

# State Profile Highlights



Information from the National Association of State Mental Health Program Directors Research Institute, Inc (NRI)

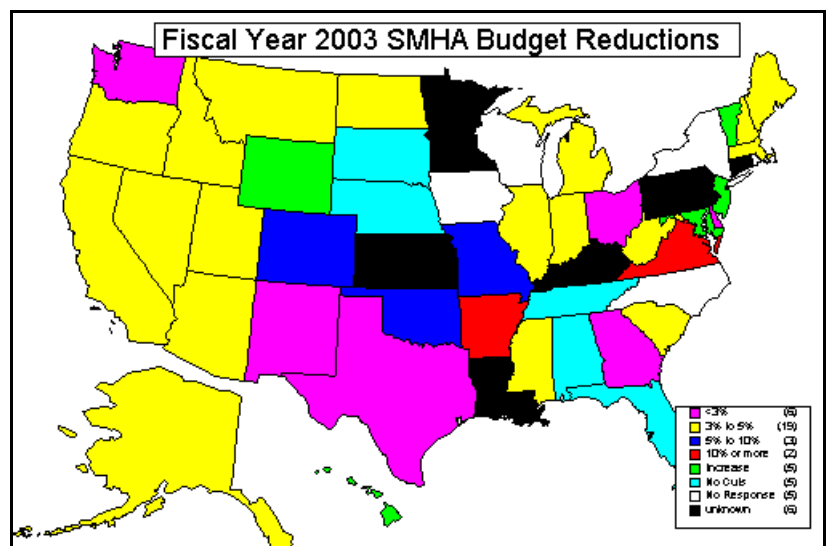
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## FY 2001 Revenue and Expenditure Study Results: Most State Mental Health Agencies' New Revenues Come from Medicaid

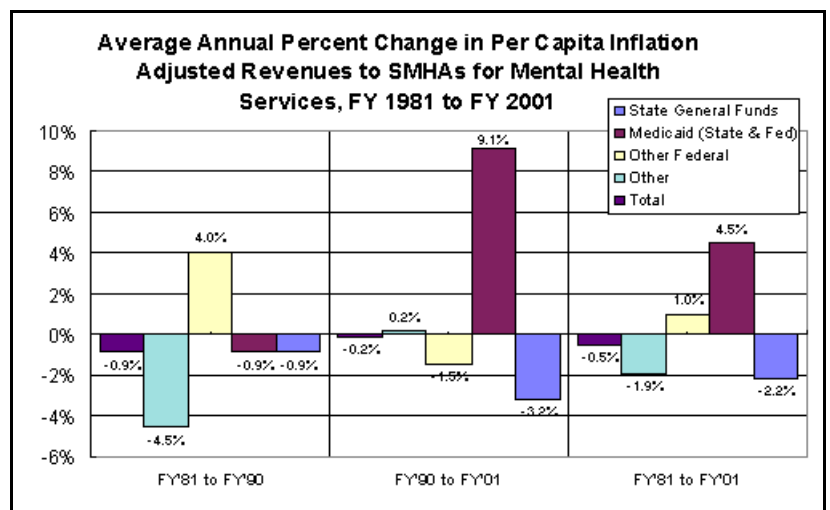
### MAJOR FINDINGS

- ★ State Mental Health Agencies (SMHAs) expended \$23.3 billion on mental health services in Fiscal Year 2001
- ★ Although SMHAs receive most (67%) of their funding from state government taxes, most of the increase in SMHA expenditures during the last 4 years was funded by Medicaid.
- ★ SMHA-expenditures for Community Mental Health Services increased by 57% from FY'97 to FY'01, and now represent over 66% of total SMHA expenditures
- ★ This report shows changes from FY'97 to FY'01, a period of rapid growth in all SMHA expenditures. Since FY'01, the state budget situation has worsened drastically. In FY'03, 32 of 38 States (84%) are experiencing mental health budget cuts.

**In FY'03 and FY'04, SMHAs Face Major Budget Shortages:** This Fiscal Year (FY) 2001 Report is being released at a very difficult fiscal time for states. Almost every state is facing major budget reductions in the current FY 2003, and the National Council of State Legislatures (NCSL) reports that states face a minimum \$68.5 billion budget shortfall for FY 2004. The NRI is releasing this new report on the expenditures and revenues of SMHAs in FY 2001 with a strong caution to readers that the fiscal situation depicted in this report has changed drastically in the current budget environment. Many of the gains in mental health expenditures of recent years are now being lost and the potential exists for much larger reductions in FY 2004.



**Medicaid Revenues to SMHA Programs grew much faster than other sources in the 1990s:** From FY'97 to FY'01 SMHA-controlled revenues for mental health services from Medicaid grew much faster than funds from other sources. Medicaid Revenues (state and federal funds) grew from \$4.97 billion in FY'97 to \$8.4 billion in FY'01, an increase of 69%. During this same time period, State General and Other Funds increased from \$10.4 billion to \$12.4 billion, an increase of 19.4%. Total SMHA-controlled revenues increased from \$17.3 billion to \$23.5 billion, an increase of 36% during this time period. However, when adjusted for population growth and inflation, total SMHA-controlled Revenues increased only 8% over the 4 years, and declined by 1.7% over the last decade.



The SMHA Profiles System was developed by the NASMHPD Research Institute, Inc., under contract No. 280-99-0502 from the Substance Abuse and Mental Health Services Administration/Center for Mental Health Services (CMHS)/Division of State and Community Systems Development/Survey and Analysis Branch. Cited reproductions, comments and suggestions are encouraged. Please contact Ted Lutterman (ext.121) with any questions or comments.

Over the 20 year period from FY'81 to FY'01 State General (and other state) Funds increased by an average of 5% per year. However, much of this increase came during the 1980s, when revenues increased by 7.9% per year. During the 1990s (FY'90 to FY'01), SMHA-controlled revenues from General revenue sources increased only 2.8% per year. When revenues are adjusted for the impact of population growth and inflation, state general revenues fell 3.2% per year from FY'90 to FY'01.

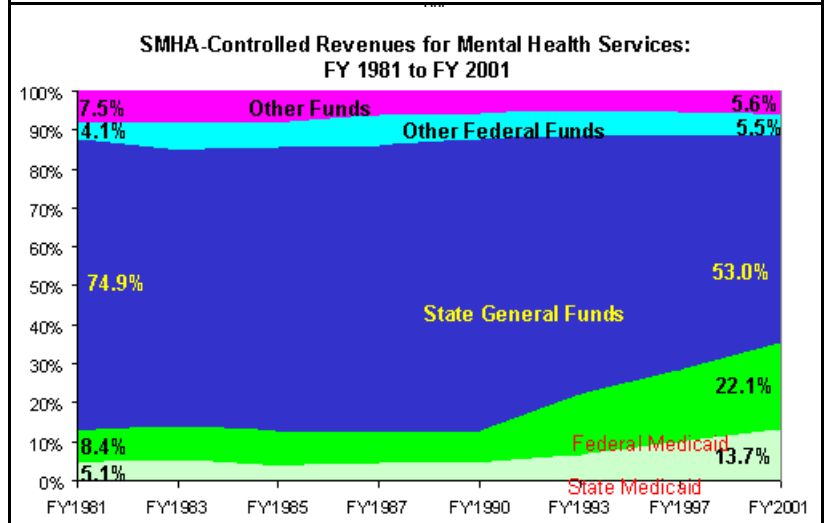
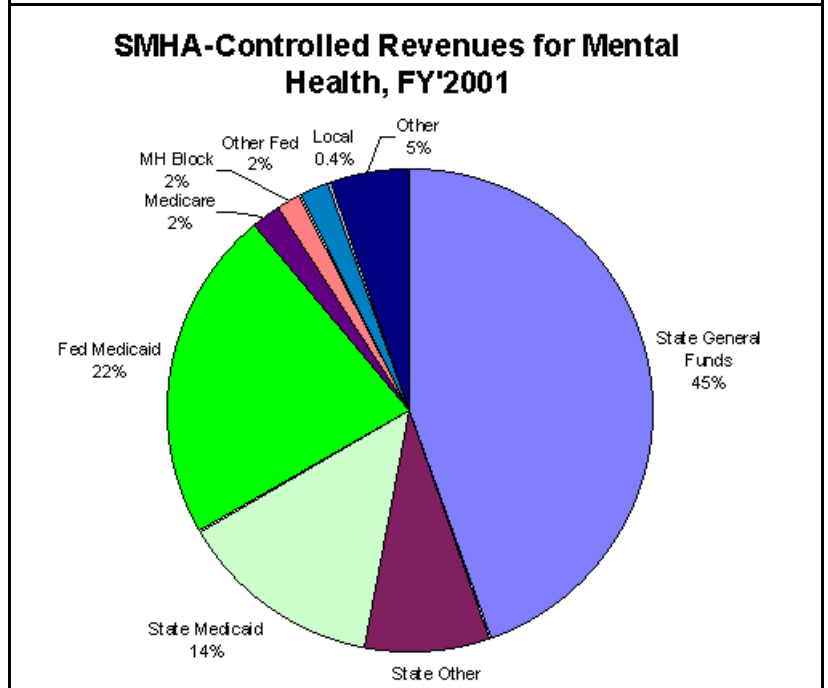
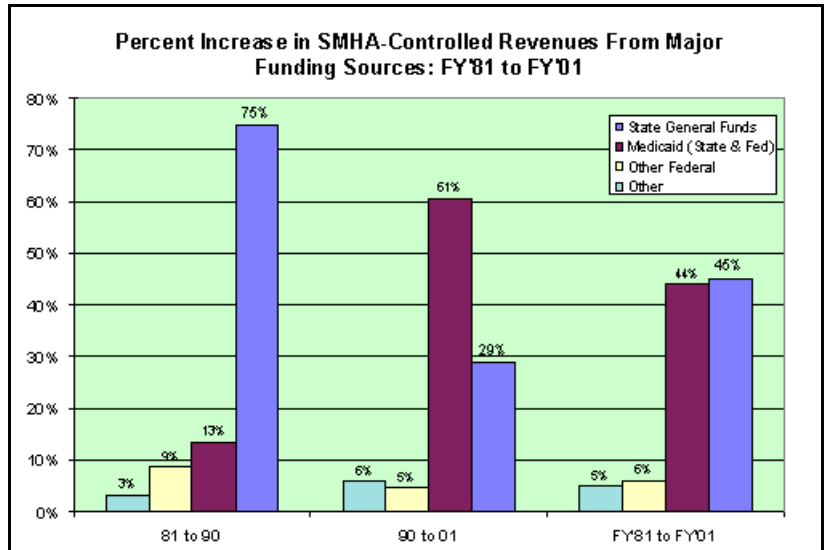
Medicaid grew much faster during the 1990s (15.9% per year), than the 1980s (7.9% per year). In the 1980s, Medicaid increased slightly slower than State General Revenues. After adjusting for population growth and inflation, Medicaid was the only SMHA revenue source to grow significantly over the last 10 years (up 9.1% per year).

**Most of the Growth of SMHA Spending Came from Medicaid:** As a result of the different rates of growth in revenues, in the 1990s, over 61% of the growth in SMHA-spending came from Medicaid funds controlled by SMHAs. This is a substantial increase from the 1980s, when Medicaid accounted for only 13% of the growth in SMHA spending.

State General Revenues accounted for only 29% of the increase in SMHA spending for mental health from 1990 to 2001. This is a substantial decline from the 1980s, when state General Fund sources accounted for 75% of the growth in SMHA mental health spending.

The reliance on Medicaid for funding mental health services has allowed SMHAs to increase services, but at a cost of lost flexibility in the services offered. To use Medicaid, SMHAs have to rely on Medicaid client eligibility rules and approved services, which reduces their flexibility to focus services on targeted high need consumer groups and limits services to Medicaid approved services.

**State Tax Dollars Remain the Major Source of Funding of SMHAs:** Despite the growth in Medicaid, SMHAs continue to receive most (67%) of their funding from state government sources. In FY'01, state tax dollars accounted for over \$15.7 billion of the funding for SMHA's mental health services. These funding sources included State General and Special Funds of over \$12.4 billion, and State Medicaid Match funds of over \$3.2 billion. The

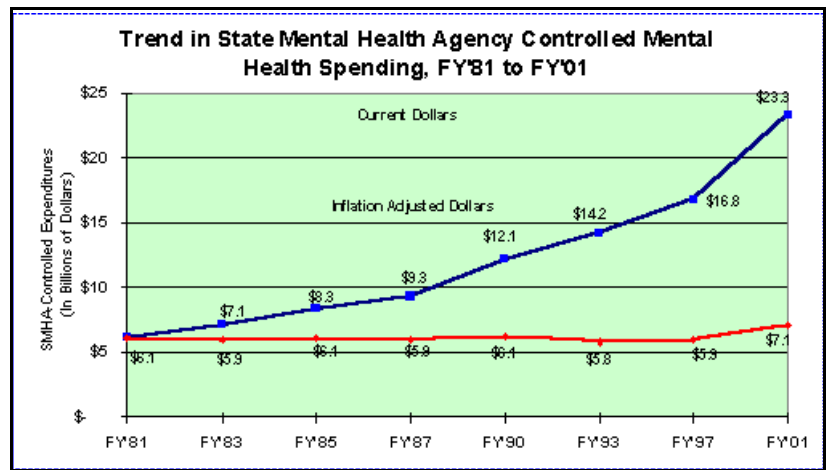


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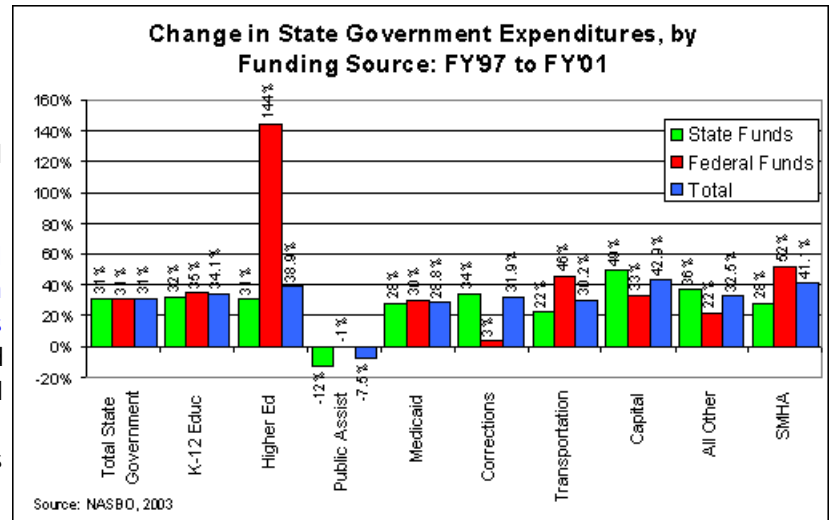
Federal Government was the second largest funder of SMHA services, with FY'01 dollars totaling almost \$6.5 billion of Federal Funds (28% of SMHA total funding). The bulk of the Federal Revenues came from the Medicaid program (\$5.2 billion), followed by Medicare (\$456 million), the Community Mental Health Block Grant (\$370 million), and Other Federal Funds (\$456 million). Local and other funds contributed the remaining \$1.3 billion of funds expended by SMHAs.

**SMHA-controlled mental health expenditures increased by over \$6 Billion from FY'97 to FY'01:** In FY'01, SMHA-controlled expenditures for mental health services totaled over \$23.3 billion, an increase of over \$6.5 billion (38.3%) from FY'97.

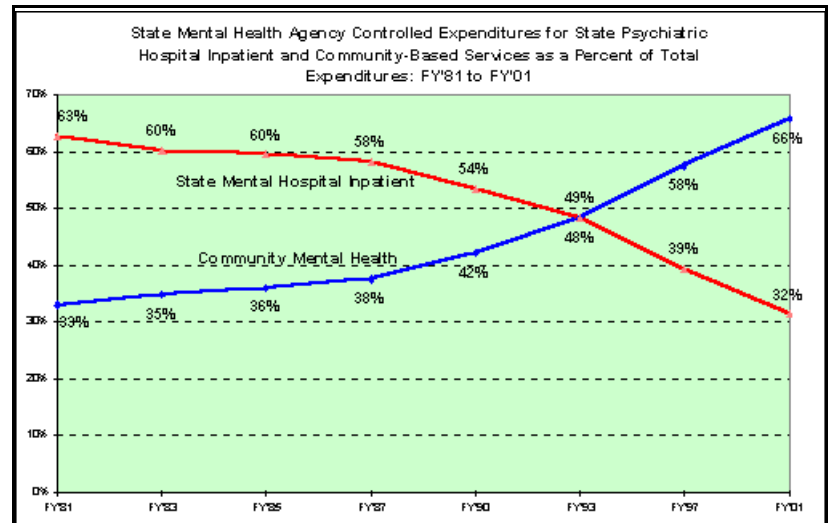
This translates into an average annual increase of 8.4% per year. Even when controlling for inflation, total SMHA-controlled expenditures for mental health services increased by 18.9% over this time period (4.4% per year). Over the 20 year period from FY'81 to FY'01, SMHA expenditures adjusted for population growth increased by 202%. However, when expenditures are adjusted for population growth and inflation, SMHAs experience a 8.2% decline over this time period. From FY'81 to FY'01, 29 SMHAs had a decrease in expenditures adjusted for inflation and population. In the 4 year period from FY'97 to FY'01, 17 SMHAs experienced reductions in inflation adjusted expenditures for mental health.



**State Government dollars for SMHA-Controlled Mental Health Expenditures grew slower than State Government Spending for other agencies between FY'97 and FY'01:** Between FY'97 and FY'01, the 38.3% increase in SMHA-controlled mental health expenditures exceeded the overall growth in state government expenditures for all services (31.3%). Only Higher Education and Capital Spending grew by a faster rate than SMHAs over this time period. A different pattern emerges when the funding sources of state agencies are analyzed. SMHAs have not done as well as other state government agencies in receiving state general fund dollars (up 28% between FY'97 and FY'01, while on average state government expenditures of state dollars increased 31%). SMHAs exceeded most other state agencies in their increased reliance on Federal funds (Medicaid) during this time period.



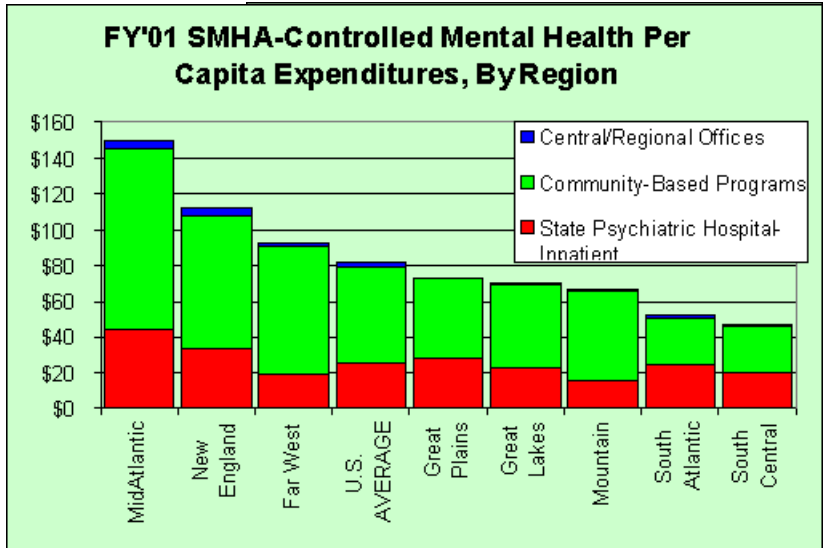
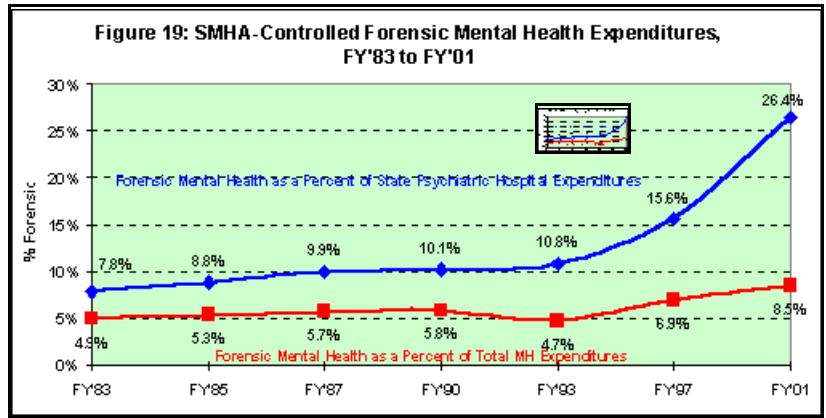
**Community-based Mental Health Services Increased to 66% of SMHA expenditures:** In FY'01, SMHA-controlled expenditures for community mental health services totaled \$15.4 billion (66% of total SMHA expenditures). From FY'97 to FY'01,



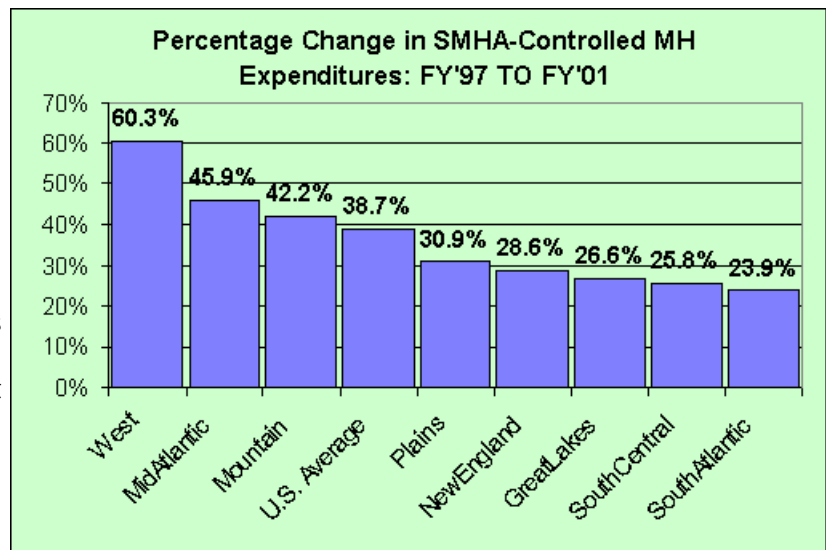
SMHA-controlled expenditures for these community-based mental health services increased by over \$5.6 billion, an increase of 57%. In FY'81, SMHA-controlled community mental health expenditures represented only 33% of spending. Community mental health services include all non-State hospital inpatient expenditures of SMHAs.

**Flat Expenditures at State Psychiatric Hospitals:** SMHAs expended \$7.35 billion for state psychiatric hospital inpatient care in FY'01. This represented a slight increase of \$802 million (11.8%) from FY'97. Adjusted for inflation, state psychiatric hospital expenditures decreased by 3.9% from FY'97 to FY'01, and down by 49.1% from FY'81. State psychiatric hospital inpatient expenditures in FY'01 represented 32% of total SMHA expenditures, down from 49% in FY'93 and 62% in FY'81.

**State Hospital Expenditures Are Increasingly For Forensic Services:** Expenditures for forensic mental health services in state hospitals increased by 62% from FY'97 to FY'01, much faster than overall State psychiatric hospital increase of 11.8%. Forensic mental health services expenditures have increased to 26.4% of total state psychiatric hospital-inpatient expenditures in FY'01, from 15.6% in FY'97 and 7.8% in FY'83.

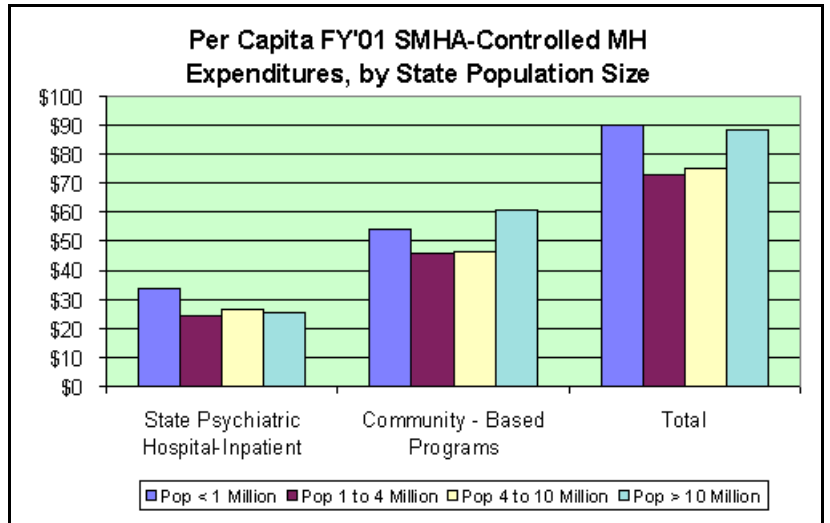


**Per Capita Expenditures Vary By State and by Region:** In FY'01, SMHA-controlled mental health expenditures averaged \$81.16 for every person in the state's civilian population. There was a substantial variation in levels of per capita expenditures among states that is partially explained by geographic region. Per capita expenditures ranged from a high of \$149.61 in MidAtlantic states to a low of \$47.10 in South Central region states. States in the MidAtlantic and New England regions had mental health expenditures above the U.S. average for both community mental health services and state psychiatric hospital inpatient services. States in the South Central region expended less than the U.S. average on both state psychiatric hospital inpatient services and community mental health services.

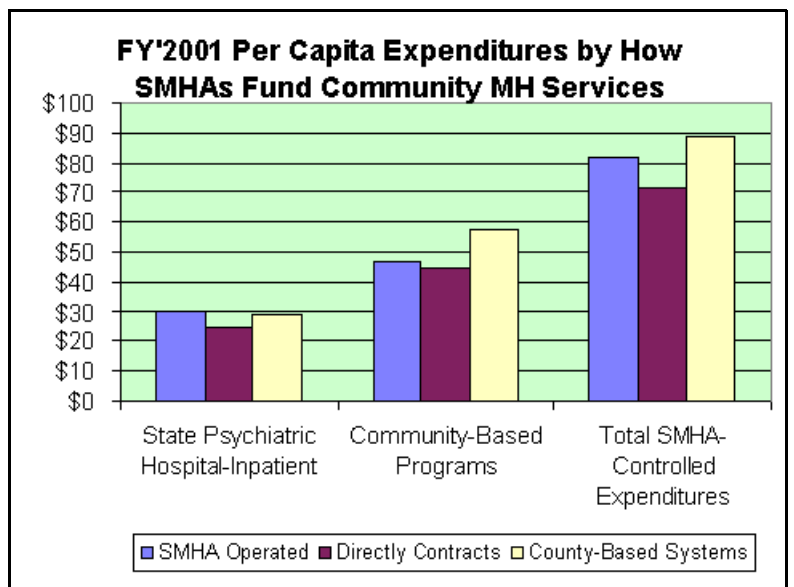


States in the Western and MidAtlantic regions had the highest growth between FY'97 and FY'01, while states in the South, the Great Lakes, and New England had growth rates slower than the U.S. average. Eight SMHAs increased their mental health expenditures by less than 10% over the 4 year period. Adjusted for inflation, 23 states had growth of less than 10% and 12 states actually had decreases in mental health expenditures.

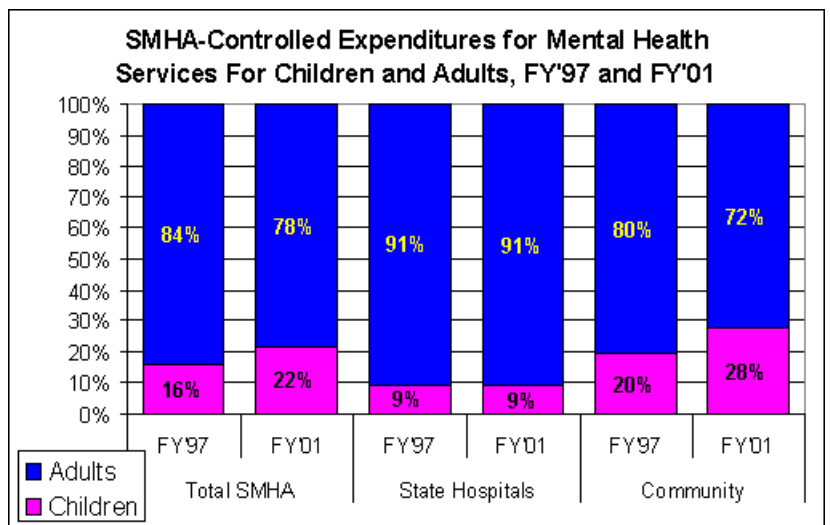
**Impact of State Population Size on Per Capita SMHA-Controlled MH Expenditures:** State population size may account for some of the variation among states in their levels of per capita expenditures for mental health services. The largest SMHAs tend to have the highest overall SMHA-controlled per capita expenditures, and to have the highest percentage of their expenditures devoted to community mental health services. However, the largest states also tend to organize their community mental health services through county/city governments, and to have Medicaid revenues "controlled" by the SMHA, therefore, the relationship between size and level of expenditures needs further exploration.



**SMHA Expenditures and State Organization of Community MH Services:** In FY'01, SMHAs that organized and funded their community mental health services through county/city governments had higher SMHA-controlled per capita expenditures than other states, and spent a higher proportion of their total expenditures on community-based services than did other states. States organize and fund community-based mental health in several different ways. In a few (6) states, most community MH services are provided by clinics and programs that are directly operated by the SMHA (the SMHA staffs and runs these programs and thus "controls" all of their expenditures). States that directly operate their own community mental health system had the second highest level of mental health expenditures.



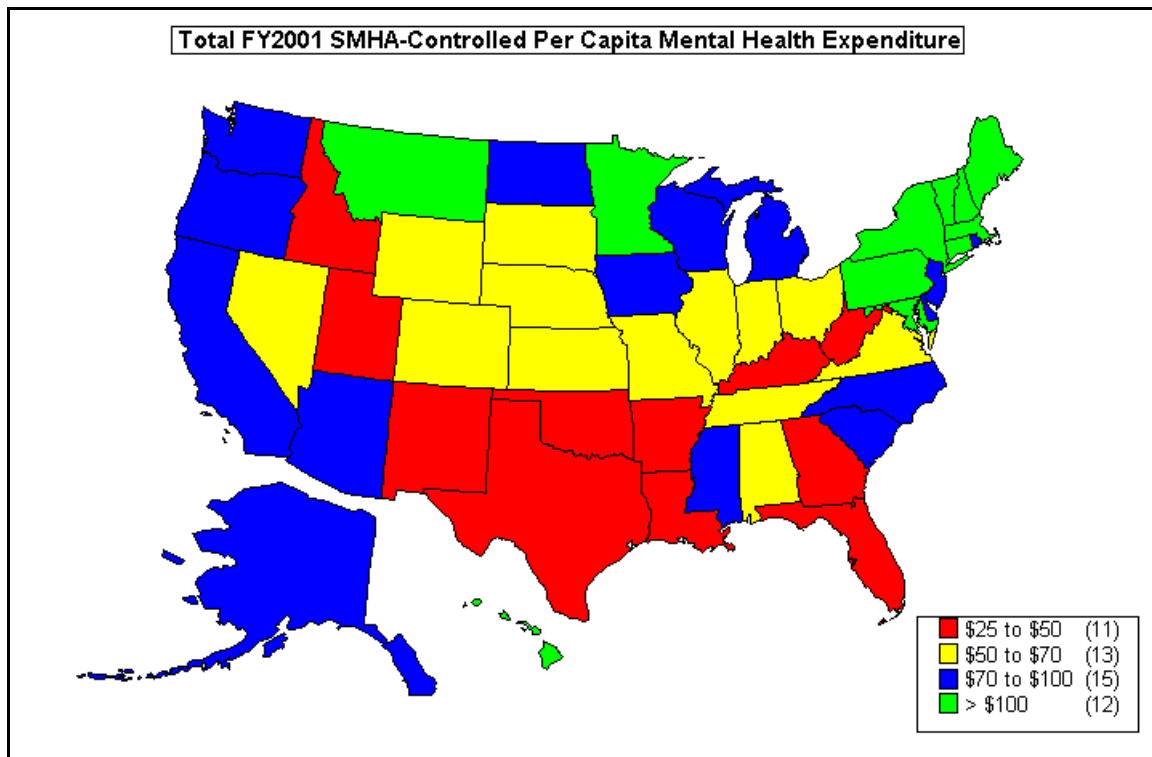
In many of the larger states, community mental health services are organized and operated by county government or by county-level mental health organizations. There are 14 states in which the SMHA funds county/city governments which then subcontract or directly provide mental health services. In 25 states, the SMHA directly contracts with local, not-for-profit community mental health centers. The states that contract with local, not-for-profit community providers had the lowest average mental health expenditures.



**SMHA Expenditures for Children and Adult Mental Health Services:** SMHAs were asked to depict their expenditures by age groups (Children, under age 21, and Adults, aged 21 and over). Not all states fiscal systems allow them to report all expenditures by age groups, and as a result must be

viewed with caution. For the 41 states that were able to report over 90% of their expenditures to specific age groups, mental health services for Children represented 22% of SMHA expenditures and expenditures for services for adults represented 78%. The proportion of expenditures for children in state psychiatric hospitals was much lower, at 9%. From FY'97 to FY'01, SMHA expenditures for Children's mental health services expanded much more quickly (up 59%) than expenditures for adults (up 15%) in the 41 states that were able to report most of their expenditure data by age groups.

It should also be noted that, in several states, the SMHA is responsible for providing services to adults only, a separate state agency, often a "Department of Children and Families" is responsible for mental health services for children. Thus, several states (CT, DE, and RI) reported zero (\$0) expenditures for children since only the adult agency reported data for this report.



Citation: "State Profile Highlights: FY 2001 State Mental Health Agency Revenue and Expenditure Study Results", NASMHPD Research Institute, Inc., Alexandria, VA: Author, March 2003