



## Many States Reporting Cost-Cutting Measures for Children's Mental Health Services

By Harriette Fox, Margaret McManus, Harry Schmidt, and Mary Reichman

A substantial number of states report scaling back children's mental health services in fiscal years 2002 and 2003, largely because of overall budget shortfalls. States, along with local jurisdictions, are the primary financers of children's mental health services delivered by community mental health centers and other community-based program providers. Although all states receive substantial amounts of federal Medicaid and S-CHIP matching funds to finance mental health services to children eligible for coverage, they receive little federal monetary assistance to support the many private non-profit providers that serve uninsured and underinsured children and those with the most complex conditions. Federal Community Mental Health Services Block Grants provide small grants -- on average, \$8 million per state in fiscal year 2002 -- to fund services for all age groups. Federal grants for Comprehensive Community Mental Health Services for Children and Their Families provide smaller amounts -- under a total fiscal year 2002 budget of only \$96.7 million -- to support community-based systems of care for children with serious emotional disturbances,<sup>1</sup> but these 6-year grants have not been awarded to all states and they carry substantial matching requirements.<sup>2</sup> As a result of these federal financing policies, state mental health authorities have tended to see their role primarily as gap filling to meet the numerous needs of uninsured, underinsured, and seriously emotionally disturbed children.

In order to determine the potential impact of state fiscal year 2002 and 2003 budget shortfalls on children's mental health services, the Maternal and Child Health Policy Research Center queried the state mental health authority staff person responsible for children's services

in each state and the District of Columbia during March and April of this year. These individuals were selected by reviewing the membership roster of the Child, Youth, and Families Division of the National Association of State Mental Health Program Directors as well as by contacting the states directly. State mental health officials were told that their results would remain confidential and that no state would be mentioned by name in this report, as many had concerns about releasing information that could result in potential litigation. Unfortunately, despite this assurance, 35% of states declined to participate in this study primarily because of the sensitivity of the information. We obtained information from 33 states, giving us a 65% response rate.

Of the 33 state mental health officials providing information, 19 (58%) reported that their states' mental health authority budgets had been cut in fiscal year 2002 due to overall state budget shortfalls. In 14 of these 19 states, cuts reportedly are affecting funds available for children's mental health services, and in 2 others they could be affecting children's mental health services funds -- officials were unsure.

However, even states not subject to budget reductions for children's mental health services may be experiencing fiscal pressures that are causing them to take steps to reduce or curtail these services. Twenty-three states, 70% of our respondents, report experiencing an increase in demand for children's mental health services from local providers. Eleven are states in which funding for these services are being cut. Twelve are not, but at least some have not had their state appropriations

increase commensurate with expanded service demand.

### Administrative Spending Reductions in FY 2002

Overall, 22 states, 67% of our respondents, report making changes in their children's mental health

changes that will affect access to care by children who have serious emotional disturbances or by children who have mild or moderate conditions or who otherwise fail to meet the state's criteria for having a serious emotional disturbance. In fact, more than half of these 18 states report making changes that will affect both populations

STATE COST-CUTTING MEASURES IN FISCAL YEAR 2002							
State	Administration	Changes Affecting Children with Serious Emotional Disturbances			Changes Affecting Children with Conditions Not Considered Serious Emotional Disturbances		
		Inpatient Hospital	Residential Treatment	Community-Based Services	Inpatient Hospital	Residential Treatment	Community-Based Services
1	X			X			X
2	X						
3			X				
4	X	X	X				X
5	X		X			X	
6	X	X			X		
7	X	X					
8	X			X			
9	X						
10	X	X	X	X	X	X	X
11	X	X		X	X		
12			X				
13	X	X		X			X
14			X				
15	X						
16	X						
17	X	X	X				
18	X	X	X			X	X
19	X			X			
20				X			X
21	X	X		X			X
22	X	X		X	X		

programs in fiscal year 2002 in order to reduce costs. The most common change, one being implemented by 55% of states responding, is a reduction in administrative spending. Of these 18 states, more than two-thirds are ones reporting official cuts in funds for children's mental health services. Almost all are reducing staff travel, and nearly as many are not filling vacant positions. However, more than a quarter of the states cutting administrative costs are also taking the more affirmative step of eliminating staff positions.

### Program and Policy Changes in FY 2002

The same proportion of states, 55% of our respondents, report introducing program or policy

of children. Among the 18 states, two-thirds are ones reporting official cuts in funds for children's mental health services.

Most mental health officials told us that budget shortfalls would be likely to affect all children -- the uninsured and underinsured as well as those with Medicaid or S-CHIP coverage. However, some reported that there would be more significant access problems for the uninsured, presumably because federal matching funds made it easier to serve children covered by Medicaid or S-CHIP while expending the fewest resources and because serving Medicaid children with serious conditions may be a primary responsibility of community mental health service programs.

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All of the 18 states taking steps to contain costs in children's mental health services are making changes affecting services to children with serious emotional disturbances. Among these states, a variety of strategies are being employed. The largest proportion, 30% of our respondents, are directing their efforts at reducing or curtailing expenditures for inpatient hospital services, most often by closing state psychiatric facilities, downsizing child and adolescent units, and reducing the number or scope of hospital contracts, but also by allowing fewer days of hospitalization and making admissions criteria more stringent. Twenty-seven percent are pursuing cost-cutting measures aimed at community-based programs, typically by reducing staff, making the criteria for treatment far more stringent, and reducing the amount of services individual children receive. In most states, all types of community-based interventions -- individual, group, and family therapy; case management; therapeutic after-school and summer programs; in-home supports; crisis intervention; and medication management -- are being affected. Twenty-four percent of our respondents are focusing on residential treatment, essentially through policies that decrease out-of-state treatment and make admissions criteria more stringent.

Fewer states, only 11 of the 18 states making changes in their child mental health services programs, are scaling back services for children not determined to have serious emotional disturbances, although many of the other states (just over 20% of our respondents) do not fund services for this population. Among these 11 states, almost two-thirds reported implementing stricter policies for community-based treatment, usually by reducing the amount of services to each client or making the criteria for obtaining services more stringent. A much smaller proportion (36%) are targeting inpatient services, mostly by downsizing units, tightening admissions criteria, or allowing fewer days of hospitalization. Only a few states are pursuing cost-saving measures in residential treatment, presumably because so few children not qualifying as having a serious emotional disturbance would require this level of care.

More than a third of the 18 states reporting cost-cutting changes in children's mental health services noted that other types of services were being affected as well. These included preventive mental health programs for children and their families and also school-based mental health programs.

Although state children's mental health officials may not be fully informed of budget difficulties in other state

programs for children, 10 of the states responding (30%) told us of budget cuts in other state agencies that were resulting in reduced access to children's mental health services. Such cuts were reported for juvenile justice programs, special education programs, and child welfare programs, with most of the 10 states reporting cutbacks affecting children's mental health services for 2 or 3 of these programs.

On the positive side, it is significant that despite states' difficult fiscal environment, 12 states, just over a third of our 33 respondents, reported being able to expand selected community-based children's mental health services. Often these expansions were made possible because of the cost savings achieved by reductions in more expensive services. While 2 states are funding the development of local systems of care in previously underserved communities, most are expanding particular types of services such as home-based services, mobile and residential crisis services, case management services, respite and other support services for parents, and also assistance in courts for children in the juvenile justice system requiring mental health treatment.

### **Outlook for 2003**

Looking to fiscal year 2003, we found that the same proportion of our responding states (67%) will be making changes in their children's mental health programs to reduce or contain costs as did so in 2002. However, a significant number of states told us that they did not have sufficient information to assess the 2003 situation. For example, while 16 of our 33 respondents reported that their states' mental health authority budgets will be cut, an additional 7 said that it was too soon for them to know whether this would happen. Of the 16 states that could definitively answer yes, 12 reported that the cuts will translate into budget reductions for children's mental health programs, and 3 could not say. Moreover, as in 2002, the vast majority of responding states (73%) expect providers will confront an increased demand for children's mental health services. These include 13 states in which children's mental health service budgets will be cut, and 11 in which funding levels will not be reduced but still may not match the anticipated demand.

Among the 22 states that will be making changes in their children's mental health programs in fiscal year 2003, again the most common change, this time reported by 58% of our respondents, will be a reduction in administrative spending. Not unlike those making administrative changes in 2002, almost all of the 19

states will be reducing staff travel, more than two-thirds will not be filling job vacancies, and, while many will be doing both, a handful will be eliminating staff positions as well.

Compared to fiscal year 2002, a somewhat smaller proportion of states responding, 48% compared to 55%, will be implementing program or policy changes affecting the availability of services for children with conditions qualifying as serious emotional disturbances or for children with other conditions. As in the current year, however, most of the 16 states will be making changes directed at both populations of children. Yet, although in most states the changes are expected to affect all children regardless of insurance status, in some it will be only the underinsured and uninsured children whose access to care will be reduced.

All 16 of the states that will be reducing or containing costs for children's mental health services in fiscal year 2003 are instituting changes directed at children with serious emotional disturbances. Although these states will be giving slightly less attention to controlling inpatient hospital services than they are currently, overall the kinds of program and policy strategies that they will employ are not substantially different than what are being used now. The only minor differences are that fewer states report they will close hospital facilities or make admissions criteria more stringent, fewer report they will reduce out-of-state residential treatment, and more report they will tighten criteria for receiving community-based services. Policy and program changes aimed at community-based services will continue to affect a wide range of therapeutic interventions, but impacts on after-school and summer programs will be somewhat more common.

Ten of the 16 states will be instituting changes affecting children with mental health conditions that do not qualify as serious emotional disturbances. For these children, the types of program and policy strategies that will be used to reduce or contain costs for each of the 3 services -- inpatient hospital, residential treatment, and community-based services -- will be almost identical to those being used this year. The only difference is that in each state changes in community-based services will affect more kinds of interventions, with impacts most notable for intensive case management services.

With respect to other types of services that state children's mental health programs may fund, our respondents reported changes in fiscal year 2003 very

similar to those in 2002. Among the 16 states intending to make program and policy changes for children's mental health services, more than a third will also be reducing support for preventive, school-based, and other types of mental health services for children and their families.

Overall, our study found that 24 states, almost three-quarters of the 33 states for which we have information, are taking steps to reduce or contain children's mental health expenditures in fiscal year 2002 or 2003. Although several of the states are implementing changes affecting administrative functions only, all of the remainder are introducing program policies affecting the availability of children's treatment services. Of the 24 states, there are 6 that in both years are limiting expenditures for services to children with serious emotional disturbances and expenditures for services to other children, as well as expenditures for administration. We found only 6 states in which children's mental health programs were definitely not being subject to any cost-cutting strategies in either year.

## Endnotes

<sup>1</sup> The definition of children with serious emotional disturbance used by the Substance Abuse and Mental Health Services Administration includes children from birth to age 22 who currently have, or at any time during the past year had, a diagnosable mental, behavioral, or emotional disorder of sufficient duration to meet diagnostic criteria specified within the DSM-IV-R, and that resulted in functional impairment which substantially interferes with or limits the child's role or functioning in family, school, or community activities.

<sup>2</sup> Currently, 67 grants have been awarded, providing financial support for services to children with serious emotional disturbances in 8% of counties. Grants are structured to assure financial sustainability when federal funds are terminated.

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