



# COUNTY OF SAN DIEGO

## AGENDA ITEM

### BOARD OF SUPERVISORS

PALOMA AGUIRRE  
First District

JOEL ANDERSON  
Second District

TERRA LAWSON-REMER  
Third District

MONICA MONTGOMERY STEPPE  
Fourth District

JIM DESMOND  
Fifth District

**DATE:** March 24, 2026

**06**

**TO:** Board of Supervisors

### **SUBJECT**

**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 (DISTRICTS: ALL)**

### **OVERVIEW**

On August 26, 2025 (24), the San Diego County Board of Supervisors (Board) approved the establishment of an Ad Hoc Subcommittee on Social Safety Net and Behavioral Health Systems Transformation (Subcommittee) to explore, study, plan and recommend actions to support and strengthen the County of San Diego's social safety net and behavioral health system. The Subcommittee was tasked with, among other efforts, advising the Board on transforming the Behavioral Health Services (BHS) department into a distinct organization.

To establish BHS as a distinct organizational structure, County Administrative Code must be amended. Today's action brings forward an ordinance to repeal and replace County Administrative Code Article XV related to the Health and Human Services Agency (HHS) to remove the duties and responsibilities of BHS, as defined by applicable laws and regulations, and establish a new County Administrative Code Article XVII that sets out the duties and responsibilities of BHS as a standalone organizational structure distinct from HHS. The proposed action requires two steps. Today's first action requests the Board to approve the introduction of an Ordinance amending the County Administrative Code relating to HHS and adding a new Administrative Code article related to BHS (first reading). If the Board approves today's recommended action, then on April 21, 2026, the Board is requested to consider and adopt the Ordinance.

If approved, these actions will advance the transformation of BHS into a distinct organization and support a more optimal operational structure that is positioned to support better health outcomes, a better experience of care for beneficiaries, and more efficient use of resources.

### **RECOMMENDATION(S) CHIEF ADMINISTRATIVE OFFICER**

On March 24, 2026:

1. Approve the introduction of the Ordinance (First Reading):

**SUBJECT:** 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 (DISTRICTS: ALL)

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

If, on March 24, 2026, the Board takes action within recommendation #1 above, then on April 21, 2026:

1. Consider and adopt the Ordinance (second reading):  
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

#### **EQUITY IMPACT STATEMENT**

The County of San Diego (County) Behavioral Health Services (BHS) serves as the specialty mental health plan for Medi-Cal eligible residents, providing a comprehensive system of care for mental health and substance use needs. BHS strives to ensure services are accessible, culturally responsive, and aligned with the unique needs of San Diego's diverse communities, while equitably distributing resources to reach those most in need.

In 2023, nearly one in three San Diegans were Medi-Cal eligible, with Hispanic/Latino residents having the highest eligibility rate at 38%. For Medi-Cal members experiencing serious mental illness or substance use challenges, BHS delivers care through County-operated and contracted programs, designed to address social determinants of health. As a specialty mental health plan, BHS is re-organizing internally to strengthen its ability to allocate resources equitably and design services that are impactful and responsive to community needs by maintaining and expanding access to treatment and care for populations historically underserved by behavioral health systems.

#### **SUSTAINABILITY IMPACT STATEMENT**

Today's actions support to 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 well-being of everyone in the region. These goals will be advanced by strengthening the behavioral health system of care to ensure long-term sustainability of accessible and culturally responsive services. By transforming into a distinct organization, BHS is building a more optimized organizational structure for delivering mental health and substance use services. This will allow for more efficient allocation of resources, enhanced care coordination, and greater capacity to reach historically underserved communities.

**SUBJECT:** 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 (DISTRICTS: ALL)

**FISCAL IMPACT**

There is no fiscal impact associated with these recommendations. There will be no change in net General Fund costs 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 recommendation on consent.

**BACKGROUND**

The County of San Diego (County) formed the Health and Human Services Agency (HHS) in 1997 through the adoption of Article XV of the County Administrative Code. Article XV created an agency that integrated the responsibilities and programs of previously separate County departments, which, at the time, included: Health and Social Services; Area Agency on Aging; Commission on Children, Youth and Families; Veterans Service Office; and the Public Administrator/Public Guardian. In 2004, HHS began integrating care for those with both mental health and substance use conditions, resulting in what would become the Behavioral Health Services (BHS) department.

Since then, HHS and BHS have experienced considerable growth across programming, scope, staffing, and within the budget, largely resulting from new major policy changes and growing need across the community. Several key milestones with significant impacts to behavioral health agencies include:

- 2004: Mental Health Services Act (MHSA)
- 2012: Affordable Care Act (ACA)
- 2017: Drug Medi-Cal/Organized Delivery System (DMC/ODS) Implementation
- 2020: CalAIM 1115 Waiver
- 2023: Behavioral Health Payment Reform Implementation
- 2023: Community Assistance, Recovery and Empowerment (CARE) Act program
- 2024: Behavioral Health Infrastructure Bond Act
- 2025: Senate Bill 43 Lanterman-Petris-Short (LPS) Reform
- 2025: Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Initiative Waiver
- 2025: H.R. 1
- 2026: Behavioral Health Services Act (BHSA)

More recently, the State has heavily emphasized the expansion and enhancement of specialty behavioral health care and housing across counties, resulting in significant new policy and regulatory requirements, oversight and accountability expectations, and funding opportunities referred broadly to as Behavioral Health Transformation.

**SUBJECT:** 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 (DISTRICTS: ALL)

### *Behavioral Health Transformation*

The State's Behavioral Health Transformation (BHT) initiative is intended to modernize behavioral health to improve accountability, increase transparency, and expand the capacity of behavioral health care facilities serving Medi-Cal beneficiaries. It modernizes reimbursement and payment structures to support network sustainability and oversight and accountability measures to improve transparency. BHT has presented new opportunities for BHS to expand and enhance mental health and substance use services, including the ability to redesign existing services to improve the quality of care, and to develop new critical infrastructure across a system that has experienced decades of severe underinvestment.

The significant policy changes driving BHT have required BHS to become more flexible, adaptable, and strategic to ensure alignment with new regulations and pursue opportunities that improve care while also strengthening financial sustainability. The pace and speed at which these changes are adopted has necessitated BHS quickly ramp up new expertise, build critical internal infrastructure, and take immediate steps to ensure BHS can function more optimally within its statutory role as a specialty behavioral health plan.

### *Optimizing BHS's Role as a Health Plan*

BHS holds a unique role from other County departments, serving as the specialty behavioral health plan for Medi-Cal beneficiaries, also referred to as clients or members, who are experiencing serious mental illness (SMI) and/or substance use disorders (SUD). Services for beneficiaries are administrated through contracts with the California Department of Health Care Services (DHCS) through the Specialty Mental Health Plan and Drug Medi-Cal Organized Delivery System (DMC-ODS) plan, respectively. SMI and SUD services, or benefits, are provided through a network or contracted providers and County-operated programs to Medi-Cal beneficiaries. BHS also serves as the funder, or payer for services rendered. By statute, BHS must meet network adequacy standards by ensuring access to care is available to Medi-Cal beneficiaries of all ages with SMI and/or SUD who meet criteria. Additionally, BHS is the local behavioral health authority responsible for administering Lanterman-Petris-Short (LPS), the CARE Act program, and Public Conservator services that impact all residents, regardless of insurance status.

Historically, BHS has functioned and been geared toward administration of programs and contracts; however, as the department enhances its role as a specialty behavioral health plan, an intentional shift will be made toward more person-centered care – shifting from programs to people – to improve each person's experience and long-term outcomes. To optimize BHS' role as health plan while also meeting the rigorous requirements of BHT, BHS will need to enhance its operational infrastructure, build new expertise, and pursue newly available reimbursement structures that incentivize better outcomes while also supporting long-term sustainability as a network.

### *Transitioning to a Standalone Department*

On August 26, 2025 (24), the San Diego County Board of Supervisors (Board) authorized the establishment of an Ad Hoc Subcommittee on Social Safety Net and Behavioral Health Systems

**SUBJECT:** 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 (DISTRICTS: ALL)

Transformation (Subcommittee) to explore, study, plan and recommend actions to support and strengthen the County’s social safety net and behavioral health system. The Subcommittee was tasked with, among other efforts, advising the Board on transforming BHS into a distinct organization.

Establishing BHS as a standalone department will support a more optimal operational structure by:

- Accelerating **network growth** to improve access to care and care coordination for our Medi-Cal beneficiaries and meet network adequacy standards.
- Improving critical **healthcare and system infrastructure**, including information technology, data systems, and data integration to improve care delivery and outcomes for beneficiaries.
- Enhancing **financial oversight and accountability** to ensure long-term sustainability and strategic investments.
- Allowing for **increased flexibility** to make decisions on behalf of the health plan and beneficiaries.
- Supporting tailored **workforce development** opportunities that build and retain a competent behavioral health labor force.
- Aligning operations with **traditional health plan functions** to more effectively meet State requirements and expectations and better serve beneficiaries.

Since August 2025, BHS, in collaboration with HHSA, has been preparing for its transition to a standalone department by extensively reviewing internal operations, funding, staffing, and critical functions in alignment with state regulations and funding requirements to optimize its role as a health plan. Through this transition, continuity of care remains the utmost priority. BHS will continue partnering with HHSA and other County departments to ensure beneficiaries have access to person-centered mental health and substance use treatment services and supports.

To establish BHS as a distinct organizational structure, today’s proposed Ordinance would (i) amend County Administrative Code Article XV (Health and Human Services Agency) to remove BHS-related duties and responsibilities and (ii) move those duties and responsibilities into a new Article XVII (Behavioral Health Services Department). If the proposed Ordinance is adopted, additional administrative steps to further operationalize these structural changes would be necessary and would be undertaken in alignment with the processes set forth by the Board of Supervisors and Chief Administrative Officer (CAO), such as the production of the CAO’s Fiscal Year 2026-28 Operational Plan. Concurrently, BHS is assessing existing functions, along with new core health plan functions, and will take steps to realign the department’s organizational structure to operate more effectively and provide more robust, person-centered care. Over the next 18 months, BHS will begin operationalizing the new organizational structure utilizing a phased process.

The BHS organizational changes are anticipated to make significant adjustments to health plan operations; therefore, BHS will simultaneously assess the scope and role of contracted

**SUBJECT:** 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 (DISTRICTS: ALL)

Administrative Services Organization (ASO) services to determine the critical functions that will need to be included within future procured services. The ASO provides functions that support Medi-Cal beneficiaries, including a 24-hour Behavioral Health Access and Crisis Line, referrals to outpatient providers, claims, training, and coordination of fee-for-service network providers, as well as administrative processes necessary to effectively deliver specialty care.

Today, a separate Board action titled 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, requests the Board to authorize an extension of the current ASO contract with United Behavioral Health (dba Optum) up to June 30, 2030, and up to an additional six months, if needed, to ensure strategic and operational alignment with the broad departmental organizational changes that will be implemented by the proposed Ordinance if adopted.

Today's actions request the Board to amend County Administrative Code Article XV related to the HHSA to remove the duties and responsibilities of BHS as defined by applicable laws and regulations and establish a new County Administrative Code Article XVII that sets out the duties and responsibilities of BHS as a standalone organizational structure distinct from HHSA.

**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) and Community (Quality of Life) by ensuring an optimized organizational structure to provide accessible behavioral health services to a diverse population.

Respectfully submitted,



FOR

EBONY N. SHELTON  
Chief Administrative Officer

**ATTACHMENT(S)**

Attachment A - 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 (Clean)

Attachment B - 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 (Strikethrough)