OCTOBER 23, 2018

Overview of Mental Health Services and Funding for Foster Children

PRESENTED TO:

Assembly Committee on Human Services
Hon. Blanca Rubio, Chair

Assembly Select Committee on Foster Care
Hon. Ken Cooley, Chair

LEGISLATIVE ANALYST'S OFFICE

Background

Currently, There Are Over 62,000 Children in the State's Foster Care System. As of July 1, 2018, 62,000 children were in foster care in California.

Foster Children Are Categorically Eligible for Medi-Cal. Eligibility for Medi-Cal generally depends upon household income and, for adults, immigration status. Foster children, however, are generally eligible for Medi-Cal regardless of income or immigration status.

Children on Medi-Cal Are Entitled to a More Comprehensive Array of Physical and Mental Health Benefits Than Adults. The Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program is a federally required benefit for Medi-Cal enrollees under age 21, which grants access to all necessary medical services to "correct or ameliorate defects, physical and mental illnesses, and conditions discovered by screening services." The EPSDT benefit entitles children (individuals under age 21) on Medi-Cal to: (1) periodic health screenings, (2) certain services that may not otherwise be available to adults on Medi-Cal, and (3) relatively less stringent medical necessity criteria in order to receive services.

Specialty Mental Health Services (SMHS) Versus Non-Specialty Mental Health Services. SMHS are relatively intensive services for individuals on Medi-Cal with a diagnosed mental condition that—for adults—results in significant impairment or—for children—precludes appropriate development. SMHS range from psychiatric inpatient services to individual and group therapy. Individuals on Medi-Cal with mild-to-moderate mental conditions can receive less intensive, outpatient mental health services through their primary care physician. The services provided by a primary care physician are generally considered non-specialty mental health services.

Background

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Multiple State and County Entities Responsible for Ensuring Appropriate Care for Foster Children. These include:

- ***County Welfare Departments.*** County welfare departments, with oversight from the California Department of Social Services, have overall responsibility for the care and supervision of foster children. Accordingly, county welfare departments are responsible for investigating potential cases of abuse and neglect, removing children from their homes if necessary, placing children in an appropriate foster care setting, and overseeing foster children's care.

- ***County Mental Health Plans.*** County Mental Health Plans, with oversight from the Department of Health Care Services, are responsible for providing or arranging SMHS for children and adults on Medi-Cal. Their responsibilities include providing or arranging for the SMHS that children are entitled to under EPSDT.

- ***Medi-Cal Managed Care Plans and Fee-For-Service Providers.*** Medi-Cal managed care plans and fee-for-service providers are responsible for providing non-specialty mental health services. These plans and providers are also responsible—under EPSDT—for the screening and referral of children for SMHS.

Children's Specialty Mental Health Services (SMHS)

SMHS Are a Key Component of Children's Mental Health Services. Children in California, including foster children, receive a broad array of mental health services. Some of these services are Medi-Cal mental health services, which include both SMHS and non-SMHS. This section focuses on children's SMHS since SMHS represent a principal kind of mental health services that foster children are likely to receive.

Children's Eligibility for SMHS Is Broader Than for Adults. To be eligible for SMHS, adults must have a diagnosed mental health condition and either (1) have a significant impairment in life functioning or (2) have a reasonable probability of deteriorating in terms of life functioning. Under EPSDT, the impairment criteria to be eligible for SMHS are less stringent for children than adults.

Children Are Entitled to Certain Mental Health Services That Are Unavailable to Adults. Several court settlements over the past two and a half decades have resulted in the addition of several enhanced mental health services that provide children enrolled in Medi-Cal with access to more robust specialty mental health services than those provided to adults enrolled in Medi-Cal. These enhanced services include:

- Intensive Care Coordination.
- Intensive Home-Based Services.
- Therapeutic Behavioral Services.
- Therapeutic Foster Care.

Foster Children Account for Approximately 15 Percent of Children Who Utilize SMHS. Around 260,000 children receive SMHS in a given year. Around 40,000 of these children are foster children.

Children's SMHS

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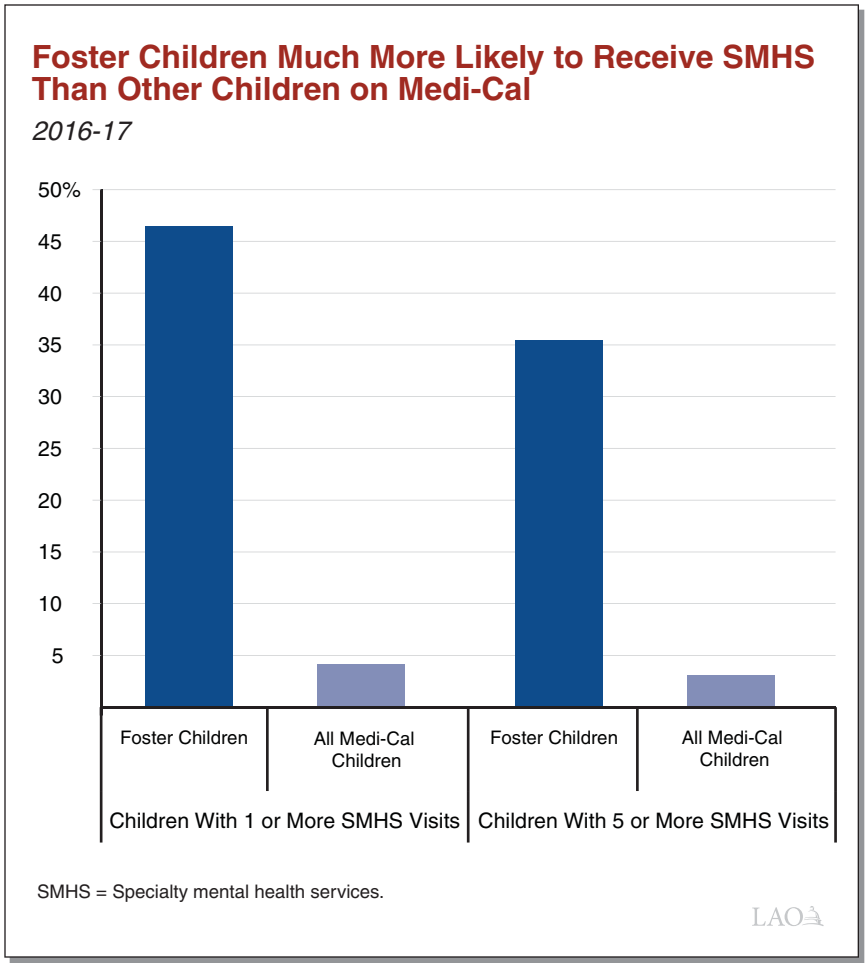
Foster Children Utilize SMHS at a Much Higher Rate Than All Children on Medi-Cal. As shown in the figure below, almost 50 percent of foster children on Medi-Cal receive at least one SMHS in a given year, compared to less than 5 percent of all children on Medi-Cal. Around 35 percent of foster children on Medi-Cal remain engaged with SMHS over the course of a given year, compared to around 3 percent of all children on Medi-Cal.



Children's SMHS

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Statewide Average Spending Per Child. Across the state, the average expenditure per child in foster care on SMHS was $10,870 in 2016-17 compared to $7,579 for the broader population of children enrolled in Medi-Cal.

Spending on SMHS Has Grown in Recent Years. Although the numbers of foster children and all Medi-Cal children receiving SMHS have not changed significantly in recent years, spending on SMHS has increased significantly. From 2013-14 to 2016-17, total spending on children's SMHS increased by almost 6 percent annually, from almost $1.7 billion to $2 billion. Over this same time period, total annual spending on SMHS for foster children increased by almost 5 percent, from around $390 million to about $430 million.

Mental Health Services Act (MHSA)

The MHSA (Proposition 63) Provides Increased Funding to Various Mental Health Programs Administered by Counties. Counties use MHSA funding (a surtax on incomes over $1 million) to provide additional services that benefit foster children beyond those provided under Medi-Cal. Counties are generally required to spend MHSA funds within three main categories: (1) 76 percent of funds go to Community Services and Supports, (2) 19 percent of funds go to Prevention and Early Intervention, and (3) 5 percent of funds go to Innovation. Counties have significant discretion over how they spend their MHSA funding within these categories.

Prevention and Early Intervention Funding Targeted at Children. Prevention and early intervention funding is targeted toward children in stressed families, children who have been exposed to trauma, children at risk for school failure or who have been involved with law enforcement, and transition-aged youth, age 16 to 25 years old. MHSA-funded county-based mental health programs include suicide awareness and prevention campaigns and expanded outreach and screening services in schools and primary care sites among others.

Continuum of Care Reform (CCR)

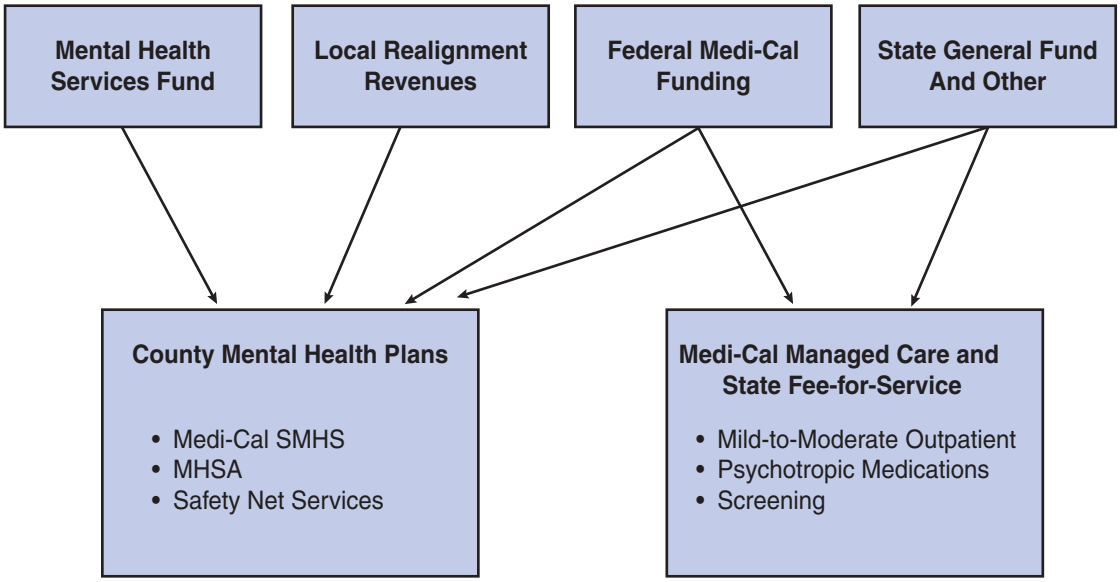
Includes a Broad Array of Changes to the State's Foster Care System. Beginning in 2012, the Legislature passed a series of legislation implementing the Continuum of Care Reform (CCR). The CCR is primarily focused on expanding reliance on home-based, family-like settings for foster placements and reducing placements in institutional "congregate care" settings, as well as improving access to supportive services.

CCR Makes Changes to Increase Access to SMHS for Foster Children. Under CCR, placement settings that typically serve foster children with elevated needs are required to ensure access to SMHS. With the replacement of group homes by Short-Term Residential Therapeutic Programs, all congregate care settings will be required to directly provided SMHS to their resident foster children. Foster Family Agencies (FFAs)—nonprofit organizations that recruit, approve, and support foster caregivers—are required to provide access to SMHS for the children they supervise either by directly providing services themselves or contracting with mental health service providers to do so on their behalf.

Funding for Mental Health Services

Funding for Mental Health Services Is Complex and Supports Multiple Populations. As shown in the figure below, public funding for mental health services involves multiple funding streams. These public funding streams generally support services for the population broadly, including, but not limited to, Medi-Cal enrollees generally and foster children specifically. Accordingly, in the following pages, we describe the major funding streams that support mental health services in general, including those for foster children.

Flow of Funding to Publicly Funded Mental Health Services[a]



[a] Excludes funding for services provided in a corrections or law enforcement setting.

SMHS = Specialty mental health services and MHSA = Mental Health Services Act.

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Funding for Mental Health Services

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Funding for Non-County-Based Mental Health Services. Medi-Cal mild-to-moderate outpatient mental health services, screening services, and psychotropic medications are funded through managed care plans or state fee-for-service. Funding comes from the state General Fund and federal Medicaid dollars. The amount of funding is unknown.

County-Based Mental Health Services Funded With a Combination of Funds. Mental health services provided by county Mental Health Plans are funded by a combination of funds. We describe the major funding sources below. We note that federal grant funding and, in some counties, County General Fund also support county-based mental health services.

- ***Federal Fund Participation (FFP) for Medi-Cal.*** Medi-Cal costs are generally shared between the federal government and either the state or local governments. The federal government typically pays for 50 percent of foster children's Medi-Cal costs, including the costs of SMHS. In 2017-18, an estimated $3 billion in FFP supported county-based mental health services for all Medi-Cal enrollees, including foster children.

- ***Local Realignment Revenues.*** The state dedicates a portion of sales tax and vehicle license fee revenue to counties to pay for their residents' behavioral health services, which include both mental health and substance use disorder services. This is the primary source of nonfederal funding for foster children's SMHS. In 2017-18, an estimated $2.7 billion in local realignment revenues supported county behavioral health services for county residents, including foster children.

- ***Mental Health Services Fund (MHSF).*** Generated by the surtax on incomes over $1 million, this is generally flexible funding for counties that may support intensive, preventive, and wraparound services for county residents, including foster children. In 2017-18, an estimated $2 billion in MHSF revenues supported county mental health services for county residents, including foster children.

Funding for Mental Health Services

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- ***State General Fund.*** Because the state dedicates funding in the form of local realignment revenue to counties for mental health services, the state General Fund contribution to county-based mental health services is somewhat limited. In general, the amount of General Fund going to counties for mental health services goes toward new state, federal, and judicial mental health mandates that have been imposed since 2011. In 2017-18, an estimated $170 million in state General Fund supported SMHS for all Medi-Cal enrollees, including foster children.

Funding for County Mental Health Services Has Grown Significantly in Recent Years. Between 2012-13 and 2017-18, total funding for county mental health services has grown from $5.4 billion to $7.8 billion, an average annual growth rate of almost 8 percent.