BEHAVIORAL HEALTH Fiscal Academy

CalMHSA
California Mental Health Services Authority

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Behavioral Health Fiscal Academy

BHFA Session 1

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Behavioral Health Financing

Core Funding Streams, Medi-Cal Payment Reform Impacts, and Strategic Use of Funds

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Learning Objectives

- Understand the core principles underlying the vast array of behavioral funding streams
- Understand the concept of braiding one-time, special funding streams while avoiding supplantation

Session Roadmap

Section 1: MHSA BHSA PATH

MHSA
BHSA

Section 2: Behavioral Health

2011 Realignment
Medi-Cal Patient Care Revenue (SMH/SUD)
Medi-Cal Admin FFP
Medi-Cal UR/QA FFP
Prop 30 (2012)
Medi-Cal Patient Care Revenue - BH-CONNECT EBP
BH-CONNECT MH IMD FFP
AB 109 Criminal Justice and Rehabilitation Funds
Behavioral Health Continuum Infrastructure Program
County General Funds
Client Fees
Insurance (3rd-Party Payors)

Section 3: Mental Health

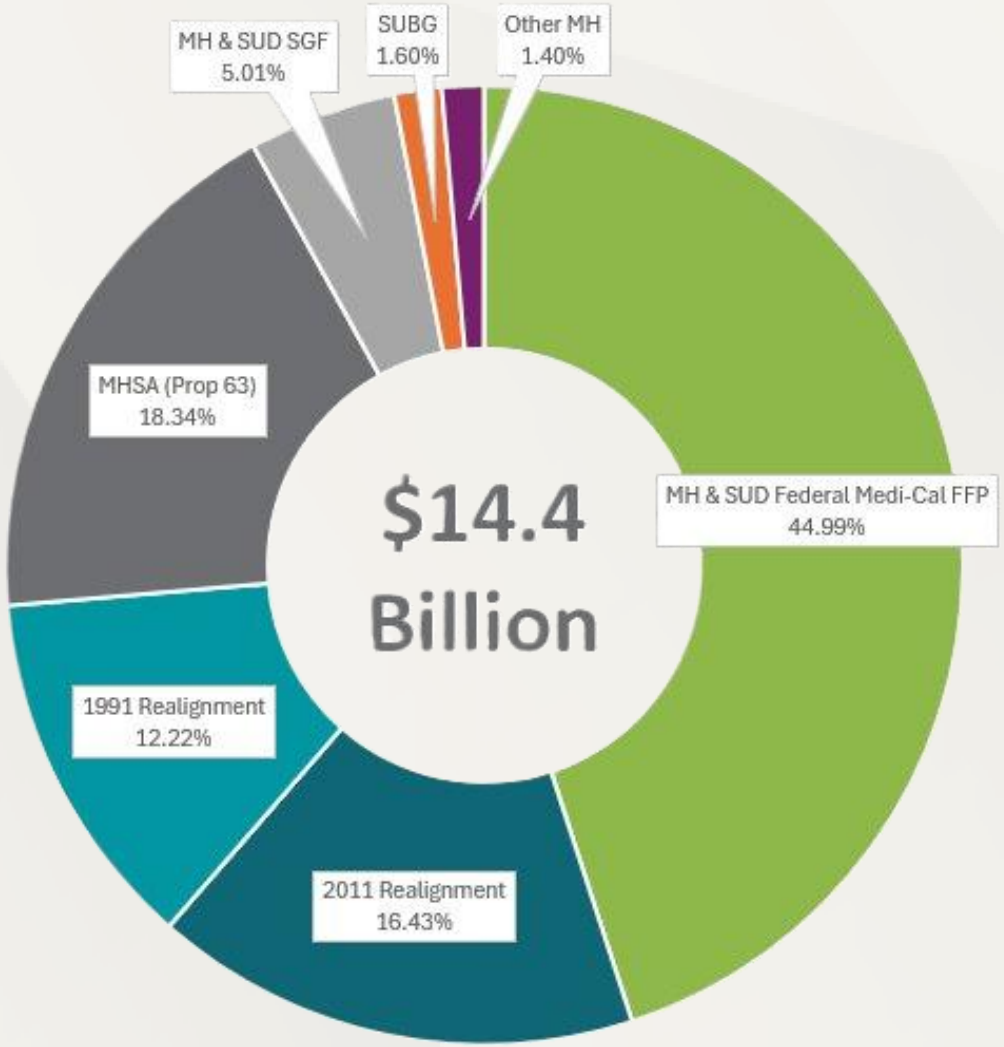
1991 Realignment
MHBG
SAMHSA PATH (McKinney)

Section 4: Substance Use Disorder

SUBG Discretionary
SUBG Adolescent and Youth Treatment Program
SUBG Prevention Set-Aside Program
SUBG Friday Night Live (FNL) Program and SAPT Club Live Program
SUBG Perinatal Set-Aside Program
Opioid Settlement Funds (OSF)
Women & Children's Residential Treatment Services Special Account
California Work Opportunity and Responsibility to Kids (CalWORKs)
Alcohol & Drug Program Fines/Fees Account (Statham Funds)
Driving Under the Influence (DUI) Fees
Pretrial Drug Diversion (PC 1000)
Penalty Assessment Statutes

Behavioral Health (BH) Funding Streams

FY25/26 Core Funding Stream Estimates



Note: This pie includes the core funding streams only. Smaller categories (e.g., Medi-Cal Admin FFP, UR/QA FFP, BH-CONNECT FFP, MHBG, PATH, Opioid Settlement Funds, County GF, Medicare/Insurance/AB 109, BHCIP, Prop 30) are excluded for readability. Percentages are rounded, so the sum may differ from 100%.

Unpacking Each BH Funding Stream, One by One

MHSA & BHSA

Mental Health Services Act (MHSA)

💰 Funding Overview

Prop 63 created MHSA with a 1% tax on personal income over $1M

Revenue is separate from the State General Fund.

Volatility due to reliance on high-income earners.

Prudent Reserve requirement: (counties must maintain a reserve for economic downturns):

- Maximum = 33% of 5-year CSS average
- Minimum = Not defined in statue (often ~15-20% in practice)

✅ Allowable Activities

Activity costs must align with the county's 3-year plan and fall within the 5 core components:

- CSS (76%): direct services for SMI adults and SED children
- PEI (19%): outreach, stigma reduction, and early supports
- INN (5%): pilots and testing of new approaches
- WET: workforce pipeline development and training
- CFTN: capital facilities and technology systems

Prudent Reserve

🚫 Restrictions

Must supplement, not supplant other funding sources.

Restricted to approved components and plan priorities.

Subject to community planning & stakeholder process.

Not intended to replace county obligations but can expand or enhance them.

Funds are time-limited, others restricted by % set-asides.

From Prop 63 (2004) to Prop 1 (2024)

Prop 63 (2004)

The Mental Health Services Act, which added a 1% tax on incomes over $1 million to fund mental health programs.

Prop 1 (2024)

Amended the Mental Health Services Act (MHSA), renaming it the Behavioral Health Services Act (BHSA) and expanded its scope to include substance use disorder (SUD) treatment.

Reallocating Funding by Component

Maintains the core funding stream (1% millionaire tax) and distribution formula across counties.

However, county BHSA components follow a new component structure:

- Behavioral Health Services and Supports (BHSS)
- Full-Service Partnership (FSP)
- Housing Interventions

MHSA—BHSA Funding Transition

Current State

- CSS (~ 75%)
- PEI (20 %)
- INN (5 %)
- WET (one-time)
- CFTN (one-time)

Component Spending Timeline:
CSS & PEI – 3 years
INN (county size):
- >200,000 – 3 years
- <200,000 – 5 years

WET – 10 years
CFTN – 10 years

Future State

- Housing (30%)
- FSP (35%)
- BHSS (35%)
- WET
- CFTN

Component Spending Timeline:
FSP, BHSS, Housing Interventions – 3 years
INN (county size):
- >200,000 – 3 years
- <200,000 – 5 years

WET – 10 years
CFTN – 10 years

WET & CFTN are part of BHSS & can be used anytime without the need to transfer from another component.

Behavioral Health Services Act (BHSA)

💰 Funding Overview

Prop 1 (2024) amended Prop 63 (2004), renaming MHSA to BHSA.

Revenue is separate from the State General Fund.

Volatility due to reliance on high-income earners.

New Maximum Prudent Reserve Requirement:

- 20% of 5-year BHSA average for counties with greater than 200K population
- 25% of 5-year BHSA average for counties with less than 200K population
- Counties are not required to have a minimum amount.

✅ Allowable Activities

Full-Service Partnership – 35%: High-intensity integrated MH and SUD services.

Housing – 30%: Housing interventions for individuals with SMI/homeless or at risk of homelessness

Behavioral Health Services & Supports – 35%: Broader continuum of care including early intervention, outreach, system capacity development.

WET & CFTN

Prudent Reserve

🚫 Restrictions

Must supplement, not supplant other funding sources.

Strict percentage allocations – counties must adhere to 35/30/35 split; however, a county can adjust those percentages thru approved exemptions and/or transfer requests, needing stakeholder process and DHCS approval.

Implementation and expenditures are uniquely subject to 3-year planning and reporting requirements.

Exhaust MCP housing supports before using BHSA Housing Intervention funds.

BHSA Housing funds cannot be used to pay for behavioral health treatment services.

BHSA Integrated Funding Approach

Prioritizing Federal Match and Other Reimbursable Opportunities

Maximizing Medi-Cal and Other Streams:

- BHSA requires counties to build an integrated funding plan that aligns all behavioral health resources, leveraging Medi-Cal, private insurance, and managed care, before using **BHSA dollars to fill gaps**.

Integrated Plan Guidance:

- County reporting will be uniform to allow for comprehensive and transparent reporting of BHSA funding in relation to all public local, state, and federal behavioral health funding.
- Integrated Plans and BHOATR reporting will require counties to demonstrate coordination across all funding streams.

BHSA's Role in Funding Hierarchy

- BHSA is positioned as a gap-filling fund, not a primary payer, to avoid supplantation and to maximize federal match opportunities.

MHSA Non-Supplantation Rule

Core Legislative Language (W&I Code §5891) | DMH Letter No. 05-04

Expansion, Not Replacement

- MHSA funds must be used to expand mental health services beyond the 2004-2005 baseline.
- Cannot be used to supplant (replace) existing state or county funds already being used for mental health.

State Funding Guarantee

- State must continue to provide at least the same level of General Fund support and formula-based allocations as provided before MHSA.
- Prevents state from cutting its share and pushing costs to counties.

MHSA Non-Supplantation Rule (cont.)

Core Legislative Language (W&I Code §5891) | DMH Letter No. 05-04

No Cost Shifts to Counties

- State cannot restructure financing in a way that increases counties costs or financial risk, unless the state provides full funding to cover those added costs.
- Any new mandates must come with full state funding.

Restricted Uses

- Funds may only be used for programs explicitly authorized in W&I Code §5892 - CSS, PEI, INN, WET, CFTN, Planning, State Direct Admin.
- Cannot be diverted to unrelated programs.

No Diversion or Loaning

- MHSA funds cannot be loaned to the State General Fund or any county general fund (or other funds).
- Funds must remain dedicated to MHSA purposes.

No Diversion or Loaning
Let's take a quick dive into history to talk about an instance of MHSA being diverted by the State…

MHSA as a Backfill: The 2011 Realignment Shortfall

Fiscal Year 2011–12: MHSA's Role in Covering Realignment Gaps

In Fiscal Year 2011–12, California faced a shortfall in sales tax revenue that was supposed to fund the 2011 Realignment.

To cover this gap, the state redirected approximately $864 million from MHSA funds to support the mental health components of 2011 Realignment. This was a one-time solution because the dedicated sales tax revenue was insufficient to meet obligations.

This redirection was controversial because MHSA funds were originally intended for expanding services, not backfilling existing obligations.

It highlighted structural issues in realignment funding formulas and the vulnerability of behavioral health financing during economic downturns.

Let's get back to Supplantation, now, under BHSA

Supplantation Rule & BHSA

The Implications for Supplantation After Updated Legislation

BHSA **did not** hit a clean reset on supplantation rules.

Legislation Post-Prop 1

- W&I Code §5891 continues to state, “be utilized to expand… services” and “shall not be used to supplant existing state or county funds” and is now framed for behavioral health **(MH + SUD)**

- §5891 also maintains the state-level MOE concept (state must continue at least the same GF/formula support as in the fiscal year prior to the Act’s effective date). Prop 1 amended and renamed the Act but did **not remove this MOE clause**.

- **Operationally, this means:** Assume DMH Letter 05-04 is still in place and the 2004 spending expectations still apply.

- **Supplantation & 2011 Realignment**: While counties cannot use BHSA funds to backfill most local obligations, the BHSA Policy Manual carves out 2011 Realignment as an exception because it is considered a separate dedicated funding stream for BH.

Behavioral Health Funding Streams (MH + SUD)

2011 State-Local Realignment

💰 Funding Overview

Established in 2011 to shift public safety, health, and human services programs to counties.

Revenue from state sales tax (1.0625%) and VLF.

SB 1020 (2011-12) created the BH Subaccount for EPSDT, Drug Medi-Cal, and Medi-Cal Specialty Mental Health Services. Proposition 30 (2012) later guaranteed these revenues in the state constitution.

✅ Allowable Activities

Mental Health

- SMH Managed Care
- MH Early and Periodic Screening, Diagnosis and Treatment (EPSDT) for children and youth

Substance Use Disorder

- Drug Medi-Cal, including EPSDT
- Drug Courts
- Perinatal Drug Services
- Non-Drug Medi-Cal SUD services

Funds can be used as the local match for all Medi-Cal SMHS, administration, and/or UR/QA activities.

Funds can generally be used for all SUD services. Priority to fund Medi-Cal SMHS.

🚫 Restrictions

No supplanting: Counties must use 2011 Realignment funds before county general funds and cannot replace with federal dollars.

Transfers: No transfers to public safety or non-BH programs; transfers within the Support Services Account limited to 10% (between MH & SUD).

Cannot restrict eligibility/coverage; state shares mandate costs.

SUD: Perinatal SUD services that meet the Medi-Cal definition in Title 22 **only** (pregnancy through 60 days postpartum, including specified psychosocial and health education components).

McKinney PATH Grant

One of the Most Flexible Homeless Outreach/Engagement Funding Streams but Cannot Fund Housing Itself

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
It is a federal block grant under the McKinney-Vento Homeless Assistance Act, administered by SAMHSA, distributed to states and then to counties. Counties provide a non-federal match equal to $1 for every $3 of federal PATH funds received – **cash** or **in-kind** allowable. Target adults with serious mental illness (SMI) and co-occurring SUDs who are homeless or at risk of homelessness.	Outreach & engagement to individuals with serious SMI/SED & co-occurring SUD who are homeless or at risk of homelessness. Screening & diagnostic assessments. Case management and service coordination. Assistance with benefits enrollment (SSI/SSDI, Medi-Cal). Housing-related supports (referrals, locating housing, moving assistance)	Cannot pay for rent, housing, or room & board No inpatient psychiatric or SUD treatment No jail/prison services or direct cash payments Cannot supplant other funding streams Limited to services for homeless or at-risk adults with SMI/co-occurring SUD

Medi-Cal Patient Care Revenue: SMH & SUD Services

The Funding Counties Receive for Delivering Medi-Cal SMH & SUD Services

💰 Funding Overview

Medi-Cal Patient Care Revenue is the total payment received by the county for approved Medi-Cal claims. This payment merges the federal share (FFP), any applicable SGF, and the county share into a single payment.

1. FFP (Federal Share) – The largest behavioral health system funding stream, drawn down from SMH & SUD services
2. SGF – Funding provided by the state as statutorily required for select beneficiaries and program services associated with Prop 30 (2012)
3. County Share – Taken from the County Funds Account (typically 1991R, 2011R or MHSA).

✅ Allowable Activities

Behavioral Health System Activities:

- Cover county costs for behavioral health services.
- Pay CBOs for allowable SMHS & SUD services.
- Fund behavioral health-related services and activities that benefit Medi-Cal patients.
- Provide IGTs for future Medi-Cal claims (at county discretion, consistent with federal law).

🚫 Restrictions

Only funds covered Medi-Cal SMHS and Drug Medi-Cal for eligible beneficiaries meeting medical necessity.

Claims must comply with federal/state claiming rules per DHCS billing manuals (SMHS, DMC, DMC-ODS).

Cannot be used for investments not related to the county's behavioral health service delivery system.

Subject to audits and disallowances if documentation or claiming rules are not met.

Does not fund administrative costs (covered separately under Admin FFP/UR-QA FFP).

Medi-Cal Admin FFP

💰 Funding Overview

Federal reimbursement to counties for administrative activities that support eligible **Medicaid** MH and SUD services.

Reimbursement based on lower of costs for Regular & MCHIP or:

- 15% of approved claims for Regular Medicaid client services
- 10% of approved claims for MCHIP client services

Reimbursable Maximum:

- 50% FFP for Regular
- 65% FFP for MCHIP

✅ Allowable Activities

The following Medicaid functions:

- General Administration and Management
- Claims and Contract Administration
- Program Planning & Policy Development
- Medicaid Management Information Systems
- Eligibility Intake, Outreach
- Personnel Training and Supervision for Administrative Functions
- Claims Certification and Reporting
- Indirect Administrative Costs (appropriately allocated OMB A-87)
- Auditing & Maintenance Of Providing Directories

🚫 Restrictions

Cannot fund direct clinical service delivery.

Cannot be used for non-Medicaid populations or unrelated county programs.

Requires strict time studies and documentation; disallowances possible if activities aren't clearly linked to Medicaid.

Must follow DHCS claiming instructions and OMB cost principles.

Medi-Cal UR/QA FFP

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Social Security Act (SSA), Title XI, Section 1154(a)(1): This section authorizes reimbursement for quality assurance/utilization review activities Federal reimbursement for eligible **Medicaid** UR/QA activities are: • 75% FFP for activities performed by Skilled Professional Medical Personnel (SPMP) • 50% FFP for non SPMP Reimbursed to cost, no limitation based on approved claims	Conducting utilization reviews of Medi-Cal MH and SUD services (medical necessity, appropriateness, efficiently). Quality improvement programs (e.g., performance monitoring, corrective actions). Monitoring provider compliance with Medi-Cal standards. Training staff in UR/QA protocols. Collecting, analyzing, and reporting quality data.	Cannot fund direct clinical service delivery. Limited strictly to UR/QA activities tied to Medicaid MH & SUD beneficiaries. Requires detailed documentation and adherence to federal/state requirements.

Prop 30 Realignment Stabilization

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Approved by voters in Nov. 2012 to Stabilize state budget and protect education & public safety funding. Fund 2011 Realignment programs to prevent costs shifts to counties without accompanying state funding. Claimable via • Administrative Claim forms • UR/QA Claim forms • Short-Doyle SMHS/SUD service claiming • CARE Court claiming form	Fully fund counties for the entire non-federal share of costs that are required due to a new **state mandate** implemented after the 2011 Realignment. Covers 50% of the non-federal share of costs that are required due to a new **federal mandate** implemented after the 2011 Realignment. See *BHFA Session 5 Prop 30 & Other Medicaid Reimbursement Pathways* for a comprehensive run-down of eligible Prop 30 activities.	Not applicable to new costs for realigned programs which result from a **statewide ballot measure** approved by voters. • Example: Prop 1 Not applicable to new costs for realigned programs when the county is taking on the initiative voluntarily to include • Example: Peer Support Specialist Certification

Medi-Cal Patient Revenue: BH-CONNECT EBP

💰 Funding Overview

Beginning January 1st, 2025, counties can opt in to draw down patient care revenue for delivering EBPs that are reimbursed using bundled Medi-Cal rates for the following services:

- ACT/FACT
- Coordinated Specialty Care for FEP
- Individual Placement Support (IPS)
- Clubhouse Services
- Enhanced Community Health Worker
- Peer Support Services

Opting into these BH-CONNECT activities makes the delivery of the opt-in service an **entitlement** for county beneficiaries.

Many new EBPs are already reimbursed under unbundled Fee-for-Service (FFS).

The non-federal share of these claims is provided by counties – typically through 1991 and 2011R funds, BHSA/MHSA funds, or other eligible local behavioral health dollars.

✅ Allowable Activities

Behavioral Health System Activities

- Cover county costs for behavioral health services.
- Pay SMH & SUD CBOs for allowable EBP services.
- Fund behavioral health-related services and activities that benefit Medi-Cal patients.
- Provide IGTs for future Medi-Cal claims (at county discretion, consistent with federal law).

🚫 Restrictions

Only reimburses approved EBPs provided to eligible Medi-Cal beneficiaries.

Services must comply with DHCS BH-CONNECT claiming rules and documentation standards.

Requires fidelity to EBP models per the DHCS EBP Policy Manual.

Medi-Cal FFP BH-CONNECT IMD Program

BH-CONNECT IMD Medi-Cal Funding for Short-Term IMD Stays – A Major Shift Under CalAIM

💰 Funding Overview

Part of BH-CONNECT / CalAIM reforms expanding Medi-Cal coverage in Institutions for Mental Diseases (IMDs).

Includes:

- IMD designated hospitals & subacute, long-term IMDs

Short Term Stays:

- Individual claimable IMD service must be ≤60 days, and
- County average length of IMD stay must be ≤30 days

Must opt-in to the following BH-CONNECT EBPs: (1) ACT, (2) FACT, (3) CSC for FEP, (4) IPS for Supported Employment, (5) CHW, and (6) PSS, including Forensic Specialization.

The non-federal share of these claims is provided by counties – typically through 1991 and 2011R funds, BHSA/MHSA funds. This transforms previously 100% county-funded IMD expenditures into shared federal-state-county funding.

✅ Allowable Activities

IMD FFP should be used in accordance with BHIN 25-011, to include, but not limited to:

- Community-based BH services, QI, or capacity expansion to benefit BHP Medi-Cal members.
- Providing additional Medi-Cal reimbursable BH services
- Hiring additional behavioral health clinicians, providers and staff
- Investing in behavioral health quality improvement infrastructure
- Enhancing provider payment rates (e.g., to build capacity and expand workforce).

🚫 Restrictions

Available only to opt-in counties: ACT, FACT, CSC for FEP, IPS for Supported Employment, CHW, and PSS (including Forensic Specialization).

Coverage restricted to short-term lengths of stay (per federal/state guidance).

IMDs must comply with federal and state standards, including active treatment requirements and discharge planning.

AB 109 Criminal Justice & Rehabilitation Funds

Supports MH and SUD Services for Justice-Involved Populations

💰 Funding Overview

AB 109 (Public Safety **Realignment Act of 2011**) shifted responsibility for certain non-violent, non-serious, non-sex offenders from state prisons to county jails and probation.

Funding flows from the Community Corrections Subaccount (part of 2011 Realignment) to counties.

County probation departments often allocate a portion to behavioral health departments for in-custody and reentry services BHS.

✅ Allowable Activities

Behavioral Health Services

- Clinical assessments, crisis intervention, psychiatric care.
- Mild-to-moderate and severe mental health treatment.
- Screening, assessment, outpatient treatment.
- Case management for SUD or co-occurring disorders.
- Cognitive Behavioral Therapy (CBT) and other evidence-based interventions.

Reentry and Supportive Services

- Peer support and navigation.
- Transitional housing and supportive housing linked to treatment.
- Integrated Case Management

🚫 Restrictions

Cannot be used to supplant existing county funds for probation/jails.

Cannot be diverted to non-justice or unrelated county programs. Use must align with AB 109 plans.

Must align with county Community Corrections Partnership (CCP) plan.

Use is limited to realigned offender populations (non-serious, non-violent, non-sex offenders and state parole violators).

Subject to state oversight and local reporting requirements.

Behavioral Health Continuum Infrastructure Program

A One-Time State Grants to Expand MH and SUD Treatment Infrastructure

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
BHCIP was created by 2021 legislation and expanded by Proposition 1 (2024) to address gaps in California's behavioral health infrastructure. Consists of State general obligation bonds and state appropriations, administered by DHCS. Funds awarded through competitive grants (Round 1-5 under 2021 BHCIP, then new rounds 1&2 are Bond BHCIP under Prop 1) with the target of reducing homelessness, incarceration, and unnecessary hospitalizations by increasing access to community-based care.	Includes a range of BH infrastructure: Acquisition, construction, and expansion of BH facilities. Residential and community-based treatment capacity for MH and SUD. Crisis stabilization, outpatient, and mobile crisis infrastructure. Supportive Housing with Behavioral Health Services (when tied to treatment infrastructure). Pre-development costs (architectural, engineering, environmental reviews).	Not for direct services (treatment delivery, staffing, operations). Cannot be used for ongoing program costs or supplanting existing funding. Encumbrance & Use Restrictions: Facilities must remain in behavioral health use for a specified compliance period. Some rounds require matching funds or proof of sustainability. Must serve priority populations.

Client Fees

Supports MH and SUD Services

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Revenue collected directly from clients receiving MH or SUD services. Historically authorized under state law (e.g., Uniform Method of Determining Ability to Pay – UMDAP for MH). Includes sliding scale fees, copayments, or share-of-cost for certain Medi-Cal or uninsured clients. Considered a minor and declining revenue source as Medi-Cal coverage has expanded.	Funds may be applied to offset costs of providing MH or SUD services. Supports outpatient treatment, counseling, or residential programs for fee-paying clients. Helps cover non-Medi-Cal clients or services not fully funded. Administrative support related to billing, collections, and account management.	Cannot replace or supplant dedicated state/federal funding streams. Revenue is unreliable and limited; varies by client population and ability to pay. Not a sustainable funding source for core services. Subject to state/federal rules on patient rights, ability-to-pay, and collection practices. Counties cannot deny medically necessary services due to inability to pay.

Insurance (3rd-Party Payors)

Supports MH and SUD Services for Justice-Involved Populations

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Revenues from Medicare and commercial health insurance plans or other, similar third-party payors. Counties bill these insurers for covered MH and SUD services when clients have private insurance prior to billing Medi-Cal. Considered a supplemental revenue source. Not a stable or guaranteed source of funding for county Behavioral Health systems. Revenue highly variable depending on client insurance mix.	Reimbursement for covered MH and SUD services provided to the insured clients. Treatment services included in the client's plan benefits. Can offset county costs by billing private insurance before Medi-Cal/Realignment.	Limited to services covered by the client's insurance plan. Cannot bill for non-covered services or uninsured clients. Subject to insurer utilization review, prior authorization, and reimbursement limits.

County General Funds (CGF)

Discretionary, Local Dollars that Can Supports MH and SUD Services, with Amounts Varying Widely and Never Guaranteed

💰 Funding Overview

Locally derived revenues (property tax, sales tax, fees, discretionary sources) controlled by each County Board of Supervisors.

Behavioral Health Departments primarily manage programs funded by state and federal dollars rather than local general funds. These are considered “subvented” programs.

BH combines multiple funding streams from higher levels of government to sustain operations, this is why county general funds are often allocated very sparingly to BH.

✅ Allowable Activities

As authorized by the County Board of Supervisors.

Meeting the county’s Maintenance of Effort (MOE) under 1991 Realignment; the minimum local contribution required to access Realignment funds.

Some counties may also use GF for:

- Match for Medi-Cal programs
- Filling gaps for MH and SUD services.
- Administrative overhead
- Interagency projects

🚫 Restrictions

No state or federal mandate requires counties to spend County General Fund (CGF) on behavioral health; except where required to satisfy county Maintenance of Effort (MOE) obligations under Realignment. Its use is discretionary.

Competes with all other county priorities (public safety, health, social services, etc.).

Subject to annual budget approval by Board of Supervisors.

Mental Health Funding Streams

1991 State-Local Realignment

💰 Funding Overview

The intent was to shift responsibility for local mental health systems to counties, allowing them to design and deliver services in the least restrictive settings.

It's funded by Sales Tax & Vehicle License Fees and uses a base + growth structure.

Funding uses a rolling base + growth methodology and is sensitive to economic trends.

Most flexible MH funding source; funds can roll over year-to-year and are commonly used as the local match for Federal Financial Participation (FFP).

✅ Allowable Activities

To the extent resources are available:

- Pre-crisis and crisis services
- Comprehensive Evaluation and Assessment
- Individual Service Plan
- Medication Education and Management
- Case Management
- 24-Hour Treatment Services
- Rehabilitation and Support Services
- Vocational Rehabilitation
- Residential Services
- Services for Homeless Persons
- Group Services
- All community-based mental health services
- State hospital services for civil commitments
- Institutions for Mental Disease (IMD) which provided long-term nursing facility care

🚫 Restrictions

No supplanting of county MH and SUD funds.

Funds must be used for realigned mental health responsibilities for Adults with SMI and Children with SED.

Counties must maintain their local contribution level; Realignment funds cannot replace the MOE obligation.

Non-Allowable Involuntary Treatment Costs:

- Apprehension or transport for 72-hour holds
- Court proceedings for evaluations or appeals
- Legal proceedings for conservatorship (except investigations)
- Post-certification court costs
- Public defender or court-appointed attorney costs

Mental Health Block Grant (MHBG)

A Core Federal Funding Stream for Community Mental Health Services

💰 Funding Overview

Federal block grant administered by SAMHSA

County awards may include the following set-asides:

- Dual Diagnosis
- First Episode Psychosis
- Children's System of Care
- Integrated Svcs Agency

Counties submit biennial application packages to renew their allocation including a budget that ties to detailed program narrative.

Federal funds flow through the state and are distributed to counties via biennial applications.

✅ Allowable Activities

Community-based MH services for

- SMI Adults
- SED Children/Youth
- Early SMI/First Episode Psychosis (FEP).

Treatment and Support Services not covered by Medicaid, Medicare, or private insurance, such as:

- Outpatient treatment
- Case management
- Care coordination
- Rehabilitation & recovery supports
- Peer support services

Planning, Administration, and Evaluation of mental health systems

Technical Assistance and Training to improve service quality

🚫 Restrictions

Cannot be used to pay for services that are reimbursable under Title XIX (Medicaid):

- Direct payment for Medicaid-covered services
- Cover Medicaid cost-sharing obligations
- As the non-federal share (match) for Medicaid or any other federal program

Intended to supplement, not supplant, other funding sources

Cannot be used for inpatient or room and board services, direct cash payments, or capital expenses. Cannot be used to purchase major medical equipment or to satisfy any requirements of the expenditure of non-federal funds.

Substance Use Disorder (SUD) Funding Streams

Note: The SUBG Maintenance of Effort (MOE) is met through 2011 Realignment funding.

Discretionary Base

SUBG

Adolescent & Youth Treatment Set-Aside

Prevention Set-Aside (≥ 20%)

Perinatal Set-Aside

Friday Night Live (FNL) Program & Club Live Program

SUBG – Discretionary Base

The Largest Federal Block Grant SAMHSA Provides for SUD Prevention, Treatment, and Recovery with Required Set-Asides

💰 Funding Overview

The Substance Use Prevention, Treatment, and Recovery Block Grant (SUBG), provides flexible federal funding to support SUD services.

Its core purpose is to expand prevention, treatment, and recovery programs for SUD populations, including priority groups.

SUBG serves as a vital complement to Drug Medi-Cal.

✅ Allowable Activities

Support priority treatment and recovery services for individuals:

- Without insurance
- Whose coverage is temporarily terminated
- Whose services are not covered by Medicaid, Medicare, or private insurance

Collect performance and outcome data to evaluate effectiveness of behavioral health services.

Counties may use funds for room and board in Transitional Housing (DMC State Plan), Recovery Residences (DMC-ODS), and Residential SUD treatment services (DMC-ODS) when tied to recovery support and transitional living environments.

🚫 Restrictions

No supplanting of other state funded SUD services.

Cannot be used for inpatient hospital services (except limited detox), direct cash payments, or capital expenses.

Not for DUI programs or stand-alone tobacco cessation.

Must meet required prevention set-aside and maintain priority population requirements.

Cannot be used to satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funds or to provide financial assistance to any entity other than a public or nonprofit private entity.

SUBG: Adolescent & Youth Treatment Set-Aside

A Required Allocation of SUBG/SAPT Block Grant Funds Dedicated to Adolescent and Youth SUD Treatment and Recovery Services

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Required carve-out of the SUBG Block Grant.	Outpatient and intensive outpatient treatment programs for youth.	Cannot supplant any other youth treatment funding.
Ensures counties dedicate a portion of the SUBG funds to adolescents & youth SUD treatment.	Residential SUD treatment for adolescents.	Not for non-SUD services (education, housing, etc.).
Targets individuals under 18 - sometimes extended to transitional age youth up to 25.	Withdrawal management & MAT adapted for youth.	Cannot fund room & board in residential settings.
	Family therapy and wraparound supports.	Must be targeted to youth populations only.
	Recovery supports (peer, mentoring, aftercare). Prevention/early intervention services where integrated with treatment.	Subject to SUBG reporting, fidelity, and state oversight.

SUBG: Prevention Set-Aside

A Required Allocation of SUBG Block Grant Funds to be Used for Primary Prevention

💰 Funding Overview

Required carve-out of the SUBG Block Grant. DHCS has set a 25% allocation for primary prevention to ensure statewide compliance.

Supports evidence-based prevention strategies targeting youth, families, and communities.

Funds community-driven prevention coalitions and programs.

✅ Allowable Activities

Evidence-based prevention programs in schools and communities.

Youth leadership and engagement initiatives: Friday Night Live (FNL) & Club Live.

Community coalitions and environmental prevention strategies.

Media campaigns, public education, and stigma reduction.

Parent/family education and support programs, training prevention workforce and building community capacity.

🚫 Restrictions

Cannot supplant existing prevention funding.

Not for clinical treatment or recovery services.

Cannot fund room & board, housing, or medical care.

Must focus on primary prevention of alcohol and drug use (not secondary/tertiary treatment).

Subject to SUBG evaluation, fidelity, and federal/state reporting requirements.

SUBG: Friday Night Live (FNL) & Club Live

Youth Leadership and Prevention Programs Funded Through the SUBG Prevention Set-Aside

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Funded through the SUBG Prevention Set-Aside (≥20%) for California youth and prevention programs. FNL: High school-based program. Club Live: Middle school-based program. Focuses on youth leadership, positive development, and alcohol/drug prevention.	Youth-led prevention campaigns and peer education. Leadership training, mentoring, and skill building. Alcohol and drug-free community and school events. Partnerships with schools, families, and community coalitions. Data collection and evaluation of prevention outcomes.	Cannot supplant other education or prevention funds. Not for clinical treatment or recovery services. Cannot fund room & board, housing, or unrelated school activities. Limited to alcohol, tobacco, and drug prevention efforts. Must align with federal/state prevention requirements.

SUBG: Perinatal Set-Aside

A Required Allocation of SUBG Dedicated to Pregnant and Postpartum Women with SUD

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Required carve-out of the SUBG/SAPT Block Grant. Ensures counties prioritize pregnant and postpartum women with SUD. Funds services that support both maternal health and infant outcomes.	Priority admission and engagement for pregnant/postpartum women. Outpatient, intensive outpatient, and residential SUD treatment. Perinatal withdrawal management and MAT. Childcare, transportation, and wraparound supports while in treatment. Case management and coordination with prenatal/OB care. HIV/TB testing and referrals (per SAMHSA priority populations). Counties may use funds for room and board in Transitional Housing (DMC State Plan), Recovery Residences (DMC-ODS), and Residential SUD treatment services (DMC-ODS) when tied to recovery support and transitional living environments.	Cannot supplant existing maternal health or public health funding. Not for non-SUD services outside perinatal scope. Limited to pregnant and postpartum women (within 60 days after delivery). Subject to SUBG federal/state reporting and state oversight.

Opioid Settlement Funds (OSF)

Funds resulting from opioid manufacturer and distributor legal settlements & bankruptcies

💰 Funding Overview

Funds are the result of national opioid legal settlements and bankruptcies, which are distributed over an 18-year period to address opioid and SUD (2022 – 2039).

These funds come from several entities involved in the settlements and bankruptcies, such as Kroger, Walmart, and Jansen.

OSF dollars are primarily allocated from two funds: (1) Abatement Account Fund and (2) Subdivision Fund.

Each fund has specific requirements and counties must submit expenditures reports to the State annually on their use of OSF.

✅ Allowable Activities

Used for opioid remediation including care, treatment, and programs addressing opioid misuse/abuse and related harms.

Includes High Impact Abatement Activities (HIAA) such as SUD infrastructure expansion, vulnerable population outreach, diversion programs, naloxone distribution, youth prevention, perinatal/MAT services, warm-handoff programs, and recovery supports.

Administrative costs tied to remediation are also allowed.

🚫 Restrictions

Cannot be used to supplant existing SUD/MH funding. Must supplement, not replace.

Must be spent on opioid-related abatement strategies consistent with settlement agreements.

Paying the salary and benefits of individuals not performing opioid remediation activities, paying for law enforcement activities/equipment, or covering travel costs not directly related to an eligible opioid remediation activity.

Restrictions vary by settlement agreement — county programs must comply with eligible uses of abatement/subdivision funds:

- When in doubt, submit a CA Opioid Settlement Technical Assistance Form to DHCS

Women & Children's Residential Treatment Services Special Account

Applicable to 7 Counties Only: Alameda, Los Angeles, Marin, San Diego, San Francisco, San Joaquin & San Luis Obispo

💰 Funding Overview

Established in state law as a Special Account to protect a handful of legacy programs when funding was otherwise unstable.

Provides residential treatment services to women and their children only in the following counties: Alameda, Los Angeles, Marin, San Diego, San Francisco, and San Joaquin.

Funded under the 2011 Realignment Behavioral Health Subaccount, using dedicated sales tax and vehicle license fee revenues.

Formerly funded by a federal grant. Administrated by DHCS.

✅ Allowable Activities

Residential SUD treatment for women with children.

Parenting support and family reunification services.

Childcare and developmental services while mothers are in treatment.

Case management, transportation, and wraparound supports.

Staffing and operations for women & children's residential programs.

🚫 Restrictions

Cannot be used for general adult residential programs not serving women with children.

Not for room & board unrelated to treatment.

Cannot supplant other SUD or maternal/child health funding

Restricted to designated counties/programs only.

Subject to DHCS allocation rules and reporting requirements.

Alcohol & Drug Program Fines / Fees Account

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Established under California Vehicle Code§23645. Historically called the Statham Fund after the authoring legislator.	Alcohol and drug abuse prevention and education programs.	Must be used only for alcoholism program purposes defined in statute.
Funded through DUI and alcohol-related conviction fines/penalties collected by the courts.	Public awareness campaigns targeting DUI and impaired driving.	Cannot be used for unrelated county services or general fund backfill.
Revenues are deposited in a special account and allocated by counties to support alcohol and drug program services.	School and community alcohol prevention activities.	Not intended for treatment services outside of alcohol/drug programs.
	Training and technical assistance for DUI programs.	Restricted to funds collected from DUI/alcohol fines; revenues fluctuate based on collections.
	Support for county alcohol and drug program administration linked to DUI fines.	Subject to state and local reporting/accountability requirements.

Driving Under the Influence (DUI) Fees

Court-Imposed Fees Dedicated to DUI Education, Prevention, and Offender Programs

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Established in state law, counties collect fees from individuals convicted of driving under the influence (DUI). Fees are earmarked to support local DUI programs and services. Managed at the county level typically through behavioral health or probation departments.	DUI education and prevention programs. Court-mandated DUI offender programs (education, counseling, monitoring). Public education campaigns on impaired driving. Training/technical assistance for DUI program staff. Administrative support for DUI program oversight and compliance.	Must be used only for DUI-related programs. Cannot be diverted to unrelated county services or the general fund. Not available for general SUD treatment outside DUI focus. Revenue depends on DUI conviction collections, so funding may fluctuate. Subject to county/state reporting and accountability rules.

Pretrial Drug Diversion (PC 1000)

Fee-Based, Court-Linked Program that Supports Diversion Services for a Very Specific Population

💰 Funding Overview

Authorized under California Penal Code §1000.

Allows eligible defendants charged with certain non-violent drug offenses to enter a drug education/treatment program in lieu of prosecution.

Program fees are paid by participants; revenues help fund county diversion program operations.

Managed locally, often through probation or behavioral health departments.

✅ Allowable Activities

Drug education and counseling programs for PC 1000 participants.

Outpatient treatment and case management for diversion clients.

Program monitoring, reporting, and compliance activities.

Administrative support tied to PC 1000 diversion programs.

Collaboration with courts and probation to operate diversion programsUI education and prevention programs.

🚫 Restrictions

Must be used only for PC 1000 diversion participants.

Cannot fund general SUD treatment or prevention for the broader population.

Not available for housing, room & board, or unrelated county programs.

Revenue depends on participant fees, so funding is limited and variable.

Subject to court/probation oversight and statutory requirements.

Penalty Assessment Statues

Court Surcharge Revenues Earmarked to Support County Alcohol and Drug Abuse Prevention and Education Programs

💰 Funding Overview	✅ Allowable Activities	🚫 Restrictions
Funding results from fines collected by the county for violations and convictions of alcohol/drug related offenses as required by SB 920 – Alcohol Abuse Education and Prevention Penalty Assessment and SB 921 – Controlled Substance Abuse Penalty Fee. Revenues are distributed to special funds, including county alcohol and drug program accounts. Intended to supplement funding for local SUD prevention, education, and treatment programs.	Alcohol and drug abuse prevention and education programs. Community-based awareness campaigns (e.g., DUI, impaired driving prevention). School-based prevention programs. County alcohol and drug program administrative support. May support training/technical assistance for prevention initiatives.	Cannot use more than 5% of the funds deposited in the special account for administrative costs. A minimum of 33% of the funds collected shall be allocated to primary prevention programs. Funds shall supplement and not supplant any local funds made available to support the county's alcohol and drug abuse education and prevention efforts.

Braiding Funding Streams

Braiding Funding Streams to Achieve Objectives

Braiding combines funding streams for one purpose—to weave together and maximize all available funding sources without losing identities or breaking compliance.

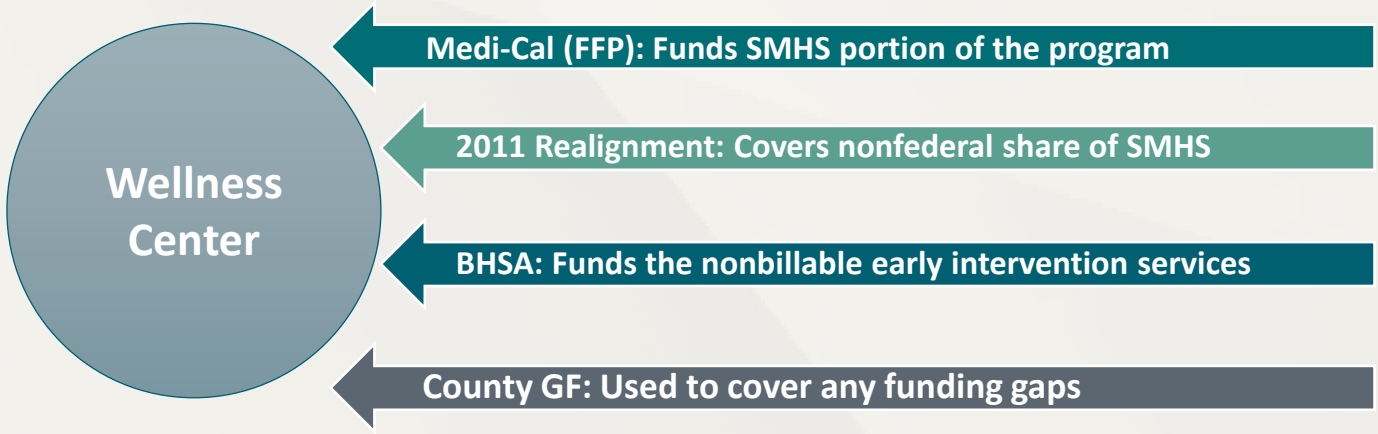
Best Practices

- Keep each stream's purpose & reporting intact.
- Align, don't blend — track separately.
- Document everything; maintain audit trails.
- Maximize resources without losing accountability.
- When unsure, consult compliance/legal

Why It Matters

- Enables comprehensive service delivery.
- Prevents supplantation.
- Builds transparency & sustainability.

Example: Braiding In Action



Braiding = aligning funding sources for a shared goal, without losing the ability to track separately

Why Braiding Is Critical in Behavioral Health

Maintaining Compliance While Maximizing Impact

1. Complexity of Funding Streams

- Counties manage 20+ distinct sources, each with unique rules, reporting, and allowable uses (e.g., MHSA vs. Medi-Cal vs. MHBG).
- Without structured braiding, funds risk being underutilized or misallocated, leading to lost opportunities or audit findings.

2. Accountability & Oversight

- Federal and state programs (e.g., Medi-Cal FFP, MHBG, SAMHSA PATH) require strict segregation of funds.
- Improper blending or supplantation can trigger repayment obligations and penalties.

3. Maximize Impact

- Braiding allows counties to leverage a variety of funds to fulfill the needs of the community.
- Ensures services are comprehensive, sustainable, and legally compliant.

4. Key Distinction

- **Braiding** = aligned, coordinated, tracked separately.
- **Blending** = pooled, indistinguishable, risks noncompliance.

Braiding preserves compliance and accountability while unlocking the full value of each funding source.

Real-World Braiding Funding Examples

Braiding Funds Example 1: Homeless Outreach & Engagement

PATH + BHSA + CalAIM (MCP Contracts)

Scenario:

A county behavioral health department operates a Homeless Outreach Team that helps connect individuals experiencing homelessness with behavioral health services and housing supports.

Braided Funding:

Funding Source	Role in the Braid
McKinney PATH Grant	Outreach specialists and peers doing street outreach, screening/assessment, case management, referrals, and staff training to engage people with SMI/Co-occurring disorders who are homeless/at-risk
BHSA	BHSA—FSP & BH Services/Supports → Wraparound services (FSP), peer support, flexible client funds, transportation, phones, clothing/IDs, plus program infrastructure, training, and data systems that aren't covered by Medi-Cal.
CalAIM (MCP Contracts)	For eligible members, bill Housing Transition/Navigation, Tenancy Sustaining, and Housing Deposits under Community Supports, and ECM for intensive care management; BHSA fills gaps

Result:

PATH pays for the outreach staff and engagement work; BHSA/MHSA dollars are braided in to fund the housing interventions and wraparound supports (including FSP and system infrastructure) that secure and sustain the placement—especially items Medi-Cal can't pay for, like rent.

Strategic Use of Funds: Opportunities to Maximize Federal Match

Strategic Use of Funds - Example 1

Shift Non-Billable Activities to Medi-Cal Billable Activities

Issue:

Counties operate programs that provide services meeting medical necessity but remain non-billable because they lack Medi-Cal certification and compliant documentation. This leaves significant federal dollars on the table and forces counties to rely heavily on local funds (Realignment, BHSA) for costs that could draw FFP.

Opportunity:

By transitioning these programs to Medi-Cal-certified status and training staff on documentation standards, counties can bill Medi-Cal for eligible services and use local funds only as the non-federal share. The BHSA Policy Manual explicitly requires counties to align BHSA-funded services with Medi-Cal and other federal funding streams to reduce reliance on state/local dollars

Impact:

Frees up local dollars to ensure sustainable service capacity and support other, non billable needs.

Strategic Use of Funds - Example 2

Claiming Federal Match for Administrative & UR/QA Activities

Issue:

Counties underutilize Medi-Cal Administrative or UR/QA claiming because staff time isn't well-documented.

Opportunity:

By accurately tracking time spent on Medi-Cal-related oversight, QA, and coordination, counties can typically draw FFP to support covering administrative and UR/QA costs.

Impact:

Frees up local administrative budgets and supports sustainable investment in data, reporting, and compliance infrastructure.

ACRONYMS

BH - Behavioral Health
BHFA - Behavioral Health Fiscal Academy
BHSA- Behavioral Health Services Act
BHSS- Behavioral Health Services Support
CBO - Community-Based Organization
CBT - Cognitive Behavioral Therapy
CCP - Community Corrections Partnership
CFTN - Capital Facilities and Technological Needs
CGF - County General Fund
CSS - Community Services and Supports
DMH - Department of Mental Health
DMC-ODS - Drug Medi-Cal Organized Delivery System
DUI - Driving Under the Influence
EBP - Evidence-Based Practice
ECM - Enhanced Care Management
EPSDT - Early and Periodic Screening, Diagnostic, and Treatment
FEP - First Episode Psychosis
FFP - Federal Financial Participation
FSP - Full-Service Partnership
HIAA - Health Impact Abatement Activities
IGT – Inter-Governmental Transfer
IMD - Institution for Mental Disease
INN - Innovation (MHSA component)
MAT - Medication-Assisted Treatment
MCHIP- Mental Health Community Integration Program
MCP - Managed Care Plan
MH - Mental Health
MHBG - Mental Health Block Grant
MHSA - Mental Health Services Act
MOE - Maintenance of Effort
OMB - Office of Management and Budget
OSF – Opioid Settlement Fund
PATH - Projects for Assistance in Transition from Homelessness
PC – Penal Code
PEI - Prevention and Early Intervention
QA - Quality Assurance
SB - Senate Bill
SED - Seriously Emotionally Disturbed
SGF - State General Fund
SMI - Serious Mental Illness
SMHS - Specialty Mental Health Services
SPMP - Skilled Professional Medical Personnel
SSA - Social Security Administration
SSI/SSDI - Supplemental Security Income / Social Security Disability Insurance
SUBG/SAPT - Substance Use Block Grant / Substance Abuse Prevention and Treatment Block Grant
SUD - Substance Use Disorder
UR - Utilization Review
UMDAP - Uniform Method of Determining Ability to Pay
VLF - Vehicle License Fee
W&I - Welfare and Institutions (Code)
WET - Workforce Education and Training
CalWORKS - California Work Opportunity and Responsibility to Kids

56

BEHAVIORAL HEALTH
Fiscal Academy

Q&A

CalMHSA

Thank You!

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