



## Reduction of Mental Health Managed Care Services

The County of San Diego opposes the Governor's proposal to reduce funding for essential mental health services.

**Issue:**

The proposal to reduce mental health services places over 8,056 San Diego County residents (children, adults, and older adults) at risk of hospitalization and out of home placement.

**Fiscal Impact:**

The state dedicates \$225 million of state General Fund to the mental health managed care program. The proposed cuts would reduce this level of funding by \$64 million. This reduction of funds would result in a loss of \$4.5 million locally. Including the loss of federal matching dollars, the local loss could total \$9 million.

**Service Impact:**

The state's funding reduction to mental health managed care services could eliminate care for approximately 8,056 people with mental illness. This reduction could increase the use of emergency room services by this population and increase the number of acute care hospitalizations.

**Background:**

Mental health managed care services include inpatient hospital services, outpatient mental health services including residential services, and targeted case management. Outpatient services can be provided by psychiatrists, psychologists, licensed clinical social workers, marriage and family therapists, and peer counselors.

Prior to managed care, the state had the responsibility for providing mental health services through a fee-for-service system. The state changed the program to a managed care model and shifted the responsibility for providing mental health services to counties.

The County of San Diego provides managed care mental health services through contracted service providers, therefore contractors would be most impacted by the cuts. For outpatient services, the state sends the County 90 percent of its mental health managed care allocation and these funds are used to pay contractors in full. The County then sends the contractor claims to the state to draw down federal reimbursement.

For inpatient hospital services, the County, through a contractor, authorizes the hospital to provide services. The contract hospital provides the service and sends claims directly to the state. The state pays inpatient hospital services directly and reduces the County's mental health realignment revenue accordingly.