

Expert Advisory Panel on System Structure and Finance

November 5, 2018

A Proposed Study to Develop a New Method of Allocating State Funds for CSB-Delivered Behavioral Health Services

The General Assembly has made great strides toward improving consistency and access across the CSB system, in particular through its support for STEP-VA and Medicaid expansion. STEP-VA represents a major commitment to assuring that a core set of critical behavioral health services are available and accessible to every citizen of the Commonwealth. As the General Assembly establishes funding levels for STEP-VA, it is important that state general funds be allocated in a method consistent with the legislature's goal of providing statewide access to high-quality services for both adults and children.

The mechanism for distributing state general fund dollars to CSBs currently tends to operate on a "maintenance of effort" basis from year to year and does not reflect a systematic assessment of local needs. For example, characteristics of a given catchment area that are not taken into account include population, Medicaid penetration, income, and ability of localities to raise revenue.

The Joint Subcommittee has expressed a strong interest in mitigating the significant variations in levels of service and funding across the CSB system, and in assuring that STEP-VA's is successfully implemented throughout the Commonwealth. To help accomplish this objective, the Advisory Panel suggests that JLARC or another agency or organization with the necessary expertise be requested to conduct a long-term, in depth study of the current method of distributing state funds to CSBs, and to examine alternatives that would reduce unnecessary variations in levels of funding across the CSB system.

A study of the current funding mechanism should, at a minimum, examine the following:

- The most appropriate way to incorporate factors such as population size and relevant demographic characteristics, Medicaid penetration, income, and ability of localities to raise revenue.
- The feasibility of fully funding STEP-VA through the use of state and Medicaid funds, freeing up local funds for add-on services or additional capacity building, beyond an agreed-upon baseline of services.

The Panel also suggests that:

- Consideration should be given to whether a new method of allocating state funds should apply exclusively to new funds. Taking this approach would avoid disruptive effects on service delivery in the event that longstanding funding allocations were suddenly erased.
- The study should exclude local funds and should focus solely on options relating to the distribution of state funds.

Other important contextual factors that should be kept in mind in designing the study:

- As part of the implementation of Medicaid expansion, there will be a significant reduction of state general fund allocations to CSBs over the next several years. It is uncertain how these reductions will affect CSBs, but it is possible that those reductions could have implications for the development of a new funding formula.
- The proposed fiscal realignment of the relationship between state hospitals and CSBs is another key factor that bears heavily on the distribution of state funds. Under such a plan, significant state funds would be required in the short term for initial investments in expanding community housing and support services. In the long term, the dynamics of hospital utilization reductions and associated financial incentives are likely to change the financial and service delivery needs of the CSBs in ways that should be taken into account in the funding formula.
- CSBs rely on state general funds to pay for services for the uninsured, and for the numerous consumer services and supports that are not covered by Medicaid. While Medicaid's role in the system continues to grow, state general funds are more important than ever as the General Assembly continues to work toward establishing a consistent baseline set of services across the Commonwealth.
- It is important that any changes to state funding mechanisms support the General Assembly's commitment to assuring a baseline set of services in all areas of the state.