Medi-Cal funding and the state budget: behavioral healthcare equity across California

Elijah Hall[1,2]

1. Department of Evolution, Ecology, and Organismal Biology, University of California, Riverside, CA
2. Science to Policy Program, University of California, Riverside

The state budget and Medi-Cal funding

California receives over one third of its annual budget from the federal government, which is then distributed to counties, cities, and special districts through the annual state budget. The formulas that the state government uses to disperse federal funds varies depending on the services provided. Medicaid (Medi-Cal in California) is a joint state-federal program that provides insurance and healthcare services to over 14 million people in the state.

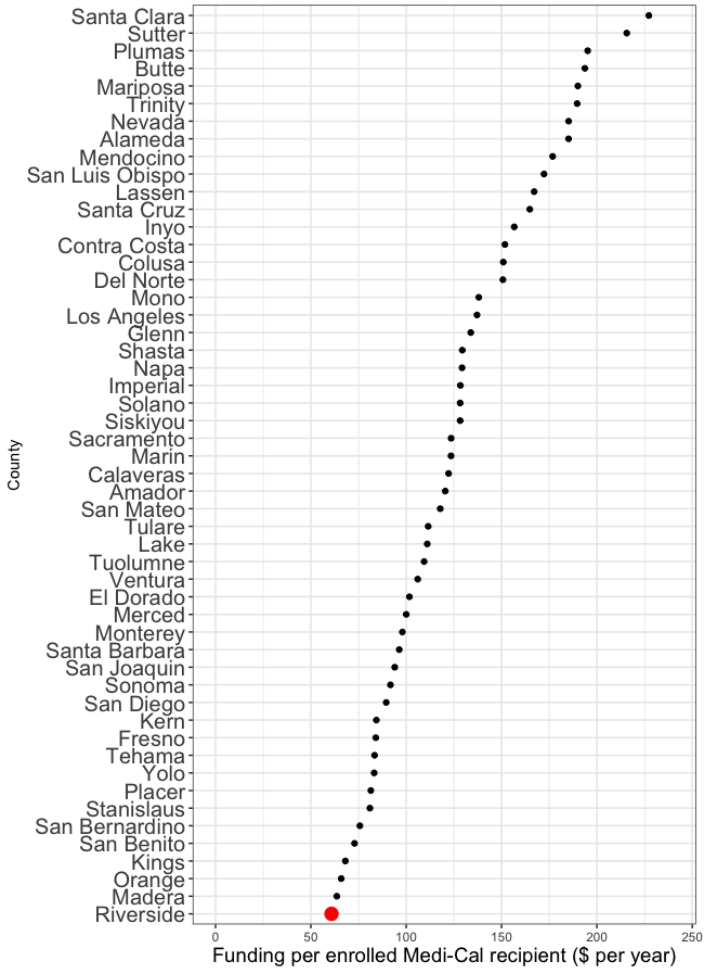
Medi-Cal services are provided by several sources. Counties are namely involved in the administration of behavioral health services and services for children with higher healthcare needs. Medi-Cal is otherwise administered by contracted health-insurance companies. For the services administered by counties, they typically pay directly for the services and then submit claims to the Department of Health Care Services (DHCS) to be reimbursed from state and federal funds. The state pays for Medi-Cal with several different funds, namely vehicle licensing fees and sales taxes. State and federal funds are then apportioned to counties.

The state apportions money for Medi-Cal behavioral Health services based on formulas from the 2011 realignment. The 1991 and 2011 redistributed responsibility of a number of services, Medi-Cal administration being one of them, to counties in order to balance the state budget and improve administration. These formulas determine how much each county is apportioned for the different services, behavioral healthcare being the Medi-Cal service directly administered by counties. When a county's Medi-Cal reimbursements exceed the amount apportioned by the state, the county is responsible for paying for those services.

The funding allocated to each county does not necessarily reflect the changing needs of the constituents there. In 2022, there were 1,009,000 Riverside County residents enrolled in Medi-Cal, the fourth highest in the county behind Los Angeles County, San Diego County, and Orange County. Per capita, Riverside County has the 25th most Medi-Cal enrollees of 58 counties in California. Additionally, Riverside County is one of the only counties in the state that is projected to increase in population over the next 40 years, with the highest projected rate of growth. Additionally, according to data from 2020 by the California Health Interview Survey, Riverside County has more people than the state average who are in fair or poor health (15.6), and more people than average who have experienced delayed prescription or medical services (23.6%).

Riverside County residents and Medi-Cal enrollees have significant health care and mental health care needs currently and moving forward. Despite these needs, Riverside County is receiving a disproportionately low amount of funding for Medi-Cal behavioral health care services. In 2021, Riverside County ranked 54th of 54 counties with populations about 10,000 people (excluding San Francisco County; Figure 1). Riverside County received on an average of

$60 per Medi-Cal enrollee, while neighboring counties received an average of $65 in Orange County, $75 in San Bernardino County, $89 in San Diego County, and $137 in Los Angeles County. The highest funding per Medi-Cal recipient was in Santa Clara County, where the average was $227 per person.



These discrepancies in funding per Medi-Cal enrollee likely impact both the enrollees themselves, and healthcare providers in Riverside County. Lower funding per enrollee could imply that Medi-Cal enrollees are not able to use their insurance to address behavioral health needs. Additionally, low per-enrollee funding could mean that behavioral healthcare providers are receiving less reimbursement for each patient, making Riverside County a more challenging place to work as a healthcare provider.

Alternatives to the state budget formula

During the COVID-19 pandemic, the federal government passed a number of stimulus bills to assist businesses, healthcare providers, and state and municipal governments. Namely, the CARES Act and ARP Act provided to help individuals, businesses, governments, and healthcare providers. These bills differ from traditional funding formulas that provide money to state legislatures for them to disperse to local governments. In the CARES Act, counties and cities with populations over 500,000 residents were able to receive 55% of the funding directly from the federal government instead of through the state budget process. The ARP Act allocated 18.6% of funding directly to counties and cities, while 56% went to state governments.

These stimulus bills provide a potential alternative formula to disperse federal funding to county and local governments that do not go through the state budget process. Because these federal stimulus bills provided funding in a way that was much more closely aligned to population size, these formulas could present a path to provide more equitable funding to Riverside County and other local governments like it who are not receiving an equitable share of the state budget.