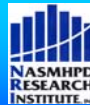


# State Profile Highlights



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

No. 06-01

August 2006

## FY 2004 Revenue and Expenditure Study Results

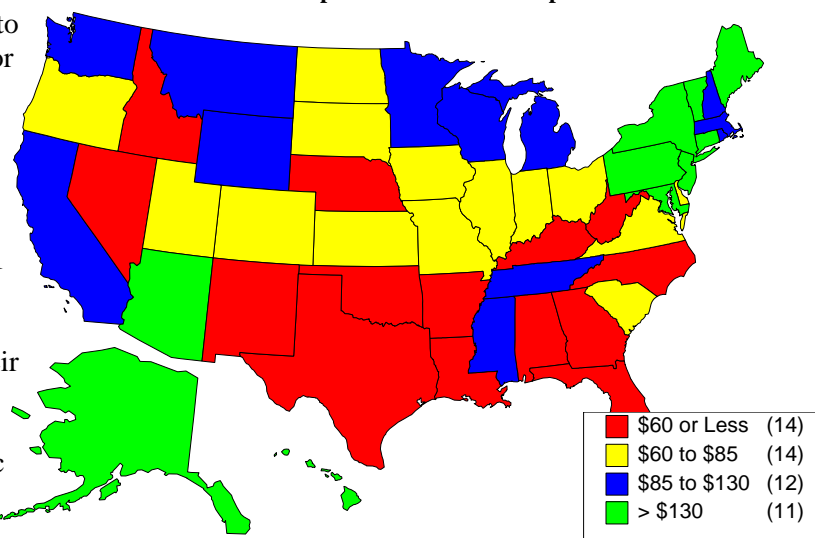
### MAJOR FINDINGS:

- State Mental Health Agencies (SMHAs) expended over \$27.2 billion on mental health services in Fiscal Year 2004, an increase of 3.1% over Fiscal Year 2003.
- Adjusted for inflation, 26 SMHAs experienced a decline in expenditures from FY'01 to FY'04
- SMHAs received most of their revenues (63%) from state and local government taxes.
- Medicaid funding represented the largest source of increase, rising over 9.5% per year between FY'01 and FY'04.
- Community mental health expenditures increased by 7.7% per year since FY'01, and now represent over 69% of total SMHA expenditures.

### Preliminary Results Based on 50 States and D.C. Reporting

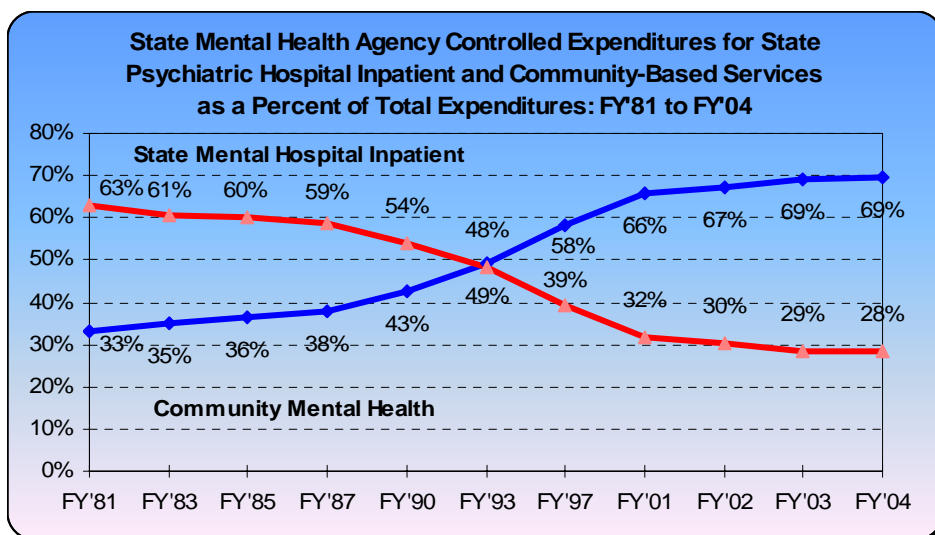
FY'04 Per Capita Mental Health Expenditures

**FY'01 to FY'04 Change:** From Fiscal Year 2001 to Fiscal Year 2004, SMHA-controlled expenditures for mental health services increased from \$23.1 billion to \$27.2 billion, an increase of 18%. From FY'01 to FY'04, 42 SMHAs increased mental health expenditures, while 9 decreased their expenditures. Over the last year, (from FY'03 to FY'04) 40 SMHAs increased their total expenditures, while 11 states decreased their mental health expenditures.



From FY'01 to FY'04, 45 SMHAs increased their expenditures on community mental health services, while 6 SMHAs decreased these expenditures. Fewer SMHAs, 35 increased their psychiatric inpatient hospital expenditures, while 16 decreased their expenditures.

There is a continued shift from spending on state psychiatric hospitals to community-based services. From FY'01 to FY'04, community mental health expenditures increased 24.8% while state psychiatric hospital expenditures increased only 5.5%. Community-mental health expenditures accounted for 69% of total SMHA-controlled expenditures and state psychiatric hospital expenditures were 28%. This is a major shift from FY'81, when Community-mental health expenditures accounted for 33% of SMHA expenditures and state psychiatric hospitals were 63% of expenditures.



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.

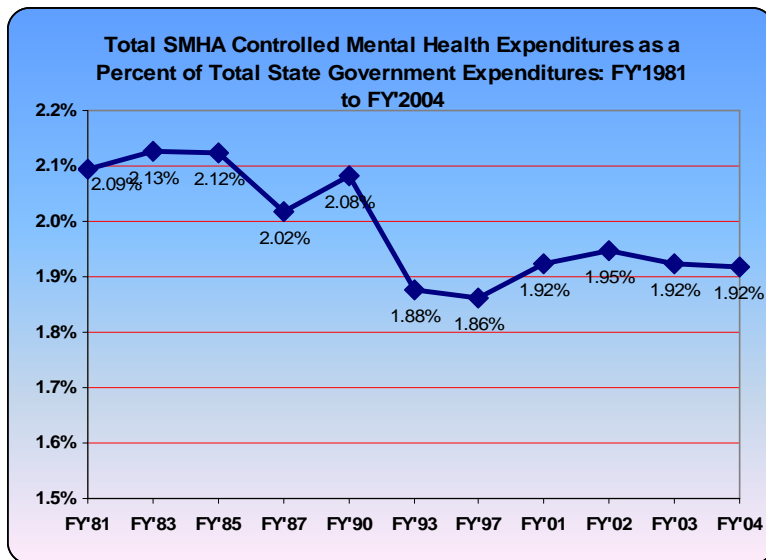
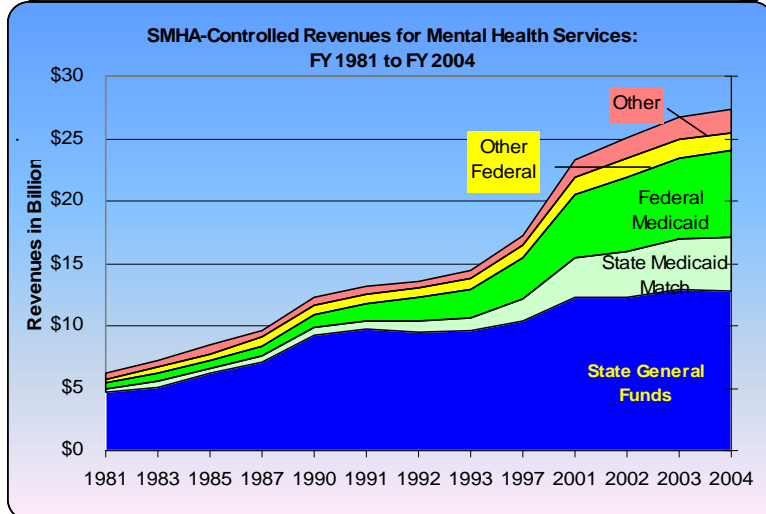
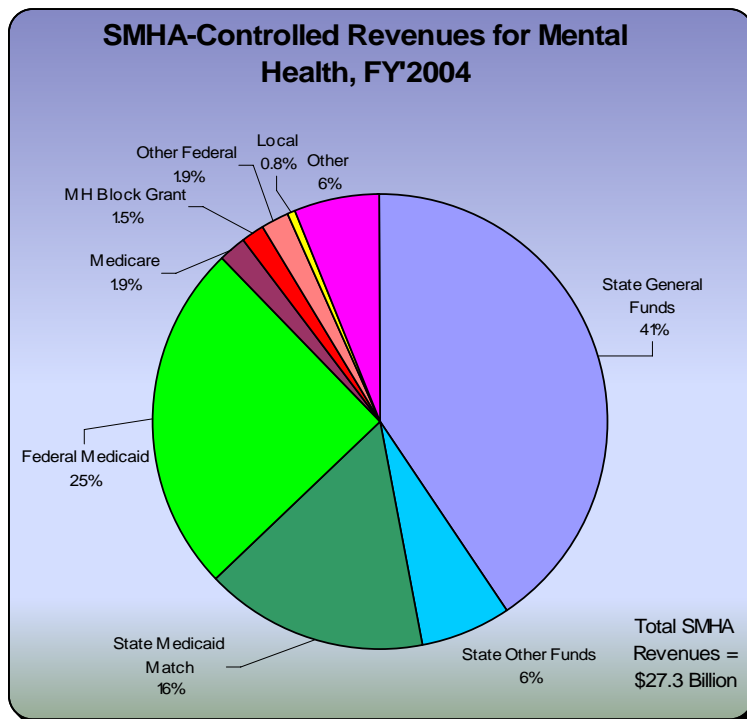
**State Tax Dollars Remain the Major Source of Funding of SMHAs:**

In FY'04, 63% of SMHA funding came from state government sources. This is a slight decline from 67% in FY'01. In FY'04, state tax dollars accounted for \$17.1 billion of funding for SMHA mental health services. These funding sources included State General and Special funds of over \$12.8 billion, and state Medicaid match of almost \$4.3 billion. The federal government was the second largest funder of SMHA services, with FY'04 dollars totaling \$8.36 billion (31% of total SMHA funding). The majority of federal revenues came from Medicaid (\$6.9 billion), followed by Other Federal Funds (\$.53 billion), Medicare (\$.51 billion), and the Community Mental Health Block Grant (\$.41 billion). Local and other funds contributed the remaining \$1.9 billion of funds expended by SMHAs. Total Medicaid funds (State Match and Federal Share) received by SMHA-funded programs represented \$11.2 billion (41%) of SMHA resources.

**FY 01 to FY 04 Revenue Trends:** During the Fiscal Years 2001 to 2004 state governments were undergoing major budget shortages and total state government spending slowed greatly. During this time period, total SMHA-controlled revenues for mental health services increased by 5.6% per year from FY'01 to FY'04. Medicaid funding (federal and state match) increased 9.5% per year to \$11.2 billion, representing a slower increase than the prior decade (FY'90 to FY'01 increased an average of 16% per year.) Still, Medicaid funding represented the largest source of new funds and came during a period of major state budget shortages. From FY'01 to FY'04, 65% of new SMHA funds came from Medicaid. Only 19% of new SMHA funds came from State General Revenues to the SMHA.

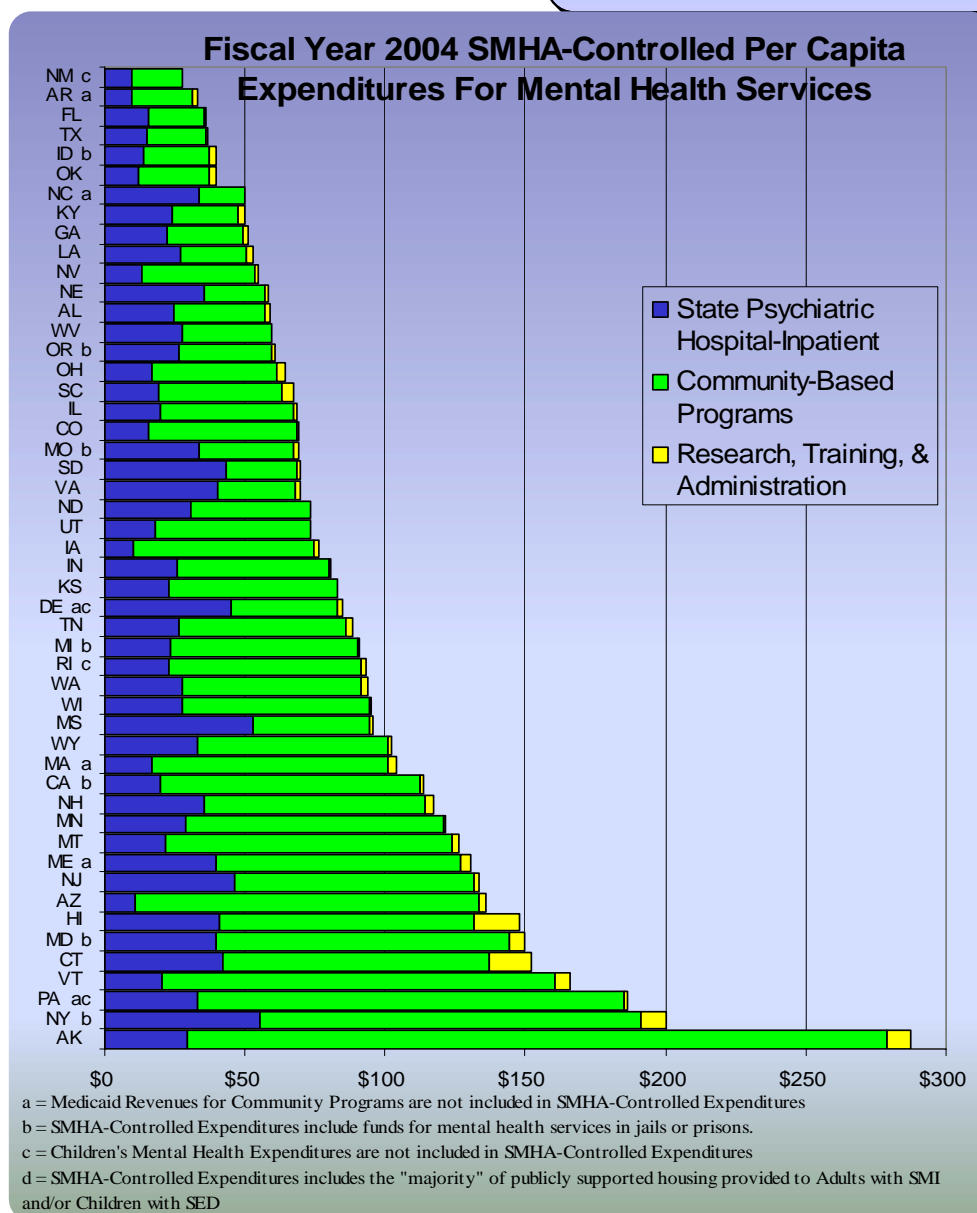
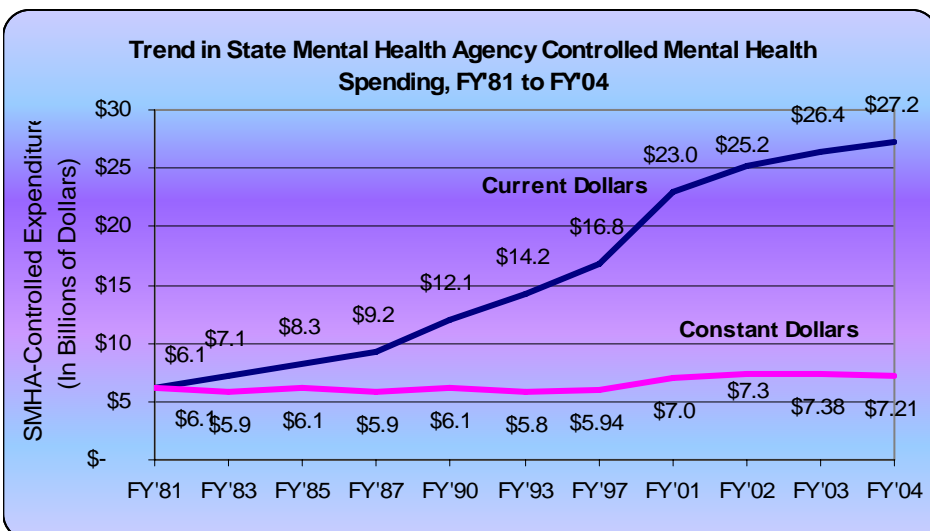
**SMHA-Controlled Mental Health Spending and Total State Government Expenditures:**

Over the last two decades, total state government expenditures for all purposes have grown at a faster rate than SMHA-controlled expenditures. According to the U.S. Census Bureau, in FY'81, State governments expended \$291.5 billion of which 2.09% were for mental health services that SMHAs controlled. Twenty-three years later, SMHA-controlled expenditures for mental health were 1.92% of total state government expenditures. If SMHAs had received, in FY'04, the same percentage of total state expenditures, their expenditures would be \$2.2 billion, or over 8% higher than reported FY'04. However, for the last 14 years, SMHA expenditures as a share of total state government expenditures have increased slightly. This growth is largely due to the increase in Medicaid used for mental health. State general fund expenditures for mental health have increased slower than state general fund expenditures for other state services over this time period.



## SMHA-Controlled Expenditures for Mental Health Services Grew Faster than Inflation, FY'01 to FY'04:

In FY'04 SMHAs directly controlled \$27.2 billion in expenditures for mental health services, an increase of 18.4% from FY'01 (an average annual increase of 5.8% per year). Expenditures for community mental health services increased by 7.7% per year, while state psychiatric hospital inpatient expenditure increased 1.8% per year. When controlled for inflation and population growth, SMHA expenditures for mental health were flat from FY'01 to FY'04. From FY'03 to FY'04, inflation and population adjusted expenditures for mental health declined 3.4%.



### Variations in SMHA Expenditures:

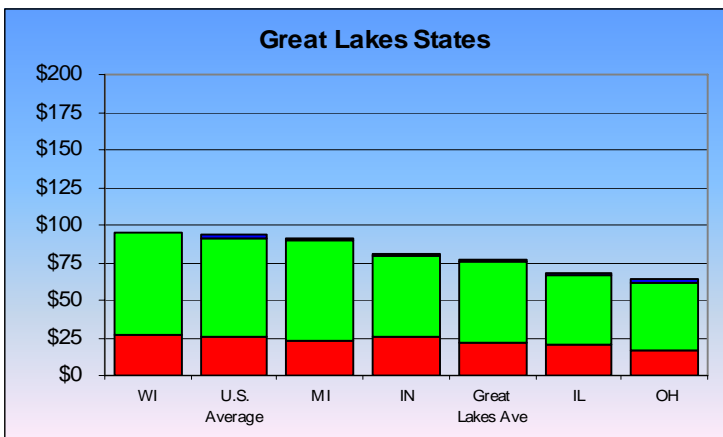
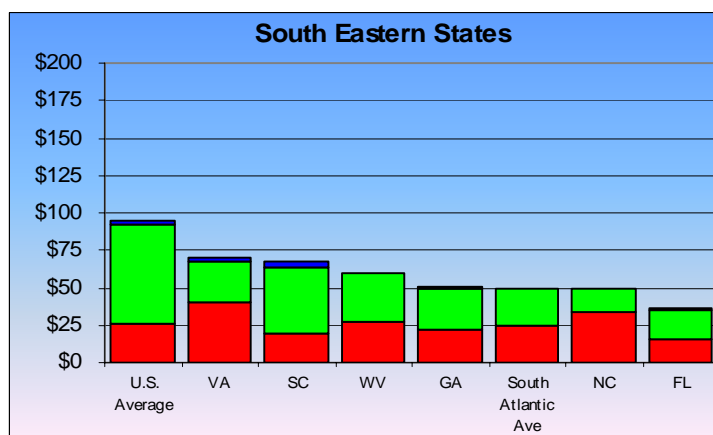
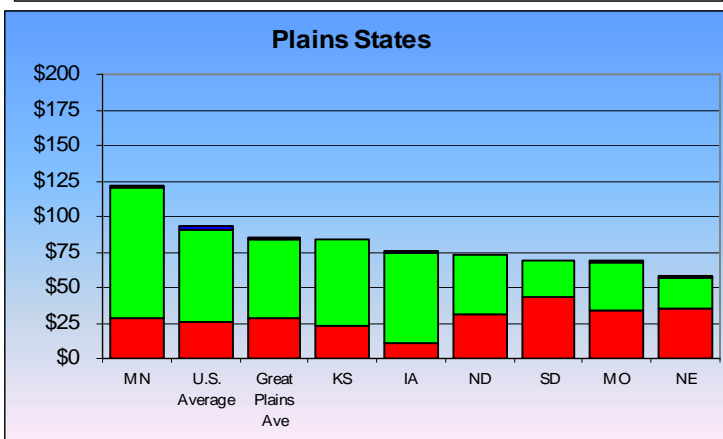
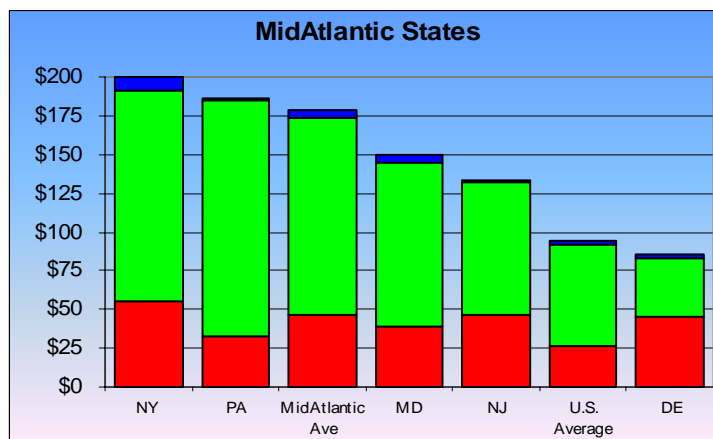
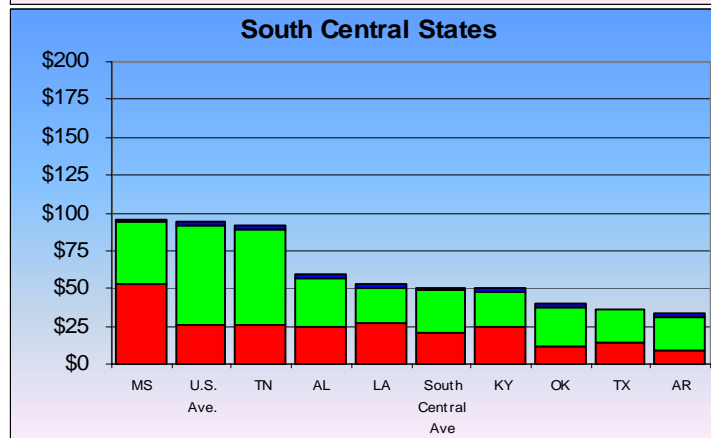
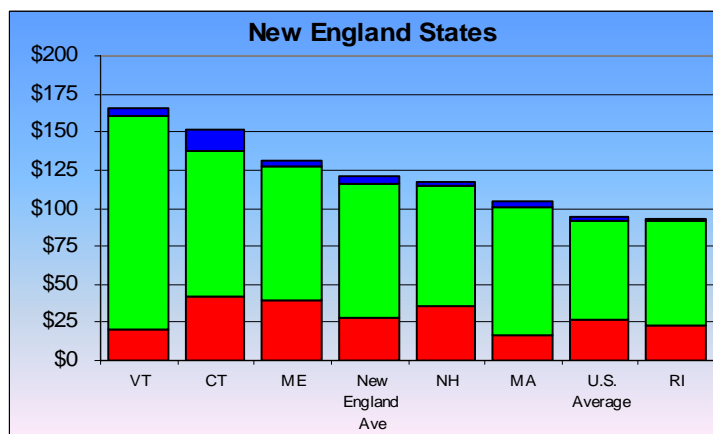
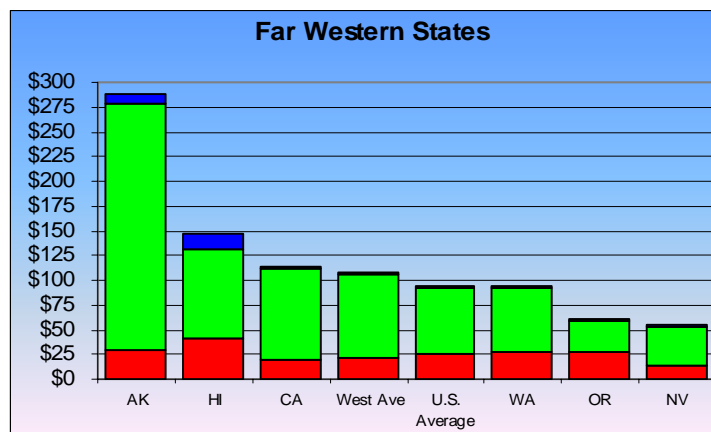
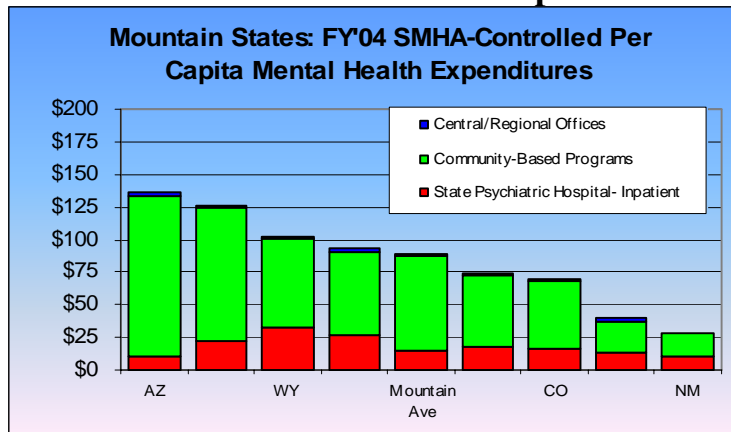
Controlling for inflation, total SMHA-controlled expenditures failed to keep pace with inflation since FY'01 in 26 states, while in 21 states the expenditures surpassed inflation. Inflation adjusted expenditures for community mental health increased in 28 states, while they declined in 19 states. Inflation adjusted State Psychiatric hospital expenditures declined in 35 states and increased in only 12 states.

The \$27.2 billion in SMHA-controlled expenditures in FY'04 amount to \$93.04 per every civilian resident of the United States. The median state – the point where 25 states were above and 25 states were below – was \$80.58. There was wide variation among states in their expenditures (\$27.78 in New Mexico to \$287.56 in Alaska).

State psychiatric hospital expenditures are also shifting focus to provide more forensic and sex offender services. In 2004, over 32.6% of state psychiatric hospital expenditures were for these services. This is an increase from 29% in FY'01, 10% in FY'90, and 8% in FY'81.

Copies of this report, a PowerPoint slide show, and Report Data Tables will be available at the NRI's website at: <http://www.nri-inc.org/RevExp/remain.htm>

# FY'04 SMHA-Controlled Per Capita Mental Health Expenditures, By Region



Electronic copies of *Funding Sources and Expenditures of State Mental Health Agencies, 2004* will soon be available via the NRI's website at [www.nri-inc.org](http://www.nri-inc.org). Printed copies will also be available for a small charge.

July 2006