February 13, 2008

Honorable Denise Moreno Ducheny  
Chair, California State Senate on Budget and Fiscal Review  
Capitol Building, Room 5035  
Sacramento, CA 95814

Honorable John Laird  
Chair, California State Assembly on Budget  
Capitol Building, Room 6026  
Sacramento, CA 95814

RE: Proposed Budget cuts to Mental Health - OPPOSE

Dear Senator Ducheny and Assembly Member Laird:

Protection and Advocacy, Inc. (PAI), a non-profit advocacy organization that advances the human and legal rights of people with disabilities, strongly opposes the considerable reductions in mental health services administered by the Department of Mental Health (DMH) proposed in the governor’s budget.

We understand that the Legislature, the Administration and the residents of California face formidable financial difficulties this year. However, as reflected in principles adopted by our Board of Directors, we must oppose cuts which reduce community mental health services.

Specifically, a reduction of $24.5 million ($16.8 million General Fund) is proposed in community mental health services in the current year special session, and a reduction of $144.3 million ($73.3 million General Fund) is proposed for 2008-09.

As pointed out by the Legislative Analyst’s Office (LAO), a major problem with the 2008-2008 budget proposal, is that it does not take into account the public importance of certain programs targeted for reductions, and it fails to provide any rationale or justifications for cutting programs providing essential services other
than the cost savings involved. The health, mental health and social service programs for children that are slated for reduction are critically important to the current and future well being of California’s most vulnerable children, including children with disabilities in the foster care system and from impoverished communities.

As described below, many of the proposed budget cuts will result in increased administrative costs and/or loss of valuable resources, including an increased shortage of adult and children’s mental health providers and foster care providers. The cumulative result of these short sighted cuts will be more restrictive, less successful and costlier outcomes for adults and children with disabilities.

Key reductions include the following proposals.

**Mental Health Managed Care**

- **Reductions in Mental Health Managed Care.** Reduces by $46.7 million ($23.8 million General Fund), or 10 percent, the amount funded by the state Senate Budget and Fiscal Review Committee for this jointly operated program which is supported using County Realignment funds, State General Fund, and federal Medicaid dollars. This translates into a reduction of rates and no cost of living increase.

  - This program provides vital mental health services to Medi-Cal enrollees. PAI opposes this reduction because it will result in a significant decrease of services to adults with mental health disabilities who can be served by county community mental health programs. Reductions in the number of individuals who can be served will mean more people will be homeless, institutionalized or imprisoned. This will mean more cost to the state in the long run for short run savings.

  - The Governor has provided no data showing that providers can actually reduce costs by 10%. In fact, over the years, costs have been rising while funding has not increased enough to cover costs. This has resulted in a reduction of county services. Further reductions will mean that services will be reduced further. This means fewer people served and fewer services for those currently being served.

  - The reduction in rates with no cost of living increase translates into a reduction of state support for mental health services. This violates the maintenance of effort requirements of Proposition 63, the Mental Health
Services Act (MHSA). Section 5891 of the MHSA provides that "the funding established pursuant to this Act shall be utilized to expand mental health services" and "shall not be used to supplant existing state or county funds utilized to provide mental health services." Section 5891 also specifies that "The state shall continue to provide financial support for mental health programs with not less than the same entitlements, amounts of allocations from the General Fund and formula distributions of dedicated funds as provided in the last fiscal year which ended prior to the effective date of the Act..." Section 5891 also specifies that "The state shall not make any change to the structure of financing mental health services, which increases a county's share of costs or financial risk for mental health services unless the State includes adequate funding to fully compensate for such increased costs or financial risk."

Reduction in State Maximum Allowance (SMA) for EPSDT Non-Inpatient EPSDT Mental Health Services

Ensuring that California’s children have access to mental health services is critical to California’s future. Studies have shown links between lack of access to mental health services by children and high school drop out rates, unemployment rates, institutionalization, and arrests and incarceration. The proposed reduction in the state maximum allowance would set an additional cap on the amount providers can bill for Medi-Cal outpatient mental health services for individuals under the age of 21. There is no indication that Governor’s proposed SMA reduction was based on any studies or analyses on the impact that the proposed reduction would have on children’s access to needed health care, or on the fiscal impact this will have in terms, of increased hospital, group home and juvenile justice costs.

There is already a significant shortage of children’s mental health providers in California. It is inevitable that this reduction in billing rate will provide providers with further disincentives from providing mental health services, especially given the rising costs of doing business in California. This cap on billing rates is certain to widen the gap even more between the children who need Medi-Cal mental health services and the providers who are available to provide them. The tragic result will be that more children will end up in costly, restrictive setting such as hospitals, group homes, community treatment facilities, juvenile hall, and state correctional facilities. Not only is the reduction in SMA short-sighted from a fiscal and policy point of view, it will likely result in violation of the state’s federal

1 See National Academy for State Health Policy http://www.nashp.org/_docdisp_page.cfm?LID=C9C5006C-F477-499B-902ACBDB9CC70B6B
mandate to ensure that sufficient providers are qualified and willing to provide EPSDT mental health services to children. 42 U.S.C. §1396a (a) (43) (C).

**Delay in Quarterly Advance of EPSDT Payments to Counties**

The proposed budget would result in an additional two month delay in EPSDT payments to the counties. Not only will this add extra fiscal burdens to counties, this will result in further delayed payment from counties to providers. It is not unusual for many EPSDT providers who contract with counties to wait six to twelve months or more for payment for billed EPSDT services. This measure would likely increase provider’s wait by at least two month, and would provide additional disincentives for them to provide critically needed EPSDT services.

**Requiring Prior Authorization for EPSDT Day Treatment Services that Exceed 6 Months**

PAI agrees with the proposal to require six month re-authorization for day treatment, as long as it is implemented in a way that does not cause interruptions in needed service. Day treatment programs are highly restrictive placements for children. It is important that the necessity for such placement be reviewed regularly so that children do not stay in highly restrictive placements longer than necessary.

**Reduction in rates for Foster Family Agencies, Foster Family Homes, group homes, Adoptions Assistance, and Kin-Gap Services**

These proposed reductions would have an adverse impact on all children in the Foster Care, Adoptions Assistance, and Kin-Gap Programs, but would likely have a particularly negative impact on such children with disabilities. Children with disabilities can be more time intensive and challenging to care for than children without disabilities, these children often end up in multiple foster care placements and wait longer for kinship placements or to be adopted. Reducing rates for care providers will provide a disincentive for care providers to care for children with special needs and these children will likely end up longer in the foster care system and with poorer outcomes, resulting in increased costs to the system.
Conclusion

For the forgoing reasons, PAI opposes the proposed budget cuts. Please feel free to contact me if you have any questions about our position.

Very truly yours,

[Signature]

Margaret Jakobson-Johnson
Protection & Advocacy, Inc.
PAI, Director of Advocacy

CC: Honorable Members of Senate Budget and Fiscal Review Committee, Health and Human Services
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