



# Behavioral Health Services and Financing in California

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*Person Centered. Data Driven.*

# Pre 1957 – 1966: Foundations of Current Mental Health Systems



- **The State had sole responsibility for care for people with mental illness and developmental disabilities within State Hospitals**
- **Department of Mental Hygiene, later the Department of Mental Health, established in 1943**
- **Short-Doyle Act enacted in 1957, with 50% State match for county mental health programs, increased to 75% in 1962**
- **Federal Community Mental Health Act of 1963 offered grants for creation of community-based mental health centers**
- **1965-6 enactment of Medicaid, known as Medi-Cal in California**



# 1968: Lanterman-Petris-Short Act (LPS)

- **LPS Act made major changes to the legal process for involuntary treatment for mental health conditions, requiring a judicial hearing procedure, and establishing criteria and timelines for involuntary holds and conservatorship**
- **State share of funding for county Short-Doyle programs increased to 90%**
- **LPS Act remains current law governing involuntary treatment and conservatorships for mental health conditions**
- **State hospitals began to close in 1969 subsequent to LPS enactment**



## **1970s: Knox-Keene Act**



- **1975: Knox-Keene Act passed to regulate health plans, promote the delivery and quality of health care, protect consumers, and support a stable health insurance market and cost-effective delivery system**

## **The Department of Alcohol and Drug Programs**

- **1978: Department of Drug and Alcohol Programs established to coordinate State's prevention, treatment, and recovery services**

# 1980s: Development of Systems of Care for Youth



- **1984: Transfer of mental health services for special education from schools to counties**
- **1987: Creation of the Children's System of Care, which expanded to 42 counties to serve children with a serious emotional disturbance**

# 1991: Realignment



- **In an economic downturn, mental health programs faced reductions**
- **1991 Realignment shifted funding from the State General Fund to a new Local Revenue Fund**
- **Financing from a new ½ cent sales tax and a change in the Vehicle License Fee depreciation schedule**
- **Funding was for community mental health, State Hospital services for county clients, and funding for Institutions for Mental Disease (IMDs)**
- **General Fund retained appropriations for Children’s System of Care**

# 1995-6: Specialty Mental Health Managed Care



- **State Implemented Medi-Cal Mental Health Managed Care**
- **Mental health services to be administered as a carve-out from broader Medi-Cal managed care delivered by health plans**
- **State received a federal Medicaid waiver to establish managed care plans with county delivery systems as the sole providers of specialty mental health services**

# 1996-9: Mental Health Parity



- **1996: Federal Mental Health Parity Act establishes parity in lifetime and annual dollar limits for large group health plans offering mental health benefits**
- **1999: AB 88 establishes within the Knox-Keene Act parity in benefit limits and cost sharing in coverage for 9 mental illnesses**



## **2000: Department of Managed Health Care**



- **Department of Managed Health Care established to enforce Knox-Keene Act**

## **2002: Laura's Law**

- **2002: Laura's Law established new court-ordered outpatient treatment option for people with mental illness who do not meet criteria for involuntary inpatient treatment**
- **Eligibility included history of mental illness, county option to implement**

# 2004: Mental Health Services Act (MHSA or Prop 63)



- **2004: California voters pass Proposition 63**
- **Established a 1% tax on income above \$1 million to broadly support counties' community mental health programs**
- **80% for community treatment and 20% for prevention and early intervention**
- **Funding also used for Innovation, Capital Facilities and Technology Needs, and Workforce Education and Training**
- **Full Service Partnerships model adopts a “whatever it takes” approach to treatment**

# 2000s: Federal Expansion of Coverage and Consumer Protections



- **2008: Mental Health Parity and Addiction Equity Act (MHPAEA)**
- **MHPAEA expands parity to include SUD services and established new protections for treatment limitations and financial requirements for large group plans that offer behavioral health benefits**
- **2010: Affordable Care Act (ACA) expands Medicaid and establishes new health insurance exchanges with subsidies for households with lower and middle incomes**
- **ACA establishes new federal health insurance rules, Essential Health Benefits package includes mental health and SUD services, and applies to individual and small group plans, and Medicaid benefits**

# 2011: Realignment



- **2011 Realignment: Funding for mental health services in 1991 Realignment transferred to 2011 Realignment with constitutional protections under Prop 30, and mental health EPSDT funding**
- **Drug Medi-Cal and all SUD services realigned from General Fund to counties within Behavioral Health Subaccount**
- **Public Safety Realignment (AB 109) transfers responsibility for supervision of non-violent, non-serious, non-sexual offenders to counties with sales tax and VLF revenue**
- **AB 109 provides flexibility for counties to use funding for mental health and SUD services for people newly within counties' supervision**

# 2010s: State Administrative Integration and Behavioral Health Treatment Expansion



- **2010: AB 108 returns responsibility of education-related mental health services to schools from counties**
- **2012: Department of Mental Health and Department of Alcohol and Drug Programs transfer to Department of Health Care Services, State Hospitals become a separate department**
- **2014: Medi-Cal expansion launches**
- **2014: Medi-Cal managed care plans launch new coverage of mental health services for people with needs that fall below threshold of specialty mental health services**

# 2010s: Focus on Housing and SUD Treatment Expansion



- **2015: Federal approval of the Drug Medi-Cal Organized Delivery System (DMC-ODS), 1115 Medicaid waiver amendment to expand and improve SUD treatment**
- **2016: No Place Like Home; voters approve bond program for permanent supportive housing for people with mental illness, funded with MHSA revenue**
- **2017: First group of counties launch DMC-ODS, implementation is ongoing (up to 27 counties in 2019, 40 intend to opt in)**

# 2019: CalAIM



- **Administrative integration of county specialty mental health and SUD services and regional contracting**
- **Payment reform: reduce paperwork burden and move toward value-based payment**
- **Medical necessity revisions to focus more on acuity rather than diagnosis**
- **SUD Managed Care**
- **Enhanced Care Management coordinates services across full Medi-Cal benefit**
- **“In Lieu Of Services” offer supports not traditionally reimbursable through Medi-Cal to prevent avoidable hospitalization, institutional care**

# A Summary: Public Funding for Community Behavioral Health Services



- **Local Realignment Revenue:** **\$3.1 billion**
- **MHSA/Prop 63:** **\$2.1 billion**
- **State General Fund:** **\$0.8 billion**  
(Medi-Cal Managed Care, DMC-ODS)
- **Federal Matching Funds:** **\$5.0 billion**
- **Federal SAPT Block Grant** **\$0.23 billion**

**Other funding sources include:**

- **State and local criminal justice funding**
- **State and local education funding**

**Total: \$11.23 billion**

**(\$9.33B for County Behavioral Health, \$1.9B for Medi-Cal Managed Care)**