



## **Policy Brief**

### **Financial Responsibility for Behavioral Health Services under Medi-Cal:**

## **What's the County, State and Federal Share of Cost for Mental Health and Substance Use Disorder Treatment**

March 2023

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### **Executive Summary**

The federal participation rate under Medi-Cal for the cost of services has traditionally been 50 percent in California for most services. For behavioral health services most of the non-federal share has traditionally been borne by counties who have responsibility for providing mental health and substance use treatment services to low-income individuals.

Several recent changes in Medi-Cal programs and financing have complicated this picture. In 2014 the Affordable Care Act allowed states to expand coverage under Medicaid to childless adult at a federal funding share that was initially 100 percent but declined in the initial years to the current 90 percent level. In addition, the Medicaid waiver approved for California in 2015 established the opportunity for a major expansion in the set of services covered for the treatment of substance use disorder through the establishment of a Drug Medi-Cal Organized Delivery System (ODS). Traditionally, the state paid the non-federal cost of a limited set of these services, but on a voluntary basis the waiver allows counties to provide an expanded set of services.

The result of these programmatic and financing changes is a rather complex array of federal funding shares and corresponding non-federal shares for behavioral health services. The federal rates vary depending on whether the beneficiary is in one of the traditional eligibility categories or is eligible as part of the 2014 expansion. In addition, because the federal offer of expansion to new eligibility categories was a state option, the non-federal cost of services provided to these newly eligible must be covered by the state and not the counties, even for services traditionally a county responsibility. This is because the state constitution requires that the state cover the costs of any program expansion that it mandates counties to undertake. However, the non-federal share of the cost of the expansion of services under the Drug Medi-Cal ODS waiver is the responsibility of the counties that choose to establish this option. The state continues to pay for the traditionally limited set of Drug Medi-Cal services.

The following table lays out the funding shares for behavioral health programs under Medi-Cal that apply to the two broad eligibility categories, i.e., the traditional Medicaid categories that receive 50 percent federal financial support and the new expansion category that now receives 90 percent federal financial participation. The table also shows the variation in what level of government is responsible for the non-federal share.

**Medi-Cal Claiming Rates for Selected Behavioral Health Services by Eligibility Category. 2021<sup>1</sup>**

	<b>Adults without children below 138% FPL<sup>2</sup></b>	<b>Aged, disabled, or blind receiving Supplemental Security Income/State Supplemental Payment</b>	<b>Parents living with their children</b>
<b>Treatment for mild to moderate mental health</b>	90% federal 10% state	50% federal <sup>3</sup> 50% state	50% federal 50% state
<b>Treatment for serious mental illness<sup>4</sup></b>	90% federal 10% state	50% federal 50% county	50% federal 50% county
<b>State Plan Drug Medi-Cal Services in All Counties<sup>5</sup></b>	90% federal 10% state	50% federal 50% county	50% federal 50% county
<b>Additional Services Provided in Counties Participating in the Drug Medi-Cal-Organized Delivery System<sup>6</sup></b>	90% federal 10% county	50% federal 50% county	50% federal 50% county
<b>Local Government Agency Targeted Case Management</b>	90% federal 10% local agency	50% federal 50% local agency	50% federal 50% local agency
<b>Medi-Cal Administrative Activity Claims<sup>7</sup></b>	50% or 75% federal 50% or 25% local agency	50% or 75% federal 50% or 25% local agency	50% or 75% federal 50% or 25% local agency

<sup>1</sup> These rates reflect those in effect during 2021. Some these eligibility rates are different for service provided in prior years.

<sup>2</sup> This eligibility category is the optional Medi-Cal category that was added after the establishment of the requirements for local funding established during the 2011 Realignment. The costs for this category are borne by the state.

<sup>3</sup> The 50% share does not reflect the enhanced federal funding that is available during the COVID-related emergency during which an added 6.2% was available for the categories that normally receive 50% funding.

<sup>4</sup> These services are provided or financed by county behavioral health departments. County funding here could consist of county general fund, Mental Health Service Act funds, or realignment funds.

<sup>5</sup> These services are provided in all counties, services are provided or financed by county behavioral health departments. County funding here could consist of county general fund or realignment funds. Counties can also use federal SAMHSA block grant funds for these kinds of services, but these federal funds cannot be used as a match for Medicaid funds.

<sup>6</sup> Counties pay the non-federal share for the expansion services offered by ODS counties. The state continues to pay the non-federal share in those counties for traditional Drug Medi-Cal state plan services.

<sup>7</sup> The 75% federal sharing is provided when the activity is provided by a licensed health professional.

## **About the Author**

- **David Maxwell-Jolly** is a CalHPS Senior Advisor. He has held a variety of executive state government positions including Chief Deputy Executive Director at Covered California, Undersecretary and Deputy Secretary at the Health and Human Services Agency, and Director of the Department of Health Care Services.

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