

American College of Mental Health Administration



ACMHA Arm Chair Reflections **American Foundations and Mental Health:** **Refocusing an Historical Alliance**

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The current mental health policy direction pursued in the United States focuses on transformation, recovery, cultural competence, and enhanced consumer and family participation. The Center for Mental Health Services has been engaged in an intense effort to market this new policy direction, as both process and goal, since the conclusion of the New Freedom Commission (New Freedom Commission on Mental Health, 2003). As part of the intensive marketing effort, the Center for Mental Health Services has proffered working definitions of key terms, published an action agenda, offered technical assistance in “deep change” strategies, and provided financial support (Substance Abuse and Mental Health Administration, 2005). The federal financial support consists of five-year grants to nine state governors to implement plans for transformation. The remaining 41 states receive technical assistance but lack federal or state monetary incentives to support transformation.

The overt focus of the New Freedom Report is to alter existing public mental health systems – mostly at the state level. For decades, state systems have been comprised of aging state hospitals and federally funded community mental health centers. Federal efforts to transform state mental health are not new. The most significant efforts came with the Community Mental Health Centers Act (PL 88-164) and Medicaid (Franklin, 1961; New Freedom Commission on Mental Health, 2003; U.S.Congress, 1978; U.S.Congress, 1980; U.S.Congress, 1963; U.S.Congress, 1955; Truman, 1945). Part of the response to the newest federal transformation plans is an emerging dialogue about how macro level change in policy, services, distribution of decision-making power, and financing takes place in entrenched bureaucracies and complex systems unsure about the acceptable balance of federalism and the sovereign rights of states (Diamond, 1997; Diamond, 2005; Frank & Glied, 2006a; Marshall, 2006).

In my estimation, one unexplored linkage in transformation is inclusion of American foundations, historically an important ally in supporting mental health causes (Brousseau & Langill, 2003; LeRoy et al., 2006).

Assets and Spending by Foundations

In 2005, there were close to 100,000 foundations of all types – corporate, community, independent, and family. The number of foundations in the United States increased by close to 200% from 1990 to 2006. However, of the 100,000 American foundations, close to 90% have assets under ten million dollars and less than 2000 have assets above \$25 million (Internal Revenue Services, 2004). The Hogg Foundation for Mental Health, one of few that focus exclusively on mental health, has assets of close to \$150 million. Foundations in the United States control close to 700 billion dollars in invested assets. In accordance with federal tax regulations, these foundations are required to spend a minimum of 5% (35 billion dollars) of

their assets each year through grants to other non-profit entities or causes consistent with the intent of their donors (Meadows, 2005).

Relatively little foundation spending is dedicated to mental health. In 2004, foundations provided only 204 million dollars to mental health causes (LeRoy, 2006). When compared to overall health spending, mental health spending by foundations accounted for only 6%, less than the 7.6% spent in the U.S. for mental health care as a whole (Mark et al., 2005). From 2003-2004, spending by foundations for mental health causes actually declined by 11%, while foundation support for innovations in health care increased significantly (Brousseau & Langill, 2003; LeRoy et al., 2006).

Spending on Mental Health 1991 - 2001

By contrast, all public and private mental health service spending in the United States totaled close to 85 billion dollars in 2001 (Mark et al., 2005). The 2001 total represents close to a 60% increase in spending – roughly 5.7% annually – from 1991. A similar increase was noted for this period in per capita expenditures, rising from \$192 to \$302. However, Mark et al (2005) noted that the per capita spending for all health care for this decade was over \$4,851. Medicaid became a major source of funding during the decade for mental, physical, and substance abuse services as state support declined (Frank & Glied, 2006b). Although there have been major increases in spending for mental health, the proportion of overall health care spending declined from 1991 to 2001. Overall, public sources – state and federal – account for the majority [63%] of payments for mental health care in 2001 (Mark et al., 2005; Frank & Glied, 2006b). Frank (2006) predicts that the federal share of mental health spending will continue to increase as the states' contributions and authority wane.

Foundations and Transformation

America's largest foundations have a storied history of risk funding in which there is an expected but unclear social gain or yield (Fleishman, 2007). Foundations are also undergoing major changes in the way they conceptualize their investment strategies and their processes. Although American foundations have an extensive record of supporting mental health causes (Brousseau & Pechura, 2003), their strategic involvement in current transformation efforts seems limited. One deterrent to participation in transformation is the perception that states are limited in their ability to change their traditional mental health system (Frank & Glied, 2006b; Franklin, 1961). A second issue could be that foundations are skeptical about the underlying science of mental health and unaware of how well psychiatric outcomes compare with those in health (U.S. Department of Health and Human Services, 1999). Foundations may also lack detailed information about the goals and processes proposed in transformation. Finally, no clear-cut role has been identified or proposed for foundations to consider in transformation. In a recent letter to participants in a financial roundtable, Power (2006) does not identify a specific role for foundations in a comprehensive list of 50 recommendations. The majority of these recommendations focused on financing, organization, strategic planning, policy development, and workforce development – areas of interest and expertise within many of the larger foundations.

In 1991, total payouts by foundations for all causes equaled only 12.5% of public spending within the United States for mental health causes. However, by 2006 total spending by foundations for all causes was equal to 33% of the amount spent on mental health care. Where foundations are strong is in their endowments relative to public spending on mental health. By 2000, the assets of foundations even in a weakened economy outpaced total mental health funding almost ten fold. This drastic increase in foundation assets reflects two opposing trends – limited increases in the budgets of public mental health and major new sources of capital for

community foundations. The potential for foundation investment in mental health transformation remains significant, but must be pursued and nourished.

Efforts must be made to involve American foundations in all aspects of transformation. In addition, a range of options for them to consider should accompany such an invitation. The most immediate need for their input is in reaching the 41 states that lack incentives for systems planning. To support the current nine transforming states over a five-year period, the federal government will expend 135 million dollars. To cover the remaining 41 states at the same time would require 110.7 million additional dollars per year or slightly over one-half billion dollars over the full five years of the project. It would only take 110 million of the annual 35 billion dollars that foundations spent in 2004 to support transformation in the remaining 41 states. This amount is less than $\frac{1}{2}$ of 1% of total foundation giving. Successful transformation, however, will also require long-term investments in workforce, technology, curriculum development, integrated care, financial strategies, and changes in public policies. Investments in one or more of these areas could be the focus of collaborative efforts by foundations, corporations, and government.

Foundations have been unwilling to invest their resources in state systems described as fragmented, rigid, and failing. However, the current transformation initiative seems to offer more promise than prior initiatives. Foundations have the resources, expertise, linkages, and power than can be applied to help insure the success of this newest federal initiative. Nonetheless, many questions remain unanswered:

1. Will transformation survive a change in presidential administrations?
2. What role should ACMHA play in getting foundations involved in transformation?
3. What role (s) does ACMHA propose that foundations consider in transformation?
4. What strategies are needed to bring foundations and the Center for Mental Health Services together?

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