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The Mental Health Services Act: Issues for Legislative Consideration

PRESENTED TO:

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Hon. Joaquin Arambula, Chair

LEGISLATIVE ANALYST'S OFFICE

Background on Mental Health Services Act (MHSA)

▶ MHSA Provides Funding for Public Community Mental Health

- Approved by voters in 2004, the MHSA places a 1 percent tax on incomes over $1 million and dedicates the associated revenues to mental health services.
- The vast majority of MHSA revenue goes directly to counties, which use it to support a variety of services for individuals with or at risk of mental illness.

▶ MHSA Is Part of a Broader System of Public Community Mental Health Financing

- Total funding for public community mental health was around $10 billion in 2017-18. Of this amount, MHSA revenues—around $2 billion in 2017-18—represent around 20 percent of total funding.
- The MHSA is intended to supplement other funding streams in this system, but counties often mix funding from various sources, including the MHSA, to operate mental health programs at a particular service level. For example, counties often use MHSA funding to draw down additional federal Medi-Cal funding.

▶ MHSA Establishes Parameters for How MHSA Funding May Be Spent

- Reserves a small amount of funding for state activities, with the remaining funding going directly to counties.
- Establishes funding levels for direct service provision, prevention and early intervention activities, and innovation programs.
- Authorizes a maximum funding level for counties to support their capital facility and technological needs, workforce development programs, and to maintain a prudent level of reserves.

MHSA Going Forward: Issues for Legislative Consideration

Based on lessons learned from MHSA implementation to date, below we identify for the Legislature's consideration several areas for potential reform within the MHSA to make its implementation more effective in the future. To a large degree, these areas for potential reform relate to a need to set up an effective process that will allow for outcome-based evaluations of MHSA program performance, as well as an accountability framework to ensure that funding decisions going forward are tied to outcome-based measures and informed by evaluations of prior program performance.

▶ Addressing the Lack of a Strategy for Measurable Outcomes

- **The Issues**
  - The MHSA features a number of very broad goals and intended outcomes, such as homelessness reduction under the Prevention and Early Intervention component. However, these outcomes are often not tied to meaningful and measurable targets, such as reducing the homelessness rate by a certain percentage.
  - It is also unclear to what extent there is a coordinated, focused, and strategic effort to achieve these intended outcomes. While different components of the MHSA have their own intended outcomes, a comprehensive performance outcomes-based strategy has not been implemented across the whole act.
- **The Potential Solutions**
  - The Legislature could seek to refine the intended outcomes currently included in the MHSA, giving close consideration to whether the existing intended outcomes are well-defined, measurable, and achievable within the framework of interventions available through the MHSA. Meaningful and measurable targets could be developed that are linked to these outcomes.
  - The Legislature could identify and codify new measurable outcomes that serve to further the broad purposes of the MHSA. It could also set meaningful and measurable targets linked to these new outcomes.

- The Legislature could provide policy direction to facilitate a coordinated statewide strategic effort to achieve the codified intended outcomes.

▶ Addressing Insufficient Infrastructure for Outcome and Performance Evaluation

- **The Issues**
  - Data collection relevant to MHSA outcome measures is not consistent or comprehensive. Outcome data are not collected on all types of programs within the MHSA, and counties have different data systems which makes consistency in data reporting difficult. It is also unclear to what extent counties report data that are aligned with the intended outcomes included in the MHSA.
  - No single entity is not tasked with comprehensive MHSA outcome and performance evaluation and provided with adequate resources to do so. We note that the Department of Health Care Services (DHCS) and the Mental Health Services Oversight and Accountability Commission (OAC) currently share oversight responsibility for different components of the MHSA. The OAC is tasked with evaluating spending and performance within the MHSA, but relies on data provided from the DHCS to do so.
- **The Potential Solutions**
  - The Legislature could target resources for input into the infrastructure for performance evaluation. We note that the portion of MHSA revenue dedicated to state activities, known as the "state cap", may be available for this purpose. The Legislature could provide policy direction that:
    - Ensures that data collected align with intended outcomes to be achieved through the MHSA.
    - Facilitates the development of infrastructure for collecting, analyzing, and reporting performance outcomes.

MHSA Going Forward: Issues for Legislative Consideration

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- Facilitates the development of infrastructure for disseminating information on successful practices among counties.
- Identifies what entity or entities will be responsible for carrying out a more comprehensive outcome and performance evaluation strategy.

▶ Addressing the Lack of a Flexible Accountability Framework to Guide Funding Decisions

■ The Issues

— Currently, MHSA funding allocations and spending decisions are not explicitly linked to programs that have been demonstrated to be effective, by improving measurable outcomes. The act broadly allocates funds according to prescribed categories that represent types of spending. Counties are given wide discretion over what specific programs and services they choose to provide within each of the broad spending categories. This makes it difficult to track whether MHSA spending is achieving the intended outcomes included in the act.

— The MHSA reflected a policy call in 2004 to prioritize the spending of MHSA revenues on direct services for individuals already suffering from severe mental illness (80 percent of revenues) over prevention and early intervention programs that can stem the development of more severe mental illness (20 percent of revenues). The inflexibility in this broad funding allocation has proven problematic over time in that it has not allowed the focus of MHSA implementation to shift as new information on MHSA program effectiveness has come to light.

■ The Potential Solutions

— The Legislature could develop a framework for using outcome data to guide funding decisions within the MHSA. For example, the Legislature could:

MHSA Going Forward: Issues for Legislative Consideration

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- Ensure that MHSA funding is directed toward practices that have been demonstrated to be effective through performance evaluation. This could include providing technical assistance to counties by providing them with a menu of mental health programs to implement that have been demonstrated to be effective. This could be especially helpful to smaller counties that have less administrative and infrastructure capacity for mental health system planning.
- Consider seeking the authority for it to periodically reassess MHSA funding allocations (such as the split between prevention and early intervention and treatment). This could require seeking voter approval. To the extent that evidence indicates that funding should be directed toward more effective practices, the Legislature could consider seeking to change the MHSA spending allocations to reflect updated priorities.

MHSA Workforce Component

▶ Historical and Current Funding for MHSA Workforce Programs

- Counties are free to dedicate up to 15 percent of MHSA revenue to local workforce development programs known as "Workforce, Education, and Training" (WET) programs. However, this 15 percent ceiling includes the total funding counties may dedicate to certain other purposes as well—namely to capital and technology acquisition and development and prudent reserves.
- Under the MHSA, the Office of Statewide Health Planning and Development (OSHPD) is responsible for developing "WET Five-Year Plans" that outline strategies to meet the state's mental health workforce education and training needs. The figure below shows that under previous plans, the state funded a variety of mental health workforce development programs.

State WET Programs Served Individuals Through a Variety of Strategies

Average Annual Number of Program Participants for 2014-15 Through 2016-17

Program Type	Participants
Professional support for underrepresented and/or disadvantaged individuals	6,091
Recruitment and retention	4,335
Consumer and family member employment	3,282
Student loan repayment	1,376
Peer personnel training and job placement	887
Graduate student education stipend	319
Clinical rotations	93
All Programs	**16,384**

WET= Workforce, Education, and Training.

- Distinct from the authority (but not a requirement) given to counties to dedicate up to a specified portion of their MHSA funding allocation to WET programs, the MHSA directed a total of $445 million in revenues from the act's initial years to state and county WET initiatives, as outlined in the WET Five-Year Plans. This funding came out of what

MHSA Workforce Component

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otherwise would have been MHSA funding for counties for other purposes and was authorized to be spent through 2017-18.

- Following the expiration of the dedicated WET funding, in 2018-19, the Legislature appropriated $11 million in one-time MHSA funding for WET. In 2019-20, the Legislature dedicated $60 million ($35 million General Fund and $25 million in MHSA funding) to fund the five-year WET plans spanning 2020 to 2025. (The funding is available for expenditure through 2025-26.) Counties are required to provide 33 percent in matching local funds, raising total 2019-20 funding for WET to $80 million. The figure below summarizes historical and current funding for WET.

Average Annual WET Funding by Fiscal Year
(In Millions)

Fund Source	2005-06 Through 2017-18	2018-19	2019-20 Through 2025-26
MHSA funding for county activities	$34	$0	$3
MHSA funding for state activities	—	11	4
General Fund	—	—	5
Total	**$34**	**$11**	**$11**

MHSA = Mental Health Services Act; WET = Workforce, Education, Training.

▶ Options for Increasing Funding for WET Programs

The Legislatures has a number of options should it wish to increase funding for WET programs, including:

- Up to 5 percent of total MHSA revenues are available for appropriation by the Legislature for state-directed activities, including both administration of the MHSA and one-time programmatic augmentations. The Legislature could elect, as it has in the two most recent fiscal years, to dedicate a portion of this funding to WET programs.
- The Legislature could elect, as it did in 2019-20, to allocate General Fund to WET programs.

MHSA Workforce Component

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- The Legislature could, alternatively, consider dedicating a portion of MHSA funding that otherwise supports local MHSA programs and activities, as was done in the early years of the MHSA according to its terms. This may require voter approval.