by 1.2 million beneficiaries in FY 20-21 and most of these beneficiaries will have experienced the anxiety and stress of job loss and economic uncertainty. One of the larger entitlement programs administered by counties on behalf of the state are the Medi-Cal behavioral health services realigned to counties. These services include: specialty mental health services for adults with serious mental illness, substance use disorder services for adults, and EPSDT-mandated behavioral health benefits for children. Increases in beneficiaries put strain on county behavioral health agencies charged with already doing the unworkable - serve greater needs with insufficient and diminishing funding. These higher Medi-Cal enrollments also call for more behavioral health providers. But Medi-Cal budget deficits combined with significant, initial losses in behavioral health revenues during the first weeks of the COVID-19 crisis will endanger California's network of community-based behavioral health providers as well as county-operated behavioral health services.

In addition to the mounting needs of existing and new Medi-Cal beneficiaries, county behavioral health must sustain crisis services under 1991 realignment to address increasing demands for psychiatric emergencies and hospitalizations. Counties currently operate crisis lines, warm lines, and suicide prevention programs which are vital to preventing COVID-19 related deaths of despair. Deaths by suicide and substance use disorder rates are already climbing and are expected to reach epidemic levels without adequate funding for prevention and crisis services. The current inadequacy of core county behavioral health funding sources threatens to bring forward this epidemic.

With increasing Medi-Cal caseloads and declining realignment and MHSA revenues, counties are anticipating a significant funding shortfall to manage entitlement and all other necessary behavioral health responsibilities. Although the \$1.3 billion from the CARES Act Coronavirus Relief Fund proposed to be allocated to all 58 counties will provide short-term, one-time funding to partially assist counties in meeting new urgent COVID-19 related costs, this funding is in no way required to be spent on county behavioral health services and will not address the ongoing structural deficits in realignment funding. Hence, CBHDA joins our county partners to request assistance with backfilling realignment revenues to avoid the impending decimation of behavioral health safety net services in our communities.

Respectfully,



Michelle Doty Cabrera
Executive Director
County Behavioral Health Directors Association

Cc: Keely Martin Bosler, Finance Director, California Department of Finance
Dr. Mark Ghaly, Secretary, California Health and Human Services Agency
Dr. Brad Gilbert, Director, Department of Health Care Services
Dr. Kelly Pfeifer, Deputy Director, Behavioral Health, DHCS
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