Issue Brief **January 2016**

Return on Disinvestment:
State's Threadbare Mental Health System Exemplifies the Case Against Tax Cuts

In his proposed state budget for 2016-17, Florida Governor Rick Scott has called for another round of significant tax cuts, this time on the order of a billion dollars. He proposes these cuts at the expense of funding for essential state services that have the potential to improve the lives of countless Floridians as well as Florida's fiscal and economic bottom lines. A prime example of an area where the Governor and Legislature have starved an essential service system to the breaking point is in the area of mental health.

An estimated one in six Floridians are experiencing mental illness, and as a group they are disproportionately likely to lack health coverage or even appropriate and timely access to services.[1] In particular, only those facing severe and persistent mental illnesses can be served through Florida's state-funded mental health system. Individuals with moderate or emerging behavioral health needs are ineligible to receive services, despite the fact that prevention and early intervention services can be provided at a small fraction of what would otherwise be the eventual cost to families, taxpayers and businesses.

> *In the most recent recognized comparison for which Florida-specific data was available, Florida ranked second to last (50th) among the states and the District of Columbia in per capita funding for mental health services.*

Even the relatively few who *are* eligible to receive services ultimately fall into the numerous gaps in Florida's publicly funded mental health system. For many, the consequences include belated crisis management in the most expensive settings, counter-productive and avoidable cycling between jails, hospitals and the streets, and thwarted opportunities for recovery. Progress has been made in some communities around the state, but that progress is often dependent on local political will, and is neither uniform nor sufficient to address the vast need.

Examples underscoring the nature and extent of Florida's unmet mental health need include, but are no means limited to, the following:

Recognized Measures of State Spending for Mental Health Programs and Services Show Anemic (and Eroding) Level of Investment

In the most recent recognized comparison for which Florida-specific data was available (FY 2011-12), Florida ranked second to last (50th) among the states and the District of Columbia in per capita funding that is dedicated for mental health.[2] At $37.49 per resident, Florida's spending was only 30% of the

national average of $124.99.[3] The only state that invested less per capita than Florida is Idaho, which has less than one tenth of Florida's population and only one city with more than 100,000 residents.[4]

A closer examination of the individual components of Florida's dedicated spending for mental health yields similar conclusions. Although the legislature allocated the majority of its limited mental health appropriations to community-based services ($19.63 per capita in 2011-12), again, only one state (Idaho) dedicated less.[5] In fact, the gap between Florida and other states was even more prominent when restricting the focus to community-based services and supports, as that per capita amounted to only 21.1% of the national average.[6] In other words, for each dollar Florida spent on the provision of community mental health services in FY 2011-12, states on the whole spent $4.74.

Furthermore, this level of investment in community mental health was lower than it had been a full six years *prior* ($38.17 per capita in FY 2005-06).[7] Adjusting for inflation, state funding for community mental health actually fell by 10% during that period.[8] Florida's spending relative to the national average eroded significantly (from 37% to 30%) between 2005-06 and 2011-12 as well.[9]

Perhaps most extreme of all was the deficit with respect to services and supports for children, although it is important to note that not all such spending is reflected directly in the mental health budget. Florida spent only $22.13 per child in 2011-12, 16.7% of the national average of $132.52[10]

Spending for State Mental Hospitals - the Last Line of Defense – Has Fallen to Precipitously Low Levels, with Severe Consequences

Narrowing the focus to state mental health hospitals, which serve only those presenting so great a threat to themselves or society (including many found incompetent to stand trial for crimes with which they have been charged) that community placement is impossible, Florida fared slightly better by comparison (44th among states) in 2011-12.[11] This amounted to $16.60 in per capita spending to house and treat residents of these institutions during that year.[12] Moreover, this deficit looms even larger given that is not offset by a greater relative investment in community-based services, as discussed above.

Perhaps most extreme of all was the deficit with respect to services and supports for children, although not all such spending is reflected directly in the mental health budget. Spending was $22.13 per child, just 17.7% of the national average of $124.91.

As low as those funding levels were, the numbers alone may not convey the extent of instability in the mental health system itself. Spending per patient per day in Florida's mental health hospitals tumbled by 6 percent over the six-year period through 2011-12, from $281.44 to $264.60.[13] By that measure, Florida ranked 48th among the states.[14] (Some of the "savings" were exacted through the privatization of several facilities that had been operated directly by the state.)

Such disinvestment does not occur in a vacuum, but rather yields real consequences. For example, a recent investigation into Florida's state-run and state-contracted mental hospitals by the Tampa Bay

Times and Sarasota Herald-Tribune reported that violent attacks at the state's six largest such institutions have doubled since 2009 and that almost 1,000 residents of these facilities injured themselves or someone else while under state-supervised care.[15] They noted that state regulators repeatedly found that both patients and employees were placed at risk as a result of the low staffing levels maintained at these facilities.[16] The Times directly attributed the problems to inadequate funding, which in turn inevitably led to harmful staffing and program cuts.

Recent Legislatures Have Not Reversed the Crisis

Although state spending for mental health has increased in small amounts in recent years (2011-12 is the most recent year that Florida's spending appears in official state rankings), by any number of measures, the overall situation has not perceptibly improved:

- State spending dedicated to mental health was $742.2 million in 2009-10, but by 2011-12 had fallen to $717.6 million.[17] Three years later, in 2015-16, such spending had rebounded only 4% to reach $755.8 million.[18] Looking ahead to next year, the Department of Children and Families (DCF) 2016-17 Legislative Budget Request calls for only $748.5 million.[19]

- Similarly, spending for the state mental hospital system was $346.3 million in 2009-10, but this dropped to $324.3 million by FY 2011-12.[20] Current appropriations remain below 2009-10 levels, and the corresponding DCF Legislative Budget Request for 2016-17 is only $344.3 million.[21]

- In FY 2012-13, the state decreased the amount paid per resident per day for each of the four inpatient facilities operated by private contractors by as much as 9 percent.[22] For three of the four facilities, current (2015-16) rates remain below their 2010-11 levels (5 years earlier); in the fourth case, the rate is 1 percent higher.[23]

- DCF's own needs assessment estimated the *unfunded* mental health service need (i.e., the actual cost of services being provided to persons currently being served for the services they are receiving) at $78.2 million. Moreover, the *unmet* service need (i.e., the funding required to meet the needs of persons who are not currently able to access services and therefore remain unserved) at $355.7 million. Thus, in total a gap of $434.9 million in dedicated mental health spending was identified.[24] After adding in unmet/unfunded substance abuse need, addressing the DCF-identified behavioral health services gap alone would absorb almost two-thirds of Governor Scott's proposed $1 billion in tax cuts.

> *Spending for the state mental health hospital system was $346.3 million in 2009-10, and this dropped to $324.3 million by FY 2011-12.[1] By contrast, current appropriations remain below 2009-10 levels, and the corresponding DCF 2016-17 Legislative Budget Request is only $344.3 million.*

Even Generous Federal Matching Funds Provided through the Current Medicaid Program Do Little to Offset the Effects of Florida's Lack of Investment

The Medicaid program is the other primary source of public funding for mental health services in Florida. Medicaid is perceived as, and to a great extent is, the health coverage safety net for the poorest and sickest Americans. Administered as a partnership between Medicaid and the states, the federal

government provides the majority of funding for the program. In 2015-16, 60.5 cents of every dollar spent in Florida's Medicaid program are federal funds.[25] By contrast, the percentage of the state Medicaid budget funded from state general revenue has never exceeded 20 percent.[26] Nevertheless, Florida's Medicaid program includes massive holes through which countless low-income Floridians with no other access to coverage continue to fall, including many suffering with mental health problems.

For one, many individuals with severe and persistent mental illness simply cannot qualify in Florida because they do not meet restrictive federal disability criteria. Even with a disability determination, they may have incomes slightly above the Medicaid income limit ($9,036 per year for a single individual, which is 77% of the 2015 Federal Poverty Level), yet have no hope of otherwise obtaining meaningful coverage.[27,28]

> ***D**CF's own needs assessment estimated the unfunded mental health service need at $78.2 million, and the unmet service need at $355.7 million. Thus, a total gap of $434.9 million was identified. After factoring in unmet/unfunded substance abuse need, addressing the DCF-identified behavioral health gap alone would absorb almost two-thirds of Governor Scott's proposed $1 billion in tax cuts.*

Furthermore, the robustness of Medicaid provider reimbursement rates for community mental health services, which Florida has not increased in 20 years, has eroded dramatically over time.[29] Florida community mental health providers report that current Medicaid reimbursement rates only cover between 41 and 73 percent of the actual cost of providing services.[30] The effect of the implementation of Statewide Medicaid Managed Care on actual provider payments is currently unclear, but capitation certainly seems unlikely to push reimbursement rates upwards.

Finally, Florida has elected not to cover a number of mental health crisis, housing and supportive services that are eligible for reimbursement under federal Medicaid regulations, despite the fact that they have proven cost-effective in other states.[31]

Opportunity Costs for Florida's Families and Economy Are Even Greater, Given the Legislature's Refusal to Extend Medicaid Coverage to ¼-Million Very Low-Income Floridians Facing Mental Illness Who Cannot Qualify Under Current Rules

Current rules governing Medicaid eligibility in Florida are strict, and although many severely and persistently mentally ill Floridians qualify for Medicaid coverage by virtue of their eligibility for Supplemental Security Income (SSI) (means-tested disability payments), many others do not.

By contrast, almost no non-elderly adults without children who do not receive SSI cannot qualify for Florida Medicaid under current rules, no matter how low their incomes.[32] Under the Affordable Care Act, however, states have the option of expanding Medicaid coverage to most non-elderly adults with incomes at or below 138 percent of the Federal Poverty Level.)

The federal Substance Abuse and Mental Health Services Administration estimated in 2013 that 15.9% of the uninsured adults who could qualify for Medicaid if Florida were to expand are facing mental

health concerns, and almost half of those (7.8%) were experiencing serious mental illness.[33]

Narrowing the focus to the criminal justice and correctional systems, a recent Johns Hopkins University study found that just a few dozen programs operating in expansion states assisted more than 112,000 individuals exiting prison or jail enroll in coverage for which they hadn't qualified in the past. Expansion (coupled with transition assistance) has the potential to help countless Florida inmates connect to coverage and services upon release as well as reduce recidivism.[34]

Estimation of the fiscal and economic impacts is beyond the scope of this brief. Nevertheless, it should be noted that, to the extent that this population currently receives state-sponsored services, they are funded from state sources that do not draw down federal matching dollars. By contrast, under Medicaid expansion, all covered health services (including mental health treatment) would be fully federally funded through 2016, with the state share of the cost increasing to a *maximum* of 10 percent in 2020 and beyond.[35]

****

For a relatively small investment, the Governor and Legislature could begin to reverse the effects of systematic disinvestment in the state-supported mental health system. At the same time, they could effect savings that could improve the lives of vulnerable individuals, reduce the burden on numerous less efficient and more punitive state and locally funded systems, and draw down Florida's share of federal tax dollars to bolster Florida's economy. In terms of net fiscal and economic impact, the breadth and depth of the benefit of any such action would far exceed that derived from any amount of tax cuts.

This report was written by Greg Mellowe, Health Policy Analyst. Karen Woodall is Executive Director of FCFEP; Alan Stonecipher is Communications Director.

Endnotes

1 U.S. Substance Abuse and Mental Health Administration (SAMHSA), 2013-14 National Survey on Drug Use and Health, State Estimates of Substance Use and Mental Disorder, State Prevalence Estimates, December 2015, Table 24

2 National Association of State Mental Health Program Directors Research Institute, Inc (NRI), Table 21: SMHA Mental Health Per Capita Expenditures by Population Density, FY 2012.

3 Calculated from Ibid.

4 Ibid; United States Census Bureau; Current Estimates Data, Vintage 2014

5 NRI, Table 12: SMHA-Controlled Per Capita Expenditures For Community-based Programs, By State: FY 2012

6 Calculated from Ibid.

7 NRI, Table 12, FY 2006

8 FY 2011-12 amounts adjusted to FY 2005-06 dollars based on Consumer Price Index levels

9 Calculated from NRI Tables 12, FY 2006 and FY 2012

10 NRI, Table 13: Total SMHA MH Expenditures by Age Group and State, FY 2012

11 NRI, Table 8: SMHA Mental Health Controlled Per Capita Expenditures For State Mental Hospital Inpatient Services, Community Services (State Hospital and Other Community-based), Research, Training and Administration, FY2012

12 Chapter 2013-40, Laws of Florida (L.O.F.)(2013-14 General Appropriations Act), p.82

13 NRI, Tables 17: SMHA Mental Health-Controlled Expenditures Per Inpatient Day, All Patients In State Psychiatric Hospital Mental Health Services by State, FY 2012 and FY 2006

[14] Ibid.

[15] Tampa Bay Times and Sarasota Herald-Tribune, "Insane. Invisible. In danger - Part 1: Deep cuts, rising violence," October 29, 2015

[16] Ibid.

[17] NRI, Tables 30a: SMHA-Controlled Mental Health Expenditures, FY 2001, 2009, 2010 and FY 2002, 2011, 2012

[18] Ch. 2014-51, L.O.F. (2014-15 General Appropriations Act), p. 81

[19] Calculated from Florida Department of Children and Families (DCF), 2016-17 Legislative Budget Request (LBR), Exhibit D-3A: Expenditures by Issue and Appropriation Category, September 2015

[20] NRI, Tables 4: SMHA Mental Health-Controlled Expenditures For Inpatient Mental Services by Major Programs and State, FY 2010 and FY 2012

[21] Calculated from DCF, 2016-17 LBR, Exhibit D-3A

[22] Calculated from DCF, 2012-13 LBR, Exhibit D-3A, September 2011; and DCF, 2013-14 LBR, Exhibit D-3A, October 2012

[23] Calculated from DCF, 2011-12 LBR, Exhibit D-3A, October 2010; and DCF, 2016-17 LBR, Exhibit D-3A

[24] DCF, et al, Summary of DCF/Managing Entities (ME) Behavioral Health Needs Assessment**,** August 2015, pp. 1-2

[25] Florida Legislature, Bureau of Economic and Demographic Research (EDR), Social Services Estimating Conference (SSEC), Medicaid Federal Share of Matching Funds, December 2015

[26] Calculated from EDR, SSEC, Long-Term Medicaid Forecast, August 2015; and EDR, SSEC, Long-Term Medicaid Forecast, October 2011

[27] DCF, Financial Eligibility - SSI-Related Programs, July 2015

[28] U.S. Department of Health and Human Services (HHS), 2015 Poverty Guidelines for the 48 Contiguous States and the District of Columbia, January 2015

[29] For current Medicaid reimbursement rates, see Florida Agency for Health Care Administration, Florida Medicaid - Community Behavioral Health Services Coverage and Limitations Handbook, March 2014, pp. A1-A10

[30] Florida Council for Community Mental Health, "Mental Health in Florida" (conference presentation), December 2014, slide 6

[31] See, e.g., HHS, A Primer on Using Medicaid for People Experiencing Chronic Homelessness and Tenants in Permanent Supportive Housing, July 2014

[32] U.S. Centers for Medicare and Medicaid Services, State Medicaid and CHIP Income Eligibility Standards, October 2014, p.1. Percentage shown does not includes an additional income disregard amount equal to 5 percent of the Federal Poverty Level

[33] SAMHSA, Enrollment under the Medicaid Expansion and Health Insurance Exchanges: A Focus on Those with Behavioral Health Conditions in Florida, 2013. The maximum monthly SSI payment excludes an additional $20 that is disregarded from the Medicaid income eligibility calculation.

[34] Johns Hopkins Bloomberg School of Public Health, "Inmates Getting Access to Medicaid Upon Release From Jail or Prison" (news release), December 2015

[35] See Section 1905(y) of the Social Security Act (42 U.S.C.§1396(y))