Financing School-Based Mental Health Services during a State Budget Crisis

Adam S. Wilk, Ph.D.
Rollins School of Public Health, Emory University
July 1, 2020
Disclosure/Disclaimer

Receive funding support through role with the Southeast Mental Health Technology Transfer Center (MHTTC) Administrative Supplement, funded by Substance Abuse and Mental Health Services Administration (SAMHSA)

The opinions expressed herein are the views of the presenters and do not reflect the official position of the Department of Health and Human Services (DHHS), SAMHSA. No official support or endorsement of DHHS, SAMHSA, for the opinions described in this document is intended or should be inferred.
Learning Objectives

1. Identify the relative importance of state (versus federal or local) sources for financing school-based mental health services.

2. Identify new sources of financing for school-based mental health services derived from governmental responses to the COVID-19 pandemic.

3. Discuss the potential implications of state budget crises for school-based mental health financing.
A little about me…

• Health economist, health policy researcher
• Medicaid consulting, technical assistance, and research for 14 years
• Areas of research focus include:
  • Access to care for low-income and underserved populations, particularly those with chronic illnesses
  • State financing / policy and providers’ operations and care
COVID-19 and School Mental Health

• Schools closed, uncertainty about how and when to reopen,¹ students are particularly vulnerable and may be at increased need for mental health services.

  • Strain and stress of social distancing, disruption of life routines²,³

  • Many experts project “learning loss”⁴

  • Student frustration, anxiety
Overview: Principal sources of financing for school-based mental health services

<table>
<thead>
<tr>
<th>Medicaid</th>
<th>Dept. of Education</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>• IDEA</td>
<td>• ESEA Title IV Part A: prevention, screening, education</td>
<td>• Private insurance</td>
</tr>
<tr>
<td>• Fee-for-service billing</td>
<td>• ESEA Title I: needs assessment and integrated services</td>
<td>• Project AWARE</td>
</tr>
<tr>
<td>• EPSDTT benefits</td>
<td></td>
<td>• Local NFP organizations</td>
</tr>
<tr>
<td>• Administrative billing</td>
<td></td>
<td>• Self-pay</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Etc.</td>
</tr>
</tbody>
</table>
Which funding sources are most important in financing SBMH services?

National Center for School Mental Health ‘landscape report’ analyses:⁵

- Medicaid and Dept. of Education funding commonly among state leaders’ top listed sources of financing
- Federal grants (e.g., Project AWARE) also commonly listed
  - Especially those clearly tied to SBMH services
- Many leaders expressed difficulty in quantifying top funding sources
State Budgets (Gen. Rev.)

Main Revenue Sources
- Income taxes
- Sales taxes
- Other

New Revenue Sources
- CARES Act

Main Expenditures
- Medicaid
- Education
- Other

New Expenditures
- Public health
State Budgets (Gen. Rev.)

Main Revenue Sources
- Income taxes
- Sales taxes
- Other

New Revenue Sources
- CARES Act

Main Expenditures
- Public health

New Expenditures
- Medicaid
- Education
- Other
State Budgets

Revenues
- Personal income and corporate income taxes
- Sales taxes (e.g., general, gasoline)

Expenditures (based on FY19 policy)
- Medicaid
- Primary, secondary, and higher education
- Transportation services
- Corrections expenses
State General Revenues, FY2018

Average rainy day fund (or *budget stabilization fund*) balances:

- National: 8.1% of general revenues
- Southeast: 6.5% of general revenues
State Budget Crises, driven by COVID-19

Revenues
- Personal income and corporate income taxes
- Sales taxes (e.g., general, gasoline)

Expenditures (based on FY19 policy)
- Medicaid spending could go up (more enrollees) or down (fewer services per beneficiary)
- Education could go up or down
- Somewhat reduced transportation services
- Corrections expenses could go up or down
What can states do during budget crises?  

<table>
<thead>
<tr>
<th>Raise revenue</th>
<th>Reduce spending</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Difficult to implement quickly</td>
<td>- Can be implemented quickly</td>
<td></td>
</tr>
<tr>
<td>- Can slow economic recovery</td>
<td>- Can slow economic recovery</td>
<td></td>
</tr>
<tr>
<td>- Not often implemented during 2008 recession</td>
<td>- The preferred approach during 2008 recession</td>
<td></td>
</tr>
<tr>
<td>- Some increased taxes in some states in 2020</td>
<td>- Several states implementing significant measures now</td>
<td></td>
</tr>
<tr>
<td>- Would recover &lt; ½ of shortfalls (likely)</td>
<td>- Could affect major funding streams for school-based mental health</td>
<td></td>
</tr>
</tbody>
</table>
State Expenditures, FY2018

U.S. versus Southeast: comparable distribution of spending across outlay categories
State Expenditures, SE Region, FY2018

Notable variation across Southeastern states in spending on Medicaid and education, big sources of SBMH financing.
Potential state budget cuts: Medicaid

• 2008 recession: increased spending
  • Increased enrollment
  • Limited impact on spending per beneficiary

• To save money in 2020-21, states may:
  • Lay off or furlough Medicaid agency staff
  • Reduce fees, or slow fee increases
  • Negotiate lower capitation fees (or smaller increases) with Medicaid managed care insurers
  • Curtail or halt innovative payment programs and models
Potential impact of Medicaid cuts on school-based mental health services

• Enrollment processes for Medicaid-eligible children may be affected \(^{10-11}\)

• Medicaid Managed Care plan actions: \(^{12}\)
  • Prior authorization requirements
  • Preferred drug lists

• Narrowing networks of mental health providers participating in Medicaid \(^{13}\)

• New initiatives put on hold
Other factors affecting Medicaid spending

- State (vs. federal) responsibility for Medicaid spending determined by Federal Medical Assistance Percentage (FMAP)

- Federal relief: FMAP increased 6.2 percentage points nationwide
  - E.g., Florida: 62.0% → 68.2%
  - E.g., Mississippi: 77.8% → 84.0%

- Unemployment increases lead to increasing applications, enrollment
  - Falling income tax revenue

- Social distancing decreases use of discretionary health care services
Potential state budget cuts: Education

• 2008 recession effects: \(^6,9\)
  • Significant cuts, deeper in higher education than primary/secondary
  • Reduced infrastructure spending (e.g., construction, renovations)

• To save money in 2020-21, states may: \(^{14-15}\)
  • Lay off or furlough Dept. of Education and other state-supported school district and school staff
  • Negotiate pay/benefits reductions (or slowed increases) with teachers
  • Curtail or halt infrastructure investments
  • Curtail or halt innovative educational programming and extracurriculars
Potential impact of Education cuts on school-based mental health services

• Some school-based mental health programs may be labeled “discretionary” and marked for cuts

• Staff supporting school-based mental health programs may be laid off, furloughed, or reallocated to other initiatives (e.g., distance learning, contingency planning)
Other factors affecting Educ. spending

- School cancellation timetables
- “Learning loss”
- Investment in distance learning technologies, materials
- Rising unemployment may increase demand for public schooling (versus private schooling)
- Employee pensions covered in pension funds
  - Funds have volatile valuation (as stock markets fluctuate)
Sources of Funding for K-12 Schools and School Districts, 2015-16

- In general, school districts rely most on state and local funding resources.
- These levels are disproportionately affected by the economic downturn.
Revenue Per Student from Federal, State, and Local Sources (District-level, 2016-17)\textsuperscript{16}

- **Rural**
  - Federal: 11%
  - State: 56%
  - Local: 33%

- **Town**
  - Federal: 13%
  - State: 54%
  - Local: 33%

- **Suburb**
  - Federal: 9%
  - State: 44%
  - Local: 47%

- **City**
  - Federal: 11%
  - State: 45%
  - Local: 44%
State Budgets (Gen. Rev.)

Main Revenue Sources
- Income taxes
- Sales taxes
- Other

New Revenue Sources
- CARES Act

Main Expenditures
- Public health
- New Expenditures
- Medicaid
- Education
- Other
COVID-19 Public Health Emergency Response

Other major policy responses related to mental health services and payment include:

- The Coronavirus Aid, Rehabilitation, and Economic Security Act (CARES Act)
- State Medicaid programs’ expansion of telemental health coverage
- State mental health licensing boards relaxing workforce participation requirements
The Coronavirus Aid, Rehabilitation, and Economic Security Act (CARES Act) sets aside $13.2 billion for K-12 schools for services: 17-18

- $100 million (through US DOE Project SERV)
- $3 billion in emergency relief that governors may use (for hardest hit schools)
- Eligible services include telemental health delivery to youth
- Grants through Education Stabilization Fund, through September 2021
<table>
<thead>
<tr>
<th>State</th>
<th>CARES Act allocation for schools (millions)</th>
<th>% of State Education Budget FY20</th>
<th>Governors Emergency Education relief Grants (millions)</th>
<th>% of State Education Budget FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>AL</td>
<td>$210.4</td>
<td>3%</td>
<td>$47.5</td>
<td>0.6%</td>
</tr>
<tr>
<td>FL</td>
<td>$724.2</td>
<td>3%</td>
<td>$171.5</td>
<td>0.6%</td>
</tr>
<tr>
<td>GA</td>
<td>$448.3</td>
<td>4%</td>
<td>$106.2</td>
<td>1%</td>
</tr>
<tr>
<td>KY</td>
<td>$203.0</td>
<td>4%</td>
<td>$42.1</td>
<td>0.8%</td>
</tr>
<tr>
<td>MS</td>
<td>$174.4</td>
<td>5%</td>
<td>$177.6</td>
<td>5%</td>
</tr>
<tr>
<td>NC</td>
<td>$378.4</td>
<td>4%</td>
<td>$357.6</td>
<td>3.7%</td>
</tr>
<tr>
<td>SC</td>
<td>$204.0</td>
<td>4%</td>
<td>$159.0</td>
<td>3%</td>
</tr>
<tr>
<td>TN</td>
<td>$257.5</td>
<td>2%</td>
<td>$223.2</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Center on Budget and Policy Priorities¹⁸
Recent SAMHSA Funding Opportunities

Disaster Response Grant Program – School-Based Services

Project AWARE

COVID-19 Emergency Response for Suicide Prevention Grants

Emergency Grants to Address Mental and Substance Use Disorders During COVID-19
Federal Stimulus

Second stimulus bill under discussion 14-15

• House passed proposal in early June, including:
  • $58 billion for schools/districts
  • $1 trillion for states and local governments
State policies re: mental health providers 19-21

- Medicaid telehealth coverage
  - All 8 states in the Southeast region

- Payment equity mandates for telehealth (private insurance)
  - 4 states in the Southeast: GA, KY, MS, TN

- Relaxed restrictions on care provided by out-of-state-licensed and clinical student providers
  - Variable policies across states, provider types

See SE Region MHTTC infographic for more information on these policies.
Summary

- State budgets are in crisis due to declining revenues.
- State budget cuts may lead to reduced payments to providers (Medicaid), cuts in innovative programming (Medicaid & Education), and administrative slowdowns (Medicaid & Education)
- Some federal financing and state policy initiatives to address the mental health needs of students; unlikely to close all gaps
Planning

• Keep detailed data on where your district’s/school’s financing is coming from
  • Info needed to facilitate dialogues/requests with state leaders

• Anticipate cuts to major funding sources
  • Increased administrative burden within Medicaid (enrollment policies, managed care plan policies)
  • Cuts to optional services, discretionary or nascent programs
Planning, ctd.

• Leverage new funding mechanisms (e.g., CARES Act)
  • Education Stabilization Fund grants
  • Governors Emergency Education relief grants

• State leaders: recognize geographic disparities in school and district-level financing support
  • Rural/town localities may have:
    • Greater dependency on state revenues
    • Lesser administrative capacity (e.g., for grant applications)
Thank you!

Contact:

• e-mail: seschoolmh@gmail.com, adam.s.wilk@emory.edu

• Twitter: @SE_MHTTC, @adamswilk, @_JanetCummings
Thank you!
References


5 National Center for School Mental Health (2019-2020). “Comprehensive School Mental Health State Profile: Summary Reports” Prepared for the Southeast Mental Health Technology Transfer Center and Southeast Region States.


References, ctd.


References, ctd.


20 “About Telehealth.” Center for Connected Health Policy https://www.cchpca.org/about/about-telehealth