Supporting County Innovation
Innovation Subcommittee Meeting
October 29, 2020
Staff memo

SUMMARY: The Commission has deployed several strategies to help counties develop effective Innovation projects. Still, several counties are at-risk of having to return unspent Innovation funds to the State at the end of the 2020-21 fiscal year. The Subcommittee should consider near-term and longer-term opportunities to help counties, in meaningful consultation with their communities, develop Innovation plans that improve cost-effectiveness while reducing disparities and other priorities.

Background

The Commission has made substantial progress in realizing the goals of the Innovation component of the Mental Health Services Act. The Commission is supporting several multi-county innovation projects. It is supporting opportunities for all counties to learn from successful innovations supported by individual counties. The Commission also is funding technical assistance, training and planning for county Innovation projects. Still, several challenges remain:

- **Reversion deadlines.** Some counties have struggled to use Innovation funding in the timeframes required under the law. For the current fiscal year, 2020-21, an estimated $45 million in Innovation funds held by some 30 counties must be reserved through approved Innovation plans prior to June 30, 2021 to avoid reversion. The Subcommittee may want to consider strategies to forecast available innovation funding to support improved planning and support the ability of counties to avoid reversion.
- **Priority setting.** Counties often express concerns regarding the difficulties in determining how to use innovation funds given the many competing priorities. And both county and community leaders are concerned about the state of community engagement in the Innovation planning process. The Subcommittee may want to explore ways to support counties in identifying innovation priorities, including ways to support community engagement in Innovation planning.

Addressing Reversion

The MHSA requires county mental health agencies to set aside 5 percent of MHSA funds to support Innovation. The Act also requires counties to spend MHSA funding within a statutory timeframe or return unused funds to the State. The reversion policy incentivizes counties to use MHSA funding to support improvements in mental health services and avoid the accumulation of large fund balances. In general, MHSA revenues revert to the State three years or five years after receipt, depending on the size of a county. (The exceptions are funds used for workforce needs, capital facilities and technology, and a prudent reserve.) For Innovation funding, counties must return unused funds that are not dedicated to a Commission-approved Innovation plan.

In recent years, to reduce pressure on counties with significant funds at risk of reversion, the Legislature and Governor agreed several times to “pause” reversion. In the absence of that relief, counties can face a tough fiscal year deadline to seek Commission Innovation approval. Last year, prior to the most recent pause in reversion, the Commission reviewed 16 county innovation plans in the final two months of the fiscal year, after receiving only 11 plans in the first 10 months of that year.

To better manger the Commission’s workload, Commission staff have estimated that 30 counties hold $45 million in Innovation funds that may be reverted if not encumbered in a Commission-approved Innovation plan prior to June 30, 2021.

Between 2014-15 to 2019-20, the Commission approved on average 32 Innovation plans each year, with a low of 23 in 2015-16 and a high of 52 in 2018-19. To date for 2020-21, the Commission has reviewed just two county innovation plans. Clearly, COVID-related challenges have further impeded the ability of counties to meet Innovation planning requirements.

Without relief, counties will need to develop, the Commission staff will need, and the Commission will need to approve an estimated 25 to 30 county Innovation plans prior to June 30, 2021 to avoid reversion this fiscal year.

Recognizing that counties have faced reversion pressures each year and are likely to face similar pressures in future years, the Subcommittee may wish to explore ways to forecast available innovation funds and improve communication with counties on approaching reversion deadlines. A comprehensive approach would estimate: 1) funds at risk of reversion in the current or next fiscal year, 2) cash on hand available for Innovation projects, and 3) funding that can reasonably be expected three to five years in the future.

Forecasting the availability of Innovation funds could avoid reversions and expand opportunities for counties to co-invest in joint innovation projects, as the Commission has encouraged with planning grants and technical assistance.

Supporting County Decision-making
The Mental Health Services Act requires counties to engage community members in developing Innovation plans. Community engagement is central to the MHSA’s goal of addressing stigma, focusing on recovery and building support for transformational change. To support local planning and decision-making, the Subcommittee may want to further develop the Commission’s strategic approach by working with community voices and counties leaders to develop a framework of common opportunities. Among the possible elements:

<u>Addressing Disparities and Supporting Racial Equity</u>. Reducing disparities is an explicit goal of the Mental Health Services Act. Disparities exist and endure in communities based on race, ethnicity, sexual orientation and gender identify, language spoken and potentially other demographic characteristics.

California has made a significant investment in the California Reducing Disparities Project, a statewide initiative to identify strategies to address disparities for historically unserved, underserved and inappropriately served communities. Now in its second phase, the project is focused on supporting community-defined evidence practices to reduce mental health disparities. Funding for the project will expire in 2021. Stakeholders are concerned that without additional funding, these disparities may go unaddressed.

An ongoing review of recent Commission-approved innovation plans found that more than half identify reducing disparities as the project's goal. Yet it is not clear that Innovation funds have been used to support community-defined evidence practices, or CDEPs, a core component of the California Reducing Disparities Project.

<u>Common opportunity:</u> Innovation funding can be used to address disparities, a core goal of the MHSA.

<u>Addressing cost centers</u>. California's county-operated mental health system has numerous cost centers, or programs and functions, that consume significant portions of available funds. Innovation projects can help counties identify ways to reduce costs, improve cost-effectiveness, or shift costs to federal funding streams.

For example, state regulations require counties to dedicate 50 percent of Community Services and Support funds to Full Service Partnerships (FSPs). Counties dedicate some $800 million annually to FSPs, making these programs the most expensive and most intensive level of community-based care available. FSPs offer "whatever it takes" services to support a mental health consumer. Full Service Partnerships were designed to serve individuals at significant risk of homelessness, criminal justice involvement and hospitalization, including in a state hospital because of a felony criminal charge. While research suggests that FSPs can fundamentally reduce criminal justice involvement, self-reported data suggest up to 40 percent of clients leave those programs without meeting goals.

The Commission invested in planning and technical assistance that resulted in six counties investing their own funds in evaluating and refining their FSPs. Fresno, Sacramento, San Bernardino, San Mateo, Siskiyou and Ventura are working together to assess their programs and develop metrics to support improvement efforts.

Additional counties are interested in this opportunity. Counties also have expressed interest in exploring ways to draw down more federal funding, capture revenues from commercial insurance or better leverage partnerships with other agencies to improve the integration and cost-effectiveness of care.

<u>Common opportunity:</u> Improving the cost-effectiveness of county cost centers can be an effective use of Innovation funds.

<u>Cost Avoidance</u>. In addition to continuous improvement in high-cost core programs, Innovation funds also can support county efforts to avoid new costs. The Commission's work to support criminal justice diversion, to strengthen programs to meet early psychosis needs, and the development of youth drop-in centers to serve at-risk youth are examples of ways Innovation funds can help avoid long-term and significant costs. For example, the Commission has recently engaged new partners to better understand how to leverage commercial insurance coverage to reduce demands of public safety net programs.

Common opportunity: Counties may benefit from understanding pragmatic ways to avoid future costs with targeted improvements that leverage private health insurance and other non-mental health resources to reduce long-term needs.

COVID-19 / Homelessness. The COVID-19 pandemic has further stressed mental health programs as the health, social and economic consequences resulted in increased needs, declining revenues and new operating realities. Homelessness is one of several areas where COVID-19 has dramatically exacerbated a difficult challenge facing mental health consumers.

Common opportunity: Strategic investment of Innovation funds can assist counties to adapt to COVID-19, respond to new needs during a time of fewer resources, including opportunities to respond to current and emerging housing challenges.

Prevention and Early Intervention. Perhaps the best opportunity to leverage Innovation funds to improve access to care, the quality of care and outcomes is to invest in prevention and early intervention. The Commission has a policy project underway exploring opportunities for prevention and early intervention, to enhance shared understanding and awareness of those opportunities and support the development of new programs.

Common opportunity: The Subcommittee may wish to consider ways to support county innovation planning that identifies and addresses prevention and early intervention opportunities.

Connecting Innovation Forecasting with Strategic Priorities

To support county innovation investments, the Subcommittee should consider opportunities to align information on available innovation funding with strategic priorities for innovation investments. The goal of this work is to further support the ability of counties and community members to recognize new opportunities for innovation, support multi-county innovation investments, and transform California's mental health system.