



MONICA MONTGOMERY STEPPE

SUPERVISOR, FOURTH DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS

AGENDA ITEM

DATE: December 10, 2024

32

TO: Board of Supervisors

SUBJECT

AUTHORIZE AN ASSESSMENT OF THE BEHAVIORAL HEALTH SERVICES DEPARTMENT TO OPTIMIZE ITS ROLE AS A HEALTH PLAN, AN ASSESSMENT OF POTENTIAL IMPACTS ON THE COUNTY HEALTH AND HUMAN SERVICES AGENCY, A COMPETITIVE SOLICITATION FOR CONSULTING SERVICES TO SUPPORT THE ASSESSMENT, AND A REPORT BACK ON FINDINGS AND RECOMMENDATIONS (DISTRICTS: ALL)

OVERVIEW

In the past year, the County of San Diego (County) has undergone tremendous leadership change, beginning with the appointment of our Chief Administrative Officer (CAO) in June. As she and her new leadership team embark on creating culture change and innovate for the future, they must do so facing constrained budget realities, and uncertainty in funding streams at the State and federal levels that are critical to our programs. Change must be managed thoughtfully and thoroughly- we must maintain operations that are essential to the communities we serve while supporting our workforce. To borrow a concept from the Government Finance Officers Association (GFOA), we must approach this response in three distinct phases - **“Bridge, Reform, Transform”** - to create an organization nimble enough to respond to the immediate and evolving needs of those we serve while managing our resources in the most effective and efficient manner while creating opportunity for future innovation.

First, we must **Bridge** the realities of our current situation both fiscally and operationally. This phase began during the adoption of the current budget and will continue to be a key strategy in our budget planning process that is currently underway.

Second, we must begin to **Reform** utilizing the Bridge strategies, ensuring that the County is structured to sustainably provide appropriate levels of services to our communities with available resources in both the short and the long term. This includes aligning our operations and programs with our Strategic Plan that denotes our values, including Equity and the Empowerment of our workforce, and centers Community Engagement in the center of everything we do. The County team is actively developing reform strategies to address budget gaps and plan for the future.

The results of these two phases will position the County to become more resistant to financial distress and adaptable to a changing environment. This will provide us a firm foundation to

SUBJECT: AUTHORIZE AN ASSESSMENT OF THE BEHAVIORAL HEALTH SERVICES DEPARTMENT TO OPTIMIZE ITS ROLE AS A HEALTH PLAN, AN ASSESSMENT OF POTENTIAL IMPACTS ON THE COUNTY HEALTH AND HUMAN SERVICES AGENCY, A COMPETITIVE SOLICITATION FOR CONSULTING SERVICES TO SUPPORT THE ASSESSMENT, AND A REPORT BACK ON FINDINGS AND RECOMMENDATIONS (DISTRICTS: ALL)

Transform the County, including a review of its organizational structure. Today's recommendations will position the County to begin planning for and quickly implement transformation. Looking at the entire County is crucial but noting specifically the Health and Human Services Agency (HHS) with a number of complex and large funding streams to ensure services must be maximized. Within HHS, beginning with Behavioral Health Services (BHS) will be the most impactful as BHS operates the county's Behavioral Health Medi-Cal Plan (BHP). In this role, BHS not only oversees many direct client-facing services for our most vulnerable populations but also has unique revenue opportunities and dedicated funding streams. Optimization of our BHP operations is vital as we strive to best serve Medi-Cal beneficiaries throughout San Diego County in the midst of rising demands for behavioral health services and significant policy change regarding behavioral health throughout the State of California.

Outside expertise with a knowledge of California county government finance, as well as California Medi-Cal health plan operations, is needed to assess the complex funding streams, new and impending policy changes, and to provide recommendations to optimize operations and Medi-Cal revenues. First, the report should assess existing funding and the impacts of new initiatives impacting BHS, including but not limited to the Behavioral Health Services Act (BHSA), Proposition 1, the CARE Act, Senate Bill 43, the Incompetent to Stand Trial (IST) process, and Behavioral Health Payment Reform. Following a thorough assessment of these factors, the report should include recommendations for optimizing BHS' role as a health plan. Secondly, based on these recommendations, the report should provide the CAO a comprehensive impact analysis that outlines the impacts on programs and services across HHS and the County.

RECOMMENDATION(S)

SUPERVISOR MONICA MONTGOMERY STEPPE

1. Direct the Chief Administrative Officer (CAO) to utilize a consultant(s) with specific expertise and knowledge of accounting structure and practices of local governments and Medi-Cal health plan operations in California to produce a report that provides an analysis of the financial and operational structure of the County of San Diego (County) and recommendations to maximize the efficient and effective delivery of County programs and services in two phases:
 - a. Recommendations to optimize Behavioral Health Services' (BHS) statutory role as a specialty health care provider and Medi-Cal health plan. This includes an assessment of the current functions, organizational structure, and departmental resources within BHS: including but not limited to staffing, infrastructure, funding, and other key areas, the impact of large policy changes and initiatives on the provider community, County finances, and the clients served by these programs;
 - b. Outline future steps to evaluate the broader Health and Human Services Agency (HHS) and the varied complex funding streams and mandates and connecting that to the overall group structure of the County Strategic Plan to leverage efficiencies.

SUBJECT: AUTHORIZE AN ASSESSMENT OF THE BEHAVIORAL HEALTH SERVICES DEPARTMENT TO OPTIMIZE ITS ROLE AS A HEALTH PLAN, AN ASSESSMENT OF POTENTIAL IMPACTS ON THE COUNTY HEALTH AND HUMAN SERVICES AGENCY, A COMPETITIVE SOLICITATION FOR CONSULTING SERVICES TO SUPPORT THE ASSESSMENT, AND A REPORT BACK ON FINDINGS AND RECOMMENDATIONS (DISTRICTS: ALL)

2. In accordance with Board Policy A-87, Competitive Procurement, approve and authorize the Director, Department of Purchasing and Contracting, to issue a competitive solicitation for consulting services that perform the actions outlined in Recommendation #1, and upon successful negotiations and determination of a fair and reasonable price, award contracts for an Initial Term of up to one year, with four 1-year Options, and up to an additional six months, if needed; and to amend the contracts to reflect changes in program, funding or service requirements, subject to the availability of funds and the approval of the Deputy Chief Administrative Officer of HHS.
3. Direct the CAO to report back to the Board on Recommendation #1a and #1b within 180 days of the execution of the consultant contract.
4. Following the report back included in Recommendation 3, Direct CAO to report back quarterly with status updates on the broader evaluation of HHS and the varied complex funding streams and mandates and connecting that to the overall group structure of the County Strategic Plan after the completion of the contract(s) with a presentation on the full report including recommendations within 365 days.

EQUITY IMPACT STATEMENT

In the United States, health inequities continue to persist based on an individual’s race, ethnicity, sexual orientation, gender identity, and disability. According to the 2022 San Diego County Health Equity Report Series, Black residents have worse outcomes in terms of behavioral health when compared to other racial groups. Improving access to behavioral health services through the optimization of BHS organizational structure will help address the needs of many vulnerable populations in the County of San Diego.

SUSTAINABILITY IMPACT STATEMENT

With the adoption of these recommendations, the County of San Diego (County) will support Sustainability Goal #2 to provide just and equitable access to services and resources, and Sustainability Goal #4 to protect the health and well-being of everyone in the region. These actions will improve access this array of services will help address the needs of many vulnerable populations in the County, as well as planning for the future of service delivery in these areas.

FISCAL IMPACT

Funds for these requests are included in the Fiscal Years (FY) 2024-26 Operational Plan in the Health and Human Services Agency, Behavioral Health Services. If approved, today’s recommendations will result in approximate costs and revenue of approximately \$0.2 million in FY 2024-25 and \$0.4 million in FY 2025-26. The funding sources are Realignment and Patient Care Revenue. There will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT

SUBJECT: AUTHORIZE AN ASSESSMENT OF THE BEHAVIORAL HEALTH SERVICES DEPARTMENT TO OPTIMIZE ITS ROLE AS A HEALTH PLAN, AN ASSESSMENT OF POTENTIAL IMPACTS ON THE COUNTY HEALTH AND HUMAN SERVICES AGENCY, A COMPETITIVE SOLICITATION FOR CONSULTING SERVICES TO SUPPORT THE ASSESSMENT, AND A REPORT BACK ON FINDINGS AND RECOMMENDATIONS (DISTRICTS: ALL)

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

In the past year the County of San Diego (County) has undergone tremendous leadership change, beginning with the appointment of our Chief Administrative Officer (CAO) in June. As she and her new leadership team embark on creating culture change and innovate for the future, they must do so facing constrained budget realities, and uncertainty in funding streams at the State and federal levels that are critical to our programs. Change must be managed thoughtfully and thoroughly. We must maintain operations that are essential to the communities we serve while supporting our workforce. To borrow a concept from the Government Finance Officers Association, we must “**Bridge, Reform, Transform**” to create an organization nimble enough to respond to the evolving needs of those we serve while managing our resources in the most effective and efficient manner.

First, we must **Bridge** the realities of our current situation both fiscally and operationally. This piece is already underway through the County’s Operational Planning process to develop strategies to address budget gaps and plan for the future.

Second, we must **Reform** utilizing the Bridge strategies, ensuring that the County is structured to sustainably provide the highest level of services to our communities with available resources, and aligning our operations and programs with our Strategic Plan that denotes our values including Equity and the Empowerment of our workforce, and centers Community Engagement in everything we do.

Third, we must **Transform** the County structure. Looking at the entire County is crucial but noting specifically the Health and Human Services Agency (HHSA) with a number of complex and large funding streams to ensure services must be maximized. Within HHSA, beginning with Behavioral Health Services (BHS) will be the most impactful as BHS operates the county’s Behavioral Health Medi-Cal Plan (BHP). In this role, BHS not only oversees many direct client-facing services for our most vulnerable populations but also has unique revenue opportunities and dedicated funding streams. Optimization of our BHP operations is vital as we strive to best serve Medi-Cal beneficiaries throughout San Diego County in the midst of rising demands for behavioral health services and significant policy change regarding behavioral health throughout the State of California.

Outside expertise with a knowledge of both Medi-Cal health plan finance and operational structures as well as California county government finance and operational structures will be needed in order to dive through the complex funding streams and the State and federal mandates, and to provide recommendations for operational considerations and Medi-Cal revenue optimization. First, the report should assess existing funding and the impacts of new initiatives

SUBJECT: AUTHORIZE AN ASSESSMENT OF THE BEHAVIORAL HEALTH SERVICES DEPARTMENT TO OPTIMIZE ITS ROLE AS A HEALTH PLAN, AN ASSESSMENT OF POTENTIAL IMPACTS ON THE COUNTY HEALTH AND HUMAN SERVICES AGENCY, A COMPETITIVE SOLICITATION FOR CONSULTING SERVICES TO SUPPORT THE ASSESSMENT, AND A REPORT BACK ON FINDINGS AND RECOMMENDATIONS (DISTRICTS: ALL)

impacting BHS, including but not limited to the Behavioral Health Services Act (BHSA), Proposition 1, the CARE Act, Senate Bill 43, the Incompetent to Stand Trial (IST) process, and Behavioral Health Payment Reform. Following a thorough assessment of these factors, the report should include recommendations for optimizing BHS' role as a health plan., Based on these recommendations, the report should provide the CAO a comprehensive impact analysis that outlines the impacts on programs and services across HHSA and the County.

Behavioral Health Services Role as a Health Plan

Behavioral Health Services (BHS) is situated in HHSA and provides essential mental health and substance use disorder services to people of all ages across San Diego County. BHS serves over 100,000 people annually across mental health, substance use, and prevention services through a network of care. Our Board has continued to prioritize behavioral health by investing over \$1.1 billion this fiscal year to improve access to care and client experience through improved infrastructure, enhanced and expanded services, and to transform toward a system focused on long-term care and prevention.

BHS operates in four domains:

- **A Contractor:** BHS contracts with community-based organizations to provide mental health and substance use prevention, treatment, and support services. BHS is approximately 80 percent contracted out.
- **A Direct Service Provider:** BHS provides direct services to clients through an array of programs staffed by County employees at the San Diego County Psychiatric Hospital and the Edgemoor Distinct Part Skilled Nursing Facility.
- **A Public Health Entity:** BHS serves as a public health entity providing epidemiological capacity and identifying broad community needs through a population health approach.
- **A Health Plan:** BHS serves as the statutorily required Specialty Behavioral Health Plan for Medi-Cal beneficiaries with serious mental illness (SMI) and the Drug Medi-Cal Organized Delivery System (DMC-ODS) provider for people with substance use disorders.

Significant Behavioral Health Policy Changes

Medi-Cal Transformation

On January 1, 2022, the Department of Health Care Services (DHCS) began implementing Medi-Cal Transformation in partnership with Medi-Cal providers, Managed Care Plans (MCPs), counties, community-based organizations and other stakeholders. Medi-Cal Transformation will modernize the State's Medicaid program utilizing a phased approach through 2027. It is anticipated to improve the quality of life and health outcomes of Medi-Cal beneficiaries, including those with the most complex health and social needs. Medi-Cal Transformation is expected to improve quality outcomes, reduce health disparities, and drive delivery system transformation and innovation through value-based initiatives, modernization of systems, and payment reform. It will

SUBJECT: AUTHORIZE AN ASSESSMENT OF THE BEHAVIORAL HEALTH SERVICES DEPARTMENT TO OPTIMIZE ITS ROLE AS A HEALTH PLAN, AN ASSESSMENT OF POTENTIAL IMPACTS ON THE COUNTY HEALTH AND HUMAN SERVICES AGENCY, A COMPETITIVE SOLICITATION FOR CONSULTING SERVICES TO SUPPORT THE ASSESSMENT, AND A REPORT BACK ON FINDINGS AND RECOMMENDATIONS (DISTRICTS: ALL)

also establish outcomes and utilize data more meaningfully to support client success and improve reporting and utilization through disaggregated data on specialty behavioral health services.

Behavioral Health Payment Reform

An aspect of Medi-Cal Transformation is the implementation of Behavioral Health Payment Reform, which commenced on July 1, 2023. Under Payment Reform, counties are transitioning from a cost-based reimbursement to a fee-for-service reimbursement structure enabling counties and providers to deliver value-based care, simplifying payment structures, and reducing the administrative burden. This is the first step toward value-based payment models that incentivize health outcomes and quality over volume and cost. Several key outcomes anticipated from Behavioral Health Payment Reform, include:

- Sustainable reimbursement for services;
- Incentives that are more equitable to sustain costs of providing quality care;
- Optimized billing through improved operational and administrative practices; and
- Reduced administrative burden.

Payment Reform is anticipated to allow for sustainable growth of critical services across our continuum of care resulting from increased federal revenue drawdown. This should allow for reinvestment opportunities, including new services, service enhancements, and investments into the workforce. BHS will need to continue building out infrastructure and expertise to optimize its function as a health plan.

A critical component of this effort is how the implementation works for our providers, and especially for our region's hospitals. Working with the Hospital Association of San Diego and Imperial Counties (HASDIC), being able to implement these changes successfully is not only financially critical for the providers and the County, but most importantly for the clients we serve. For the San Diego County Psychiatric Hospital, it will be important to note how any changes impact the service delivery and the financial model since that significantly impacts the County's budget overall.

Proposition 1 - Behavioral Health Services Act (BHSA)

In March 2024, California voters passed the Proposition 1 ballot measure, the Behavioral Health Services Act (BHSA), shifting the scope of services funded previously by the Mental Health Services Act (MHSA). The BHSA, which will be implemented on July 1, 2026, will result in shifts to services, increased accountability, more extensive data and outcome reporting, enhanced stakeholder engagement, and enhanced financial reporting, inclusive of all funding sources utilized for behavioral health care. The BHSA makes substantive shifts to prioritize care for individuals experiencing homelessness and or chronic homelessness, full-service partnership services, and early intervention services, along with adding flexibility to fund services for individuals with substance use disorders. BHSA will mostly maintain funding for core services, including outpatient, crisis, and support services, along with funding for infrastructure and the behavioral

SUBJECT: AUTHORIZE AN ASSESSMENT OF THE BEHAVIORAL HEALTH SERVICES DEPARTMENT TO OPTIMIZE ITS ROLE AS A HEALTH PLAN, AN ASSESSMENT OF POTENTIAL IMPACTS ON THE COUNTY HEALTH AND HUMAN SERVICES AGENCY, A COMPETITIVE SOLICITATION FOR CONSULTING SERVICES TO SUPPORT THE ASSESSMENT, AND A REPORT BACK ON FINDINGS AND RECOMMENDATIONS (DISTRICTS: ALL)

health workforce to support individuals with serious mental illness. While the BHS aims to prioritize individuals who are homeless, increase accountability and transparency, and improve access to care, it is anticipated to significantly impact existing MHS-funded services, resulting in the reprioritization of services and elimination of some services within the continuum of care.

Proposition 1 also established infrastructure bonds of \$6.38 million through the Behavioral Health Continuum Infrastructure Program (BHCIP) to finance loans or grants for the development of behavioral health treatment and permanent supportive housing for veterans and people who are experiencing homelessness and have behavioral health conditions. As approved by the Board of Supervisors on July 16, 2024, BHS will pursue BHCIP grant funding for two capital projects locally, including the Substance Use Residential Treatment Services (SURTS) facility, which will establish new substance use residential treatment beds and recuperative care, along with a new Children’s Crisis Residential Care facility, which will offer new crisis care to children and youth experiencing a mental health crisis.

The Health and Human Services Agency

Expanding on the analysis needed of all of the new and existing programs overseen by BHS, the next step is to look at the way the blended State, Federal, and local funding streams support the work being done across all of the HHS departments. Looking specifically at funding sources such as Realignment that are utilized across departments, it will be important to look holistically to ensure that the structure is both maximizing operational efficiencies, while also providing the programs and services needed by our communities in the most accessible manner.

The County of San Diego

We must look at the County as a whole and ask ourselves if the operational structure created decades ago is still the most situationally relevant. In order to answer this question, we need robust engagement, especially with our workforce and labor partners.

As we move forward over the next couple of years, setting the County up for success is critical to maintain effective operations, strive for innovation, and create a government nimble enough to meet the needs of the communities and residents we serve.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today’s proposed actions support the County of San Diego’s 2024-2029 Strategic Plan Initiatives of Equity (Health) and Community (Quality of Life and Partnership) by working to optimize the economic and administrative efficiency of the County of San Diego. These efforts will result in services for County residents that are more accessible, timely, and effective leading to improved outcomes for our most vulnerable residents

SUBJECT: AUTHORIZE AN ASSESSMENT OF THE BEHAVIORAL HEALTH SERVICES DEPARTMENT TO OPTIMIZE ITS ROLE AS A HEALTH PLAN, AN ASSESSMENT OF POTENTIAL IMPACTS ON THE COUNTY HEALTH AND HUMAN SERVICES AGENCY, A COMPETITIVE SOLICITATION FOR CONSULTING SERVICES TO SUPPORT THE ASSESSMENT, AND A REPORT BACK ON FINDINGS AND RECOMMENDATIONS (DISTRICTS: ALL)

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Monica Montgomery Steppe". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

MONICA MONTGOMERY STEPPE
Supervisor, Fourth District

ATTACHMENT(S)
N/A