



## **Discussion Brief**

# **Governor's Behavioral Health Continuum Infrastructure Proposal (\$750 million, General Fund)**

### **Overview of Proposal**

Through the Department of Health Care Services (DHCS), the Administration proposes to provide \$750 million (General Fund) in one-time funding for competitive grants to counties, and partnerships of counties, to expand the capacity of their region's community behavioral health services. These funds would be available for allocation through June 30, 2024.

DHCS states the purpose of the grants is to invest in the addition of at least 5,000 beds, units, or rooms to expand behavioral health continuum infrastructure capacity. These additional resources are aimed at reducing homelessness, incarceration, unnecessary hospitalizations, and inpatient days through community-based models of care.

Capacity expansions could potentially include crisis stabilization, acute psychiatric needs, residential treatment, peer respite, children's services, various step-down options, permanent supportive housing, and other identified needs. The grants are intended to be available for both mental health and substance use disorder treatment facilities.

Counties would be required to provide a 25 percent match of any State grant amount they receive. Though not yet fully defined, DHCS says it is their intent for this 25 percent match to be broadly defined, such as:

- Recognition of the value of existing property on which expansion is to occur;
- Ability to use diverse funding streams for the match, such as Mental Health Services Act Fund, County General Fund or other sources, even private philanthropic donations; and
- Other in-kind county support that is directly attributable to the purpose of the grant award.

As part of the grant submittal, counties would need to identify ongoing funding sources for sustaining the capacity expansion related to its operations, and commit to a 30-year useful life of operation.

Though a timeline for implementation has not yet been established, DHCS has publically testified in legislative budget hearings that the grant application process would likely commence in January 2022. DHCS will be scoring the applications and making awards. DHCS also noted they will offer technical assistance to counties in developing their applications, though it is unclear as to whom would provide this assistance- i.e., DHCS or a contractor.

It is important to note that DHCS is proposing to use Budget Bill Language to frame how this grant program would be established. *However*, this language has not yet been made available and probably will not become available until the Governor's May Revision (by no later than May 15<sup>th</sup>) when proposals are updated.

Further, DHCS has administrative authority to issue "Behavioral Health Information Notices" that serve to provide additional administrative guidance and direction. DHCS may also potentially use this administrative mechanism when further direction is known, such as possibly issuing a notice in fall 2021 that provides additional direction.

DHCS has also noted the linkage of this infrastructure proposal to the California Advancing and Innovating Medi-Cal (CalAIM) plan, as updated in January 2021. Specifically, the Administration has committed to seek a separate federal 1115 Waiver to obtain federal Medicaid funding for facilities deemed to be Institutions for Mental Disease that have more than 16-beds.

This "Serious Mental Illness/Severe Emotional Disturbances Demonstration Waiver", among other things, requires States to build out a community-based continuum of behavioral health services in order to obtain federal CMS approval. Therefore, the timing of the grants is important in order to show progress for the development and approval of the upcoming SMI/SED Demonstration Waiver. This Waiver is presently assumed to be developed *no sooner than* July 1, 2022, with a potential launch in 2023-2024 assuming federal approval is obtained.

### Budget Hearing Discussions

Through legislative budget hearings, discussions have focused on the following key areas:

#### **1. Further details are needed to fully assess the proposal.**

Both legislative members and the Legislative Analyst Office (LAO) have articulated the need for a more comprehensive proposal to address the following:

- What are the criteria for the grant applications?
- Will the grants be made on a regional basis or other method of competition?
- How will grant amounts be determined? Will they be based on the nature of the projects and/or needs of the county (i.e., population-based with additional demographics and/or geographic locations applied)?
- How will grant funds be disbursed to the counties, and using what criteria?
- Will there be milestones and timelines for different projects?
- How will progress be measured and evaluated?

Since the Budget Bill Language intended to guide this proposal has not yet been provided, there are naturally many unknowns. DHCS has talked in broad strokes that they are seeking to expand services, are seeking engagement with counties, and will facilitate the provision of technical assistance.

Given the significant level of funding proposed, as well as its policy significance as it pertains to the behavioral health crisis and epic concerns with homelessness, it is likely the Legislature will seek additional accountabilities than simply Budget Bill Language. For example, the Legislature may proposed trailer bill legislation, seek regular reporting on the grants by the DHCS, or use similar means to establish clear grant criteria, monitor progress, and track the allocation of grant funds.

## 2. *The 25 Percent County Match.*

The issue of whether this match is reasonable and equitable, given other State grants provided for housing and related resources did not require a match, was raised. DHCS responded that counties will be given broad flexibility in how the 25 percent match may be recognized, as noted above, and implied that this was a firm commitment—a match would be required. It appears that DHCS views this match as a method for encouraging counties to be committed to a project, that they have “skin in the game”. Yet DHCS has committed to using a broad definition as to what counts towards it.

The LAO has questioned how the 25 percent match was determined, and whether counties have the capacity to meet it. Both of these issues remain unknown presently.

Clearly if the match is considered too formidable by counties, there may be minimal uptake in the available grant funding. As such, there will likely be some momentum to reach a compromise as to what is acceptable from the perspectives of the Administration, Legislature and counties.

It should be noted that the Investment in Mental Health Wellness grant program under Senate Bill 82 of 2013 did *not* require any match commitment for counties.

## 3. *DHCS “Gap Analysis” to be Completed.*

During testimony, DHCS noted they will begin a “gap analysis” in fall 2021 to better discern California’s behavioral health footprint and where there are potential gaps in services. It is unclear whether this analysis will only include Medi-Cal services, or if it may also include MHSA-supported services. Further, it is unknown how they may categorize prevention and early intervention services, along with acute care, and residential for the purposes of their analysis. In addition, it is not clear whether this DHCS analysis will be made public or only used as an internal document.

Though it has not been raised during budget discussions, only 13 of the 56 County Mental Health Plans passed the annual DHCS Medi-Cal Specialty Mental Health network review for 2020.<sup>1</sup> The remaining 46 Plans received *conditional passing* designations which requires the submittal of Corrective Action Plans and ongoing monitoring by the DHCS.

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<sup>1</sup> DHCS, Annual Network Certification for Specialty Mental Health Services, 2020. This report is available at: [2020 SMHS Network Certification Summary Methodology and Findings 0914.20.pdf](https://www.dhcs.ca.gov/Programs/Pages/2020-SMHS-Network-Certification-Summary-Methodology-and-Findings-0914.20.pdf)

In addition, the 30 counties participating in the Drug Medi-Cal Organized Delivery System pilots (DMC-ODS) all received *conditional passing* designations in their annual DHCS Medi-Cal <sup>2</sup> This means that alternative network arrangements had to be implemented, along with submittal of Corrective Action Plans and ongoing monitoring by the DHCS.

#### 4. *Funding of On-Going Costs.*

Counties will need to identify the fund sources, such as Medi-Cal, MHSA Funds, County General Fund, federal block grants, and others, that would be used to support the expanded behavioral health services on an ongoing basis. This needs to be identified in order to support the 30-year useful life of the building/resource commitment. The Investment in Mental Health Wellness grants also required a commitment to the useful life of the building/resource (varied depending upon project), as well as identification of funding sources for ongoing operations.

It should be noted that, contingent upon the behavioral health project, there could be other funding sources outside of the traditional behavioral health funding sources. For example, there may be the potential to utilize other public funding sources within the programmatic realm of the Department of Social Services (Foster Care), Department of Developmental Services (Regional Centers), Department of State Hospitals, and the Department of Corrections and Rehabilitation, or even through other third-party payers such employer-based insurance or worker's compensation coverage. Another option may also include entities (State and local) involved in supportive housing arrangements.

#### Additional Thoughts and Considerations

The California Health Facilities and Financing Authority (CHFFA) implemented the Investment in Mental Health Wellness Act grants in 2014. As noted in their 2020 report, certain modifications to the scope of county projects were made for a wide variety of reasons, and a few counties did forfeit awarded grant funds.<sup>3</sup>

Counties faced various challenges in competing the capacity expansion projects, and getting the programs open and operational. County challenges included the following:<sup>4</sup>

- Difficulty in acquiring property to site the project.
- Complications with county/city permitting processes.
- Local opposition to site selection that required a new project site or forfeiture of the grant because other sites could not be identified.
- Various construction delays.
- Changes in the counties behavioral health care needs (different policy direction).

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<sup>2</sup> DHCS, 2020 Network Certification for Drug Medi-Cal Organized Delivery System Plans. This report is available at: [Network Adequacy \(ca.gov\)](https://www.dhcs.ca.gov/Programs/Pages/NetworkAdequacy.aspx)

<sup>3</sup> California Health Facilities and Financing Authority (CHFFA), Investment in Mental Health Wellness Grant Program, Report to the Legislature, December 1, 2020. Accessible at: [CHFFA Publications](https://www.chffa.org/Pages/Publications.aspx)

<sup>4</sup> CHFFA, Requests to Change Project Scopes/Descriptions for Grant Programs, August 27, 2020. Accessible at: [CHFFA Publications](https://www.chffa.org/Pages/Publications.aspx)

- Inability to secure ongoing operational funding (for the lifecycle of the project).
- Scope changes to the project (more beds, less beds, different designs).
- Difficulties in meeting progress milestones to keep the project on-track and with a timeline.
- Delays in obtaining program licensure and/or certification.

Through the course of the grant program, CHFFA made adaptations for program improvements to enable counties to have additional flexibilities in order to achieve successful outcomes. Adaptations included the following:<sup>5</sup>

- Established project readiness guidelines to serve as a management tool in preparation for beginning the actual project.
- Incorporated milestones into each county grant project to keep counties accountable for project completion, including agreed upon deadlines.
- Authorized counties to designate a private corporation to directly receive grant funds to develop the sites for the programs.
- Provided technical assistance throughout the tenure of the project completions.
- Implemented a grant requirement for grantees to submit documentation showing engagement with the local community to ensure counties were siting projects appropriately.
- Scheduled regular staff check-in sessions with the counties on individual projects.

It should also be noted that CHFFA operates using a public Board with meeting presentations that serves as an open public dialog. This provided for a useful exchange of ideas across the counties, CHFFA staff, and stakeholder advocates, which facilitated better understandings of the various projects and where technical assistance may be useful. It also provided program integrity for there were regular CHFFA staff reports which tracked the status of grant fund rounds and allocations, types of projects by county, and general project completion deadlines. This level of transparency provided an added degree of accountability as well.

The Administration's proposed Behavioral Health Continuum Infrastructure (\$750 million) is presently proceeding through the Budget Subcommittees of the Legislature (Assembly Subcommittee #1 and Senate Subcommittee #3). As yet, there is *no language*—either Budget Bill or trailer bill—that provides a framework for the grant program.

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<sup>5</sup> California Health Facilities and Financing Authority (CHFFA), Investment in Mental Health Wellness Grant Program, Report to the Legislature, December 1, 2020. See pages 5-6 of this report.

The vision of expanding the full continuum of behavioral health services needs to be made into a reality by including the following minimum components into the framework:

- Create a continuous State appropriation for the \$750 million and designate that the funds can only be used for the purposes of expanding the behavioral health continuum infrastructure. This assists to ensure the integrity and availability of these funds for the full three-years.
- Craft a framework of the grant program into State statute to ensure that a clear and equitable program is designed, can be made accountable and transparent, and can achieve timely goals and milestones.
- Allow for county flexibilities to utilize local partners for different phases of the project in order to achieve behavioral health program expansion as needed.
- Utilize a streamlined State process for the grant application and awards process with clear and measurable goals and milestones.
- Utilize data from both the DHCS Annual Network Certification for Specialty Mental Health Services for 2020, and the DHCS Annual Network Certification for Drug Medi-Cal Organized Delivery System (DMC-ODS) to assist in identifying service gaps, along with other readily-available data-driven information including California's Statewide Needs Assessment and Planning Report for 2019, submitted as part of the State's requirement to receive federal Substance Abuse Block grant funds.
- Establish a technical advisory group with knowledge of program development and infrastructure. Have this group be readily accessible for consultation as counties prepare their applications, commence with project readiness, and during the remaining phases of a project, through to certification of the program. This group should have the capability to work across departments, including at a minimum, the DHCS, Department of Social Services, California Department of Public Health, and the Department of Developmental Services.
- Provide for open forums where counties and stakeholders can share best practices for completing projects.
- Require the DHCS to provide the Legislature and stakeholders with regular updates on the grants using public forums, such as at the Behavioral Health Stakeholder meetings, legislative hearings and other venues.

### Closing—Be Involved

The Behavioral Health Continuum Infrastructure grant program is being discussed and shaped through the Budget process. Subcommittee hearings are proceeding and the Governor's May Revision is upcoming. It is important to use one's advocacy to be involved in the shaping of this monumental opportunity to influence the development, design and expansion of the behavioral health continuum in California. Be an active partner and have your voice heard.