Modernizing California's Behavioral Health System

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DHCS
CALIFORNIA DEPARTMENT OF
HEALTH CARE SERVICES

CalHHS
California Health & Human Services Agency

Context

- Since 2019, California has embarked on massive investments and policy reforms to re-envision the state's mental health and substance use system.

- We have invested more than $10 billion in a range of efforts that begin to build up the community-based care the sickest Californians desperately need. This includes investments in prevention and early intervention programs for kids, to investments in programs like the CARE Act and system improvements in Medi-Cal through CalAIM.

- But more can and must be done. Now it's time to take the next step and build upon what we have already put in place – continuing the transformation of how California treats mental illness and substance abuse.

Key Elements

1. Authorize a general obligation bond to fund unlocked community behavioral health residential settings
    - The bond would also provide housing for homeless veterans
2. Modernize the Mental Health Services Act (MHSA)
3. Improve statewide accountability and access to behavioral health services

Authorize General Obligation Bond

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- Build thousands of new unlocked community behavioral health beds in residential settings for Californians with mental illness and substance use disorders
- Provide more funding for housing of homeless veterans
- $3-5 billion bond on 2024 ballot

Adding New Behavioral Health Settings

Multi-Property Settings

Residential campus-style settings where multiple individuals can live, attend groups, recover, and further stabilize with a number of onsite supportive services.

Cottage Settings

Smaller residential settings, where many services will be available but will also allow individuals to access existing services in the community.

Transitions from these settings will support community living and long term housing stability. Depending on need that may be returning home, Permanent Supportive Housing, Scattered Site or Shared Housing, for examples.

Modernize the Mental Health Services Act

Modernize the Mental Health Services Act

- Update local categorical funding buckets – lifting up housing interventions and workforce
- Broaden the target population to include those with debilitating substance use disorders
- Focus on the most vulnerable
- Fiscal accountability, updates to county spending and revise county processes
- Restructure role of the Mental Health Services Oversight Accountability Commission
- Many components will require 2024 Ballot initiative
- Multi-year implementation starting in July 2025

Update Local Categorical Funding Buckets

- 30% for housing in residential settings for individuals with serious mental illness/serious emotional disturbance and/or substance use disorder.
  - Counties will manage the funds and direct the funds toward local priorities that meet designated purposes including but not limited to rent subsidies, operating subsidies, shared housing, and non federal share for housing related Medi-Cal services. Capital investments will require authority from DHCS
- A services bucket with two sub-categories:
  - 35% of the local assistance for Full Service Partnership (FSP) which should be optimized to leverage Medicaid as much as is allowable
  - 35% for other services including Community Services and Supports (non FSP), Prevention and Early Intervention, Capital Facilities and Technological Needs, Workforce Education and Training, and prudent reserve (no required spending per category)
- To reduce overlap with the Children and Youth Behavioral Health Initiative and close the gap in preventive services, Prevention and Early Intervention (PEI) dollars for schools should be focused on schoolwide behavioral health supports and programs and not services and supports for individuals.

Housing Interventions

- Dedicate 30% in local MHSA funding for housing interventions for people living with serious mental illness/serious emotional disturbance and/or substance use disorder who are experiencing homelessness. 30% is approximately $1 billion but will vary year to year.

- Funding could be used for full spectrum of housing services, rental subsidies, operating subsidies, capital and non-federal share for certain housing-related Medi-Cal covered services. It also could be used to further the California Behavioral Health Community-Based Continuum Demonstration.

- Funding for capital development projects, subject to DHCS limits established through bulletin authority.

Blending FSP & Housing Intervention Funds

Under this proposal, MHSA funding could be used for a wide range of housing options, including:

- Rental subsidies, operating subsidies, shared housing, and the non-federal share for certain Medi-Cal covered housing-related services (e.g., Rent/Temporary Housing covered under the CalBH-CBC demonstration).

This funding is not intended for non-housing services and supports (e.g., Targeted Case Management services or Peer Support Services) that would help keep the individual housed; those services and supports would be funded by either other MHSA buckets of funding or through Medi-Cal, where the other MHSA components could be used for the non-federal share.

- *For example - A consumer in an FSP is placed in an adult residential facility uniquely designed for complex co-occurring disorders which requires lower staffing ratios and enhanced services for rehabilitation and recovery. The cost of the placement exceeds the rate provided by the SSI/SSP Non-Medical Out of Home Care Rate (NMOHC). MHSA funds can be a "patch" to fully cover costs. This use of funding can be scored as part of the overall 30% requirement for housing.*

Workforce

- Expand the use of local MHSA funds under the Workforce Education and Training (WET) component to include activities for workforce recruitment, development, and retention.

- The use of these funds could include professional licensing and/or certification testing and fees, loan repayment, stipends, internship programs, retention incentives, and continuing education and that increase the racial/ ethnic and geographic diversity of the workforce.

- In addition to expanding the local MHSA funds under WET, allocate MHSA funds to create a new Behavioral Health Workforce Initiative, while drawing down additional federal funds for a five-year period.

Broaden Target Population

- Authorize MHSA funding to provide treatment and services to individuals who have a debilitating substance use disorder (SUD) but do not have a co-occurring mental health disorder.

- Increase access to SUD services for individuals with moderate and severe SUD.

- Require counties to incorporate SUD prevalence and local unmet need data into spending plans. Use data to inform and develop accountability to improve the balance of funding for SUD.

Focus on Most Vulnerable

Adults

- Adults with serious mental illness (SMI) or substance use disorder (SUD) who are or at risk of experiencing homelessness or are or are at risk of being justice-involved, and/or meet the criteria for behavioral health linkages under the CalAIM Justice-Involved Initiative
- Adults with SMI at-risk of conservatorship

Children and Youth

- Children and youth with serious emotional disturbance or SUD, who are experiencing homelessness, are involved or at risk of being justice-involved, meet the criteria for behavioral health linkages under the CalAIM Justice-Involved Initiative or are in or transitioning out of the child welfare system

Fiscal Accountability and County Spending

- Require counties to bill Medi-Cal for all reimbursable services in accordance with Medicaid State Plan and applicable waivers, to further stretch scarce dollars and leverage MHSA to maximize federal funding for services.
- Reduce allowable prudent reserve amounts from 33% to 20% for large counties and 25% for small counties.
- Reassess prudent reserve more frequently from every 5 years to every 3 years.
- Authorize up to 2 percent of local MHSA revenue to be used for administrative resources to assist counties in improving plan operations, quality outcomes, reporting fiscal and programmatic data and monitoring subcontractor compliance for all county behavioral health funding.

Revise County Process

- Pare back the requirements for Three-Year Program and Expenditure Plans, standardize the level of detail and submission process, and provide additional flexibilities for transparent amendment process.

- Provide county behavioral health agencies with more flexibility to adjust spending.

- Transform the MHSA planning process into a broader county/region behavioral health planning process. Require counties to work with Medi-Cal Managed Care Plans in the development of their Population Needs Assessments and with Local Health Jurisdictions in the development of their Community Health Improvement Plans and for these reports to inform the MHSA planning process to ensure strategic alignment of funding and local cross-system collaboration.

- Require plans be approved by boards of supervisors by June 30.

Mental Health Services Oversight Accountability Commission

- Move the Mental Health Services Oversight Accountability Commission (MHSOAC) under the California Health and Human Services Agency to ensure their work is connected and coordinated with the State's overall behavioral health system.

- MHSOAC will continue to examine data and outcomes to identify key policy issues and emerging best practices and promote high-quality programs.

- MHSOAC will also continue to report to the Legislature and include representation from the Legislature, and maintain their responsibilities related to stakeholder engagement. Under the proposal, DHCS will provide oversight of the fiscal allocations and counties' use of funding, including accountability for contracted services.

- Require that the Commission would become advisory, and its Executive Director would be a gubernatorial appointee.

Improve Statewide Accountability and Access to Behavioral Health Services

Fiscal Transparency

Require counties to report:

- Annual allocation of MHSA, Realignment, and all federal block grants;
- Annual spend on non-federal match payments including MHSA, Realignment or other county sources;
- MHSA, Realignment and Block Grant only spend;
- Any other behavioral health investments using local General Fund or other funds;
- Any unspent MHSA, Realignment or block grant funds for that fiscal year;
- Cumulative unspent MHSA, Realignment or block grant funds, inclusive of reserves;
- Admin costs, and
- Information on services provided to persons not covered by Medi-Cal, including commercial insurance, Medicare, and uninsured.

County Accountability and Infrastructure

- Develop outcome measures, not just process measures, to drive toward meaningful and measurable system change.

- Align county Behavioral Health (BH) plans (including MHPs and DMC-ODS) and Medi-Cal Managed Care Plan contract requirements when the same requirements exist across programs. This includes, but is not limited to:
  - Require key administrative positions (e.g., quality director, chief financial officer, operations director, compliance officer)
  - Compliance oversight and monitoring of subcontractors
  - Post on their website network adequacy filings, annual number of utilizers and utilization by service type
  - Establish a robust set of quality metrics for county BH plans and establish quality thresholds/goals
  - Require county BH plans annually report utilization and quality to Board of Supervisors (BOS) and require the BOS to attest that they are meeting their obligation under Realignment
  - Require county BH plans to form member advisory council to inform policy and programs
  - Implement closed loop referrals

Alignment between Medi-Cal and Commercial Coverage of Behavioral Health Services

- Over the next year, DMHC and DHCS will develop a plan for achieving parity between commercial and Medi-Cal mental health and substance use disorder benefits. This may include, but is not limited to, phasing in alignment of utilization management, benefit standardization, and covered services.

- DMHC and DHCS will establish a stakeholder process that will include health plans, and other system partners to develop framework.

Next Steps

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- We look forward to working with the Legislature, system and implementation partners, and a broad set of stakeholders, including those impacted by behavioral health conditions, to set these reforms into motion to deliver equitable, accessible, and affordable community-based behavioral health care for All Californians.

Questions?

For questions and inquiries, contact
BehavioralHealthTaskForce@chhs.ca.gov

DHCS