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TO: Behavioral Health Advisory Board (BHAB)

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BEHAVIORAL HEALTH SERVICES (BHS) DIRECTOR'S REPORT – February 2025

BEHAVIORAL HEALTH POLICY LANDSCAPE

Recent state-level behavioral health policy changes have driven efforts to enhance service delivery by streamlining and integrating care across the continuum for vulnerable populations. These efforts are informed by population needs and emphasize equity and cultural responsiveness. This edition of the Director's Report provides key updates on several behavioral health state legislated policy initiatives, highlighting progress in strengthening the local behavioral health continuum of care amid an evolving behavioral health policy landscape.

BEHAVIORAL HEALTH SERVICES ACT

Background

On March 5, 2024, California voters approved Proposition 1, a two-part ballot initiative proposed to modernize California's behavioral health delivery system and expand the capacity of behavioral health care facilities. Proposition 1 includes the establishment of the $6.4 billion Behavioral Health Infrastructure Bond Act (BHIBA) to fund the development of behavioral health treatment facilities, residential care settings, and supportive housing for people with mental health and substance use conditions. The second component of Proposition 1 facilitates the first major reform of the Mental Health Services Act (MHSA), since its establishment in 2004 by Proposition 63, to expand support for residents with serious mental illness (SMI) and significant behavioral health needs.

Proposition 1 significantly amends MHSA and renames the law as the Behavioral Health Services Act (BHSA). BHSA structurally reforms MHSA and reconfigures funding for local services and state initiatives to increase behavioral health care capacity for vulnerable populations, including individuals with substance use disorder (SUD). In addition to the allowance of treatment for SUD, BHSA invests resources for housing interventions to address chronic homelessness, support for the behavioral health workforce, and expands prevention and early intervention efforts, such as pilot programs for diverse populations. Lastly, BHSA revises local county processes for Community Program Planning (CPP) and reporting for improved accountability and transparency.

New BHSA Components
BHSA will utilize the same formula for MHSA funding, which is a one percent tax on personal income above one million dollars to fund services for individuals with, or at risk of, serious mental health issues, and their families. Currently, MHSA funds are utilized across five components: 1) Community Services and Supports (CSS), 2) Prevention and Early Intervention (PEI), 3) Innovation (INN), Capital Facilities and Technological Needs (CFTN), and Workforce and Education Training (WET).

Under MHSA, five percent of a county's allocation went to the state for administrative activities. BHSA will shift an additional five percent to the state for prevention activities, thereby eliminating this funding allocation from counties, resulting in a total of **ten percent allocated to the state**. Counties will receive the remaining 90% of the allocated funds to utilize across three components: 1) Behavioral Health Services and Supports, 2) Full-Service Partnerships, and 3) Housing. Within the three categories, counties have the flexibility to shift up to seven percent of funding to another category, allowing for a maximum of 14% to be allocated to a single category.

- **Behavioral Health Services and Supports (35%):** Includes early intervention, outreach and engagement, workforce, education and training, capital facilities and technological needs, and innovative pilots and projects. At least 51% of the Behavioral Health Services and Supports category must be utilized for early intervention services for individuals 25 years of age or younger.

- **Full-Service Partnerships (35%):** Commonly referred to as the *Whatever It Takes Model*, Full-Service Partnership funds administer comprehensive and intensive care for people at any age with the most complex needs.

- **Housing (30%):** Includes rental subsidies, operating subsidies, shared housing, family housing for eligible children and youth, and the non-federal share of certain transitional rent. Half of this funding is dedicated to housing interventions for individuals experiencing chronic homelessness. 25% of the housing funding category may be used for capital development.

Of the ten percent of BHSA funds allocated to the state, the administration funds are reduced from five to three percent and two new activities are now required by the state, including:

- **Behavioral Health Workforce Initiative (3%):** A three percent funding allocation for the Department of Health Care Access and Information (DHCAI) to implement a statewide behavioral health workforce initiative.

- **Population-Based Prevention (4%):** A four percent funding allocation to the California Department of Public Health (CDPH) for population-based mental health and substance use disorder prevention programs.



Enhanced Outcomes and Reporting Requirements
Under MHSA, counties are required to implement a Three-Year Program and Expenditure Plan for MHSA-funded programs across the five components. BHSA shifts this requirement to a much more rigorous and comprehensive report about behavioral health programming and funding the includes all funds received, spent, and unspent within a behavioral health department. This change aims to provide public visibility into county results, disparities, and spending while strengthening accountability. BHSA requires counties to submit Integrated Plans for behavioral health services and outcomes in addition to Behavioral Health Outcomes, Accountability, and Transparency Reports (BHOATR). These plans and reports will include health equity data to identify demographic disparities and inform efforts to reduce disparities.

- **County Integrated Plans for Behavioral Health Services Outcomes**: Beginning in 2025, counties will be required to develop Integrated Plans for Behavioral Health Services and Outcomes for the fiscal years (FY) 2026 - 2029. The Integrated Plans involve a significant shift in reporting requirements, moving from a sole focus on MHSA funds to the requirement of **reporting all state, local, and federal behavioral health funding**. Reporting requirements also include a budget of planned expenditures, alignment with statewide and local goals and outcome measures, and the integration of workforce strategies. Additionally, plans will be informed by collaboration with local health jurisdictions for needs assessments of each Medi-Cal Managed Care Plan. The first Integrate Plan is due June 30, 2026.

- **County Behavioral Health Outcomes, Accountability, and Transparency Reports:** On an annual basis, counties will be required to report on expenditures of all local, state, and federal behavioral health funding, unspent dollars, service utilization data, and outcomes with health equity lens, workforce metrics, and other information. The first Behavioral Health Outcomes, Accountability, and Transparency report is due early 2028.

Expanded Stakeholder Engagement
Counties must demonstrate broader stakeholder involvement on topics regarding mental health and substance use disorder policy, program planning, implementation, monitoring, workforce, quality improvement, health equity, evaluation, and budget allocations. Three-Year program and Expenditure Plan and Plan Updates will continue to be shaped by partnerships with constituents and local stakeholders, including local behavioral health advisory boards with the following modifications:

- **Local Behavioral Health Advisory Boards:** Effective January 1, 2025, changes to local behavioral health board membership criteria should reflect the addition of two categories 1) youth membership, an individual who is 25 years of age or younger, and 2) local education agency membership, an employee of a local education agency. Local behavioral health advisory boards will continue to review and approve procedures used to ensure citizen and professional involvement in all stages of the planning process, conduct public hearings on the Three-Year Plan or Plan Updates at the end of 30-day public comment periods, and review adopted Three-Year Plan or Plan Updates and make recommendations to the agency.

- **Stakeholder Involvement:** BHSA expands the list of required stakeholders to be meaningful engaged to inform the development of the Three-Year Plan or Plan Updates. New or expanded stakeholder groups include individuals in recovery from a SUD, families of individuals with a SUD, SUD providers, youth SUD organizations, early childhood organizations, local health jurisdictions, labor representative organizations, health care organizations, heath care service plans, Tribal and Indian Health Program Designees, disability insurers, the five most populous cities in counties with a population greater than 200,000, area agencies on aging, independent living centers, and regional centers.

BHS continues readiness planning for the implementation of BHSA while simultaneously waiting for further state guidance on key directives under BHSA. Community partners and stakeholders will be kept informed and meaningfully engaged throughout the process, inclusive of CPP efforts.

For more information on Proposition 1 and BHSA visit the following:

- **Proposition 1:** dhcs.ca.gov/BHT/Pages/FAQ-Prop1.aspx
- **BHSA:** dhcs.ca.gov/BHT/Pages/FAQ-BHS-Act.aspx

CALIFORNIA BEHAVIORAL HEALTH COMMUNITY-BASED ORGANIZED NETWORKS OF EQUITABLE CARE AND TREATMENT (BH-CONNECT)

California has secured federal and state funding to transform behavioral health care for Medi-Cal members. The Centers for Medicare & Medicaid Services (CMS) approved the BH-CONNECT demonstration which establishes a robust continuum of evidence-based community services for people with significant behavioral health needs. By expanding community-based services and integrating evidence-based practices (EBPs), BH-CONNECT aims to reduce costly emergency department visits, hospitalizations, and institutional stays, including within carceral settings. This initiative will help Medi-Cal members with significant behavioral health needs, including children and youth involved in child welfare, individuals and families experiencing or at risk of homelessness, and people involved in the justice system. These activities align with BHS Optimal Care Pathways (OCP) efforts by providing opportunities for new revenue to expand the continuum of community-based care as well as statewide workforce strategies to support provider network development.

BH-CONNECT represents a strategic shift in how California addresses behavioral health care. In partnership with county behavioral health plans, BH-CONNECT strengthens California's behavioral health workforce, incentivizes measurable outcomes, and fills critical service gaps to create a more equitable and effective system of care. Key features include:

- **Workforce Investments**: Support a $1.9 billion robust and diverse behavioral health workforce initiative that includes scholarships, loan repayment programs, recruitment incentives, residency and fellowship expansions, and professional development. The workforce initiative will be managed by the Department of Health Care Access and Information.

- **Transitional Rent Assistance**: Provides up to six months of rental support, through a member's managed care plan, for eligible Medi-Cal members transitioning from institutions, congregate settings, or homelessness. This support is crucial in stabilizing individuals during vulnerable periods, significantly reducing the risk of returning to institutional care or experiencing homelessness. Transitional rent will serve as a bridge to permanent housing for members who need it. For members with significant behavioral health needs, the Behavioral Health Transformation funding for housing interventions will provide permanent rental subsidies and housing following transitional rent. The housing intervention funding opportunity provides seamless continuity and supports members in achieving long-term housing stability.

- **Support for Children and Youth**: Includes activity funds to improve access and outcomes for youth involved in child welfare and receiving specialty mental health services.

- **Incentives for Counties**: Supports a $1.9 billion Access, Reform, and Outcomes Incentive Program to reward county behavioral health plans for improving access, reducing disparities, and strengthening behavioral health quality improvement.

- **Community Transition In-Reach Services**: Supports members transitioning from long-term institutional stays to ensure continuity of care and successful reintegration into the community.

- **Short-term Inpatient Psychiatric Care**: Provides new flexibility for federal Medi-Cal funding for short-term mental health care provided in inpatient and residential treatment settings that meet the federal institution for mental diseases criteria.

In parallel with the expenditure and waiver authorities granted as part of the Section 1115 demonstration approval, the Department of Health Care Services (DHCS) is implementing other features of the BH-CONNECT demonstration that do not require Section 1115 demonstration authority, including:

- Medi-Cal Coverage for EBPs including:
    - **Assertive Community Treatment (ACT)**: A comprehensive, community-based, and interdisciplinary team-based service model to help individuals with serious mental illness cope with the symptoms of their mental health condition and develop or restore skills to function in the community.
    - **Forensic ACT**: An ACT program tailored for individuals who are involved with the justice system.
    - **Coordinated Specialty Care for First Episode Psychosis**: A comprehensive, community-based, interdisciplinary team-based service model to help individuals cope with the symptoms of early psychosis and remain integrated in the community.
    - **Individual Placement and Support Model of Supported Employment:** Community and team-based services that help individuals with behavioral health conditions to lead functional and productive lives in the community, including acquiring and/or maintaining competitive employment.
    - **Community Health Worker Services:** Preventive services delivered through the specialty behavioral health delivery systems by trusted community members. Community members provide health education, advocacy, and navigation services to support members with accessing health care and community resources to address social drivers of health.
    - **Clubhouse Services:** Services offered within rehabilitative programs that provide a physical location for people living with significant behavioral health needs to build relationships, engage in work and education activities, and receive supportive services.
- **Clarification of Medi-Cal coverage requirements** for EBPs for children and youth, including Multisystemic Therapy, Functional Family Therapy, Parent-Child Interaction Therapy, and High-Fidelity Wraparound. By providing clearer guidelines and coverage requirements for these EBPs, BH-CONNECT aims to ensure that more children and youth in California have access to these effective treatments.
- **A management-level County Child Welfare Liaison** within managed care plans to oversee and deliver Enhanced Care Management, attend Child and Family Team meetings, ensure managed care services are coordinated with other services, and serve as a point of escalation for care managers if they face operational obstacles.
- **Centers of Excellence** providing training and technical assistance to behavioral health delivery systems and providers to support the integrity of treatment and delivery of EBPs.
- **Child welfare/specialty mental health joint visit** when a child enters welfare.

From a broader perspective, BH-CONNECT builds on nearly $15 billion in state investments and aligns with transformative initiatives, such as Behavioral Health Transformation Proposition 1, the Children and Youth Behavioral Health Initiative (CYBHI), Behavioral Health Continuum Infrastructure Program (BHCIP), Behavioral Health Bridge Housing program, Justice-Involved Reentry Initiative, Behavioral Health Payment Reform, Medi-Cal Transformation, and 988 Expansion.

In January 2025, DHCS released initial draft guidance indicating that Behavioral Health Plans are required to submit a letter to DHCS at least 30 days prior to the proposed commencement of services stating their request to cover one or more BH-CONNECT EBPs as Medi-Cal services, specifying which EBPs they intend to cover, and the dates that coverage will take effect. While guidance is still pending BHS anticipates opting into the BH-CONNECT, which will make new benefits and federal funding available to the County. This includes receipts of Federal Financial Participation (FFP) for short-term stays in Institutions for Mental Disease (IMDs) in addition to the provision of ACT, Forensic ACT, Coordinated Specialty Care for First Episode Psychosis, Individual Placement and Support Model of Supported Employment, Community Health Worker Services, Clubhouse services, and Community Transition In-reach Services. Opting into BH-CONNECT features create opportunities to:

- Expand the portfolio of covered benefits that Medi-Cal members residing in San Diego County could receive.
- Utilize proven treatment methods to improve outcomes through implementation of standardized high fidelity EBPs.
- Leverage the revenue opportunity to receive FFP for care provided.

For more information on BH-CONNECT and state investments in behavioral health transformative initiatives, please visit the following:

- **BH-CONNECT:** dhcs.ca.gov/CalAIM/Pages/BH-CONNECT.aspx
- **Behavioral Health Transformative Initiatives**
    - CYBHI: cybhi.chhs.ca.gov/
    - BHCIP: https://www.infrastructure.buildingcalhhs.com/
    - BHBH Program: bridgehousing.buildingcalhhs.com/
    - Justice-Involved Reentry Initiative: https://www.dhcs.ca.gov/CalAIM/Justice-Involved-Initiative/Pages/home.aspx
    - Medi-Cal Transformation: dhcs.ca.gov/Pages/BH-CalAIM-Webpage.aspx
    - 988 Expansion: chhs.ca.gov/988california/

CALIFORNIA ADVANCING AND INNOVATING MEDI-CAL (CalAIM) BEHAVIORAL HEALTH PAYMENT REFORM

Within the State of California, counties are responsible for administering covered specialty behavioral health services. County behavioral health plans provide these services directly or through contracts with community-based behavioral health providers. Unlike other Medi-Cal managed care plans, counties do not receive per-member-per-month capitated payments. Instead, counties have historically been reimbursed for specialty behavioral health services based on the actual cost incurred.

In recent years, significant state policy changes have been underway to support Behavioral Health Transformation, formerly referred to as CalAIM, including the implementation of Behavioral Health Payment Reform. Payment Reform shifts counties away from a cost reimbursement payment structure for Medi-Cal services to a fee-for-service (FFS) payment structure. The FFS payment structure allows counties to deliver value-based care that improves quality of life for Medi-Cal beneficiaries, reduces administrative burdens associated with the cost reimbursement payment structure, and supports advancement toward innovative value-based payment models. Additionally, FFS is intended to

incentivize positive outcomes and quality rather than volume and cost. Additionally, the FFS payment structure facilitates a transition to Intergovernmental Transfers (IGTs) for financing Behavioral Health Plan Medi-Cal payments to counties.

In April 2023, DHCS established FFS rates for each county and service line. On July 1, 2023, San Diego County BHS began the implementation of Payment Reform across the network of care utilizing a phased approach. Locally, baseline provider rates for each service line were established, along with rate modifiers, if applicable, based on facility size, facility type, specialized services, unique populations served, and other key factors.

To date, a majority of BHS Medi-Cal programs in San Diego County have transitioned to the new FFS payment structure, except for several services for which the State rates are not adequate, such as Mobile Crisis Response Teams (MCRT). Overall, this shift will impact nearly 200 local mental health and substance use Medi-Cal programs, including County-operated programs. BHS maintains consistent communication with providers through association meetings, ad-hoc meetings, contractor financial workgroup meetings, memos, and in other venues. With the implementation of Behavioral Health Payment Reform, ongoing collaborative communication with contractors continues to address concerns and, when applicable, develop rate adjustments to ensure that rates are equitable.

For more information on Behavioral Health Payment Reform, please visit the Optum San Diego website, under Payment Reform:
optumsandiego.com/content/SanDiego/sandiego/en/county-staff---providers/calaim-for-bhs providers.html

INVOLUNTARY BEHAVIORAL HEALTH TREATMENT IN SAN DIEGO COUNTY
Senate Bill (SB) 43 makes changes to the Lanterman-Petris-Short (LPS) Act, a California law governing involuntary detention, treatment, and conservatorship of people with behavioral health conditions by augmenting the definition of “gravely disabled.” As of January 1, 2025, SB 43 became effective in San Diego County. Leading up to the effective date, in collaboration with partners across the community, BHS made significant strides in pathways toward readiness. Key actions for preparation span across four distinct areas 1) Education and Training, 2) Expanding Treatment, Services, and Supports for People with SUD, 3) Alternatives to emergency departments for 5150 Transports, and 4) Updates to the Public Conservator’s Office. Notable achievements include the following:

- As of December 9, 2024, nearly 150 introductory SB 43 trainings were administered by BHS contractor Jewish Family Services of San Diego. Training participants included individuals from law enforcement, health care, and other community partners.

- BHS has continued working toward the implementation of San Diego (SD) Relay, a behavioral health peer response system delivered in selected emergency departments (EDs) by people with lived experience. Program services will be provided to individuals referred for services after experiencing a non-fatal overdose and/or due to an involuntary behavioral health hold. The contract to perform these services was awarded to Strive Government Services Inc., with an effective date of October 1, 2024. Since then, 13 Peer Support Specialists were hired. Three EDs will participate in this program with final approvals for these sites currently underway. In collaboration with BHS epidemiologists, a data collection mechanism for demographics, assessment, linkage to care, and other categories is also in progress. The go live date for SD Relay is anticipated to occur before February 1, 2025.

- BHS amended existing contracts with County-contracted hospitals to ensure reimbursement for involuntary patients and requiring an inpatient level of care under SB 43, for serious mental illness (SMI), SUD, or co-occurring SMI and SUD. BHS has partnered with Alvarado Parkway Institute to provide access to Chemical Dependency Recovery Hospital (CDRH) inpatient beds for patients requiring treatment for more than 72 hours.

- Amendments to Crisis Stabilization Unit (CSU) contracts to support the use of CSUs for primary and stand-alone substance use disorder evaluation and treatment became effective on January 1, 2025.

- The County Office of the Public Conservator (PC) has updated and finalized existing policies and procedures effective January 1, 2025.

For more information, please visit the BHS SB 43 Webpage:
sandiegocounty.gov/content/sdc/hhsa/programs/bhs/senate_bill_43/

BHS SPECIAL EVENTS & ANNOUNCEMENTS

Critical Issues in Child and Adolescent Mental Health (CICAMH) Conference – April 25, 2025
Save the Date for the hybrid 10th Annual Critical Issues in Child and Adolescent Mental Health (CICAMH) Conference: Critical Solutions for Critical Issues: Re-instilling Hope and Connection in Youth Mental Health, scheduled for Friday, April 25, 2025. The conference will be held at the University of San Diego – Kroc Institute of Peace and Justice. Event details will be available soon at the following link: cicamh.com/

Respectfully submitted,



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