

Funding for Mental Health Services and Programs

States have been disinvesting in public mental health services for decades. The current fiscal climate, however, looks markedly bleak and carries with it many negative implications for mental health programs and services available at the local level. This factsheet provides a brief history of mental health funding and describes the impact the recession has had on mental health programs and services.

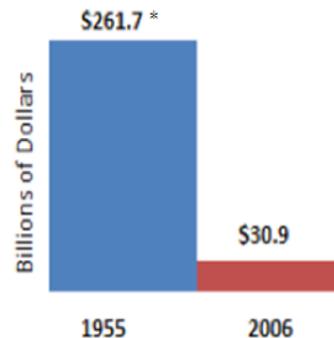
Background

Federal funding for mental health has been losing ground since the Omnibus Budget Reconciliation Act of 1981 replaced direct funding of community mental health agencies with a state block grant. Initially, appropriations for the block grant were significantly less than the previous funding for community programs and since 1981 block grant funding has fallen significantly in real terms.

With reduced federal support, the public mental health system has been competing with many other government programs for a share of state and local tax revenues. For example, mental health spending by states has fallen far behind corrections spending and overall state spending growth between 1992 and 2005.

Between 1981 and 2005, state mental health spending, adjusted for inflation, grew only 0.9 percent each year.^[ii] However, when also adjusted for population growth, State Mental Health Agency (SMHA) spending actually declined 0.2 percent annually.^[iii] In 2006, when

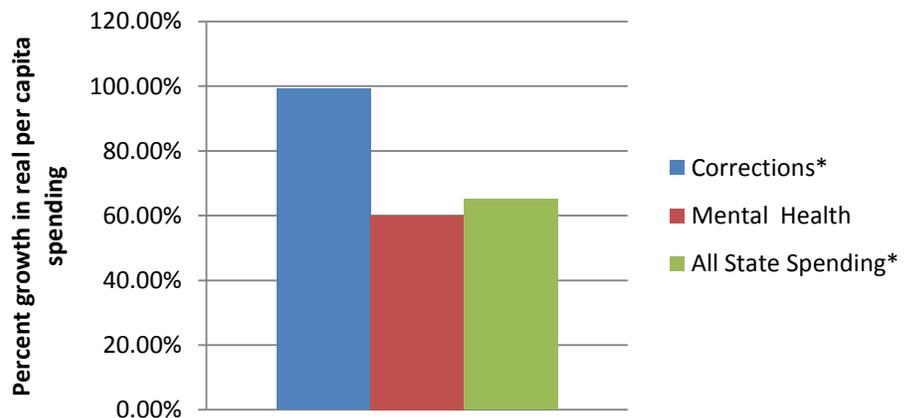
Declining Commitment of State Dollars to Mental Health



* In 1955, the year that the patient census in state mental hospitals was at its peak, state mental health spending was \$8 billion (the equivalent of \$261.7 in current dollars, when adjusted for population growth and medical inflation). By 2006, state spending dropped to less than 12% of the total in 1955.

Source: Graph based on data from NRI FY2005 State Mental Health Agency Revenues and Expenditures: Key Findings, <http://www.nri-inc.org/projects/Profiles/RevExp2005/keyfinds2005.pdf>

Growth In Real Per Capita Spending¹, All States, 1992-2005



¹ Adjusted for population growth and CPI

*Capital inclusive, general funds and other state taxes.

Source: Graph created using data from SAMHSA state spending estimates, 1986-2005; NASBO State Expenditure Report; and Census Bureau Population data.

adjusted for population growth and inflation, mental health spending by states was less than 12 percent of the \$8 billion spent in 1955.^[i]

Part of the decrease in spending by states over the last few decades has been offset by federal Medicaid funding. Today, Medicaid is the largest payer of mental health services in the United States.^[iv] In fiscal year (FY) 2008, only 48 percent of SMHA-controlled funds were from state general fund sources and 52 percent were from state and federal Medicaid sources.^[v]

However, the recession that began in 2007 has resulted in additional cuts in a system already under stress. Facing a cumulative shortfall of \$83 billion in FY 2011, states reduced budget allocations for a variety of public programs, including those programs designed to assist individuals with serious mental illness.^[vi] In the last three fiscal years, state mental health budget cuts totaled \$2.2 billion. On average, in FY 2011, 31 SMHAs cut their budgets by \$20.8 billion.^[vii] Further mid-year FY 2011 and FY 2012 cuts in mental health appropriations are expected as well.^[viii] About 75 percent of mental health related reductions were made in state general funds and 22 percent in state Medicaid.

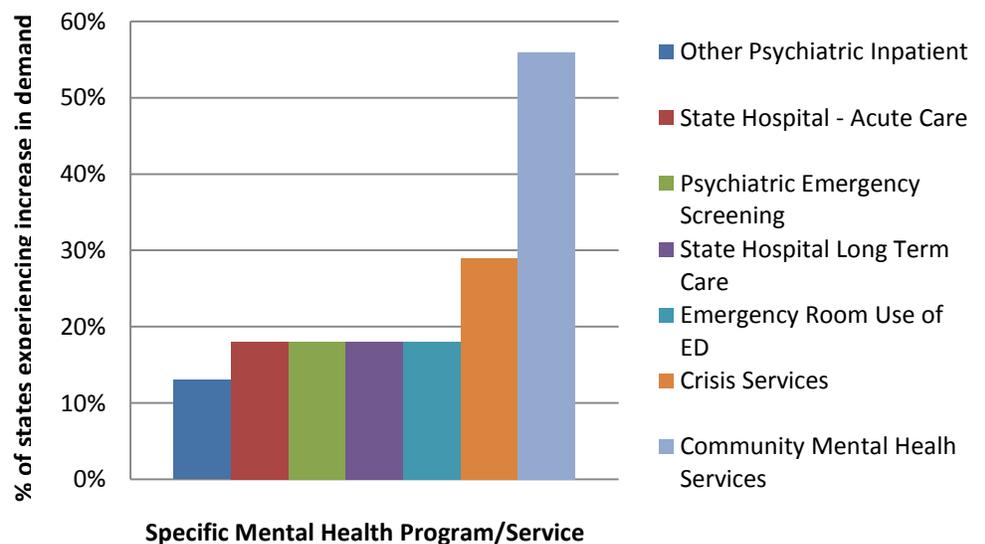
The Effects of State Budget Cuts

Equally important as how much money is available for the public mental health system are questions about where cuts are being made and how these will affect individuals with mental illnesses. While states at first minimized the impact of the cuts on individuals in need of services (e.g., by focusing cuts primarily on administrative costs), states have not been able to absorb this level of cuts without cutting services and program capacity.

Moreover, states have cut spending on institutional care, as well as spending on the home and community based services that help people live successfully in the community. By the summer of 2010, 42 percent of states had reduced community services and 53 percent reduced funding for community providers.^[ix]

Almost half of states also have cut back services to indigent individuals who are not Medicaid-eligible, thereby increasing the number of uninsured at-risk people without access to mental healthcare.^[x]

States Experience Increase In Demand For Mental Health Services



Source: Graph created using Ted Lutterman, NASMHPD Research Institute (NRI). The Impact of the State Fiscal Crisis on State Mental Health Systems. Fall 2010. Update 2/12/2011.

These cuts represent the single largest decrease in mental health spending since the late 1960s,^[xi] and are occurring at a time of increased demand for community mental health services.

Cuts made in FY 2010-11 for adult mental health services include: crisis services, targeted case management, employment services, peer support, prescriptions, housing, day services, clinic services, acute- and long-term inpatient care, and quality improvement and workforce development.

Child mental health services cuts for FY 2010-11 include: clinic services, housing, in-patient care, day services, workforce development and training, targeted case management, prescriptions, and waiver services.

While states cut back important community programs and services, several states are strategically closing state hospital beds. This policy is cost-efficient and better for individuals needing services, if states reinvest at least some of the savings in community services. Between 2010 and 2012, 6 states closed or considered closing 12 hospitals and 17 states have reduced state hospital beds (1,732 beds total).^[xii]

Moving Forward

States will continue to face shortfalls even after the national economy recovers. According to a report by the National Governors Association and the National Association of State Budget Officers, in the last state fiscal crisis “more than a year after the end of the national recession, 37 states in both fiscal 2002 and fiscal 2003 made mid-year budget cuts totaling nearly \$14 billion and \$12 billion, respectively.”^[xiii] Moreover, as state fiscal situations begin to recover, the baseline for mental health funding will be very low. It may take several decades to bring spending back to pre-recession levels.

Compounding the effects of cuts to mental health programs are cutbacks in other social programs. Individuals with serious mental illnesses are disproportionately low-income and are particularly vulnerable when there are rollbacks in a variety of assistance programs—including state disability income support payments, housing subsidies, Medicaid, fuel assistance, and education and employment support. When needed assistance is unavailable, people with mental illnesses may not only lose housing and access to basic necessities, they are more likely to experience a worsening of symptoms and deterioration in functioning. In turn, this can trigger a cascade of negative effects and undesirable outcomes, like repeated hospitalizations and frequent encounters with the criminal justice system, which are costly to the individuals themselves and society as a whole.

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- [i] *Still Waiting...Olmstead. Bazelon Center for Mental Health Law*. 24 June 2009. Web. <<http://bazelon.org.gravitatehosting.com/LinkClick.aspx?fileticket=S5nUuNhJSOM%3d&tabid=104>>.
- [ii] Bogira, Steve. "Starvation Diet: Coping With Shrinking Budgets In Publicly Funded Mental Health Services." *Health Affairs* 28.3 (2009): 669-70. Print.
- [iii] Ibid.
- [iv] "Overview Mental Health Services." *Centers for Medicare & Medicaid Services*. Web. 26 May 2011. <<https://www.cms.gov/MHS/>>.
- [v] SAMHSA Table 24. SMHA Controlled Mental Health Revenues, By Revenue Source and by State, FY2008.
- [vi] "FY 2011 Budget Status." NCSL, Oct. 10, 2010. Accessed Mar. 2, 2011 at <http://www.ncsl.org/default.aspx?tabid=19999>.
- [vii] Ibid.
- [viii] Martone, Kevine. "The Impact of the State Fiscal Crisis OnState Mental Health Systems." Lecture. NRI 2010, Feb. 16, 2011. Accessed Feb. 28 2011 at http://www.nasmhpd.org/general_files/meeting_presentations/Hill%20Briefing%20Feb.%2016%202011/Kevin%20Martone%20Powerpoint.pdf
- [ix] Ted Lutterman ,NASMHPD Research Institute (NRI). The Impact of the State Fiscal Crisis on State Mental Health Systems Fall 2010 Update. October 12, 2010.
- [x] *SAMHSA's Weekly Financing News Pulse: State and Local Edition* (16 Feb. 2011). SAMHSA. Accessed 28 Feb. 2011 at <http://www.hablemos.samhsa.gov/Financing/file.axd?file=2011%2F2%2FWeeklyFinancingNewsPulseStateandLocalEditionfinal20110216.pdf>
- [xi] Martone, Kevine. "The Impact of the State Fiscal Crisis OnState Mental Health Systems."
- [xii] Ibid.
- [xiii] *The Fiscal Survey of the States Fall 2010. National Association of State Budget Officers*. National Governors Association, 2010. Web. 7 Feb. 2011. <<http://www.nga.org/Files/pdf/FSS1012.PDF>>.