



# COUNTY OF SAN DIEGO

## AGENDA ITEM

### BOARD OF SUPERVISORS

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Fifth District

**DATE:** March 24, 2026

**XX**

**TO:** Board of Supervisors

### **SUBJECT**

**AUTHORIZE AMENDMENT TO EXTEND EXISTING BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION CONTRACT AND AUTHORIZE EXECUTION OF THE BEHAVIORAL HEALTH SERVICES PERFORMANCE CONTRACT AGREEMENT WITH THE STATE (DISTRICT: ALL)**

### **OVERVIEW**

The County of San Diego (County) Behavioral Health Services (BHS) department contracts with an administrative services organization (ASO) to provide specialized and technical operational support services that assist with maintaining BHS requirements to function as a specialty behavioral health plan. On August 4, 2015 (4), the San Diego County Board of Supervisors (Board) authorized the competitive solicitation of an ASO for these services. Since then, the Board has approved two contract extensions to support new requirements related to implementation of the Drug Medi-Cal Organized Delivery System, CalAIM, and actions to align with payment reform, among others.

The current ASO contract is with United Behavioral Health (dba Optum) through June 30, 2027, and up to an additional six months, if needed. The contract provides required specialized infrastructure, technical expertise, and dedicated resources that support BHS' foundational and evolving behavioral health plan administrative needs. ASO services include:

- Clinical management services,
- 24/7 Behavioral Health Access and Crisis Line,
- Utilization management services,
- Management of the BHS contracted fee-for-service provider network,
- Claims and billing support for in- and out-of-network providers and facilities,
- Management information system support services, and
- Credentialing and Medi-Cal provider enrollment services.

Today's action recommends the Board authorize an extension of the current contract up to June 30, 2030, and up to an additional six months, if needed, to allow operational continuity of the ASO, while concurrent actions advance the transformation of BHS into a standalone department. Extending the ASO contract allows BHS to develop a scope of work reflective of new and evolving policy and organizational changes, while minimizing compliance and fiscal risks as organizational

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roles and responsibilities are realigned. This will ensure the future ASO solicitation reflects realistic contractual scope, inclusive of service levels, staffing expectations, and budget requirements. It also maintains critical support to the network and preserves institutional knowledge during the transition.

Other systemwide updates include the implementation of the Behavioral Health Services Act (BHSA), which is State law passed by voters in March 2024, and outlines how counties will utilize various behavioral health funding sources to meet statewide and local outcome measures, reduce disparities, and address unmet needs. With the implementation of BHSA, the California Department of Health Care Services (DHCS) has introduced a new three-year Performance Contract Agreement, establishing the County's responsibility to provide an integrated and coordinated range of services appropriate to meet the needs of clients and to implement systemwide performance outcome measurements in San Diego County. Today's action requests the Board to authorize execution of the Fiscal Years 2026-27 through 2028-29 Performance Contract Agreement with DHCS.

**RECOMMENDATION(S)  
CHIEF ADMINISTRATIVE OFFICER**

1. In accordance with Board Policy A-87, Competitive Procurement, and Administrative Code Section 401, authorize the Director, Department of Purchasing and Contracting to amend and extend contract #553848 with United Behavioral Health (dba Optum) for the behavioral health administrative services organization up to June 30, 2030, and up to an additional six months if needed; subject to the availability of funds; and to amend the contract as required to reflect changes to services and funding allocations, subject to the approval of the Director, Behavioral Health Services.
2. Approve and authorize the Clerk of the Board to execute, upon receipt, the County Performance Contract for Fiscal Years 2026-27 through 2028-29 with the California Department of Health Care Services, amendments thereto, and future years' agreements and amendments provided terms, conditions, and funding are not materially impacted subject to the approval of the Director, Behavioral Health Services.

**EQUITY IMPACT STATEMENT**

The County of San Diego (County) Behavioral Health Services (BHS) is the delivery system for mental health and substance use care for Medi-Cal eligible residents, focused on ensuring services are accessible, culturally responsive, aligned with the needs of diverse populations, and equitably distributed to reach those most in need.

In 2023, nearly one in three San Diegans were eligible for Medi-Cal. Among Hispanic/Latino residents, Medi-Cal eligibility was the highest, at 38% in 2023. For Medi-Cal eligible residents who experience serious mental illness or have a substance use care need, BHS offers County-operated and BHS-contracted programs that address the social determinants of health by being accessible, capable of meeting the needs of diverse populations, and culturally responsive with the intent to equitably distribute services to those most in need.

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In doing so, BHS strives to reduce behavioral health inequities, identifying needs and designing services in a manner most impactful, equitable, and that will yield meaningful outcomes for those served. The services described in today's recommendation are vital for BHS to continue to provide access to treatment and care for populations who are underserved by social and behavioral health resources.

### **SUSTAINABILITY IMPACT STATEMENT**

Today's actions support the County of San Diego (County) Sustainability Goal #2 to provide just and equitable access to County services, and Sustainability Goal #4 to protect the health and wellbeing of everyone in the region. This will be achieved by ensuring that critical behavioral health services are accessible, culturally responsive, and aligned with the needs of the most vulnerable communities. Today's action promotes the health and wellbeing of Medi-Cal eligible residents by helping to maintain a comprehensive continuum of mental health and substance use services that are tailored to meet the needs of historically underserved populations.

### **FISCAL IMPACT**

#### ***Recommendation #1: Authorize amendment to extend existing Behavioral Health Administrative Services Organization Contract***

Funds for this request are included in the Fiscal Year (FY) 2025-27 Operational Plan in the Health and Human Services Agency (HHS). If approved, this will result in no change in costs and revenues in FY 2025-26 and FY 2026-27 and annual cost and revenues of approximately \$40 million starting FY 2027-28 through FY 2029-30. Funds for subsequent years will be incorporated into future operational plans. The funding sources are Behavioral Health Services Act, Realignment, Short-Doyle/Medi-Cal, and Drug Medi-Cal Organized Delivery System. There will be no change in net General Fund cost and no additional staff years.

#### ***Recommendation #2: Authorize execution of the Performance Contract Agreement with the State***

There is no fiscal impact from this action. There will be no change in net General Fund cost and no additional staff years.

### **BUSINESS IMPACT STATEMENT**

N/A

### **ADVISORY BOARD STATEMENT**

At their regular meeting on March 5, 2026, the Behavioral Health Advisory Board voted to approve the recommendations on consent.

### **BACKGROUND**

The County of San Diego (County) Behavioral Health Services (BHS) operates as a behavioral health specialty Prepaid Inpatient Health Plan (PIHP) under contract with the Department of Health Care Services (DHCS). Under this contractual agreement, BHS is required to meet DHCS mandates, Centers for Medicare and Medicaid Services (CMS) federal regulations, and various

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reform and initiative requirements. To comply with State and federal requirements, BHS contracts with an administrative services organization (ASO) to provide administrative and operational support requiring specialized systems and expertise. Below provides an overview of the San Diego County Board of Supervisors' (Board) actions as it relates to the existing ASO contract:

- On August 4, 2015 (4), the San Diego County Board of Supervisors (Board) authorized the competitive solicitation of an ASO to provide countywide clinical management and administrative services for the behavioral health system. Through competitive procurement, the contract was awarded to United Behavioral Health (dba Optum).
- On March 27, 2018 (2), the Board authorized extending the current ASO contract with United Behavioral Health (dba Optum) through June 30, 2024, to support administrative requirements of the Drug Medi-Cal Organized Delivery System (DMC-ODS) implementation that created new and expanded substance use disorder services and increased program standards and oversight.
- Subsequently, on July 18, 2023 (14), the Board authorized extending the ASO contract up to June 30, 2027, and up to an additional six months, to address evolving needs of CalAIM implementation in areas of specialty health plan and DMC-ODS requirements to align with payment reform and new medical necessity and documentation standards as well as centralized processes supporting health plan operations.

The current ASO contract provides specialized infrastructure, technical expertise, and dedicated resources that support BHS' foundational and evolving behavioral health plan administrative requirements, including, but not limited to:

- Clinical Management Services
  - 24/7 Behavioral Health Access and Crisis Line (ACL)
  - Utilization management services
- Provider Network Management
  - Management of the BHS contracted fee-for-service provider network
  - Claims and billing support for in- and out-of-network providers and facilities
  - Credentialing and Medi-Cal provider enrollment services
- Management Information Systems
  - Database administration
  - Electronic health record (EHR) user support and training
  - Routine and ad-hoc reporting

Clinical Management Services support client access to care through ASO's operation of the 24/7 Behavioral Health ACL, required by the State. This service includes screening for clinical need, determining appropriate levels of care, and providing referrals to specialty mental health and substance use disorder treatment, including direct connections to the County's Mobile Crisis Response Teams. The ASO operates as a single point of access for people needing specialized programs like Assertive Community Treatment and Strength Based Case Management so there is a centralized approach for those program referrals. The ASO conducts utilization management, ensuring Medi-Cal criteria are met for authorization and payment for different levels of care

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required by the State such as inpatient services, residential programs, day treatment and certain youth specialty services.

Provider Network Management ensures an adequate, qualified provider network to serve Medi-Cal beneficiaries. The ASO manages the fee-for-service (FFS) network of providers, which include recruiting, establishing agreements with, training, and monitoring over 300 individual practitioners and out-of-network providers. They are responsible for BHS provider credentialing to ensure provider qualifications meet State and national standards so Medi-Cal can be billed. Additionally, the ASO oversees provider claims and payment functions for FFS and out of network providers, including claims review, payment processing on behalf of BHS, handling denied claims, and managing appeals. The ASO also provides oversight for specialized Treatment and Evaluation Resources Management providers ensuring quality of care. Additionally, the ASO supports County-operated clinics by ensuring documentation standards are met to bill Medicare as a funding source, when needed, before claiming to Medi-Cal.

Management Information Systems support the technology and data infrastructure needed for provider operations and program oversight. The ASO administers a database that maintains the network provider directory and supports required reporting while managing functions for user access, protecting data integrity, security, and system reliability. Database administration services are also provided to track required service authorization information, supporting required reporting to ensure providers are paid correctly and services can be monitored. The ASO works within the BHS EHR managed care module which is used for the FFS and out-of-network providers to collect information, pay claims, and track payments for BHS, while also providing training and help desk assistance for all BHS EHR users. Other key services include legacy data retention and access, and programming and reporting for County use and submission to DHCS when applicable.

*Preserving Continuity Through a Journey of Behavioral Health Transformation*

In San Diego County, BHS serves as the specialty behavioral health system plan for Medi-Cal beneficiaries who are experiencing serious mental illness and/or substance use disorders. To optimize the department's statutory role as a specialty provider, the Board approved actions on December 10, 2024 (32) to conduct a comprehensive review of its organizational structure amid significant policy change regarding behavioral health throughout the State. Subsequently on August 26, 2025 (24), the Board authorized the establishment of an Ad Hoc Subcommittee on Social Safety Net and Behavioral Health Systems Transformation (Ad Hoc Subcommittee). The Ad Hoc Subcommittee was tasked with, among other efforts, advising the Board on transforming BHS into a distinct organization.

Today, a separate item titled ADOPT AN ORDINANCE REPEALING AND REPLACING ARTICLE XV OF THE SAN DIEGO COUNTY ADMINISTRATIVE CODE REGARDING THE HEALTH AND HUMAN SERVICES AGENCY AND ADDING ARTICLE XVII REGARDING THE BEHAVIORAL HEALTH SERVICES DEPARTMENT, requests the Board approve the introduction of a new ordinance which amends County Administrative Code Article XV and adopts a new County Administrative Code Article XVII that will advance the

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transformation of BHS into a standalone department. Additionally, this action initiates a comprehensive, multi-phase restructuring of BHS that will reshape internal processes, business lines, staffing, and administrative requirements, and make BHS an optimal specialty health plan.

Establishing BHS as a standalone department and the corresponding organizational restructuring will significantly impact the design and scope of the ASO contract within domains, including Clinical Management Services, Provider Network Management, and Management Information Systems support. Today's action to extend the contract will allow BHS to redefine the scope of the ASO, in alignment with new policy changes and evolving organizational needs, minimizing compliance and fiscal risks while roles and responsibilities are realigned. Additionally, extending the contract will maintain support and preserve institutional knowledge during this transition.

Today's action requests the Board authorize an extension of the current contract with United Behavioral Health (dba Optum) for ASO Services up to June 30, 2030, and up to an additional six months, if needed. Approval of today's recommended action will maintain ASO operational continuity through the BHS Transformation and anticipated shifts in federal and State requirements. Additionally, today's action would ensure that a future ASO solicitation reflects realistic contractual scope, inclusive of service levels, staffing expectations, and budget requirements.

*Authorization of Behavioral Health Services Performance Contract Agreement*

Under Section 5650(a) of the California Welfare and Institutions Code, the California Department of Health Care Services (DHCS) enters into an agreement with the County of San Diego through a performance contract to provide public mental health services. DHCS is responsible for the administration of the Behavioral Health Services Act (BHSA), Substance Use Block Grant (SUBG), Projects for Assistance in Transition from Homelessness (PATH) and Community Mental Health Services Grant (MHBG) programs, in addition to each county's provision of community mental health services provided with realignment funds. The performance contract establishes the County's responsibility to provide an integrated and coordinated range of services appropriate to meet the needs of clients and to implement systemwide performance outcome measurements in San Diego County. On January 26, 2021 (11), the Board ratified the Fiscal Year 2020-21 Performance Contract Agreement with DHCS and authorized the Clerk of the Board to execute amendments to that Agreement. With the implementation of the BHSA, DHCS has introduced a new three-year Performance Contract Agreement, with the initial Agreement covering Fiscal Years 2026-27 through 2028-29. Today's action, if approved, authorizes the Clerk of the Board to execute the Fiscal Years 2026-27 through 2028-29 Performance Contract Agreement with the California Department of Health Care Services, amendments thereto, and future years' Agreement and amendments, subject to the approval of the Director, Behavioral Health Services.

**LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN**

Today's proposed actions support the County of San Diego 2026-2031 Strategic Plan Initiatives of Equity (Health), Sustainability (Economy), and Community (Quality of Life). This is

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accomplished by reducing disparities and disproportionality of individuals with mental health and substance use conditions, maintaining fiscal stability while developing new financial and operational practices, and ensuring access to a comprehensive continuum of behavioral health services administered through accessible behavioral health programs.

Respectfully submitted,

  
FOR

EBONY N. SHELTON  
Chief Administrative Officer

**ATTACHMENT(S)**

N/A