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**

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XX

TO: Board of Supervisors

SUBJECT

ADOPT AN ORDINANCE AMENDING ARTICLE XV OF THE SAN DIEGO COUNTY ADMINISTRATIVE CODE RELATING TO THE HEALTH AND HUMAN SERVICES AGENCY AND ESTABLISHING ARTICLE [NUMBER] OF THE COUNTY ADMINISTRATIVE CODE RELATING TO BEHAVIORAL HEALTH SERVICES (DISTRICTS: ALL)

OVERVIEW

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 Transformation 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 amend County Administrative Code Article XV related to the Health and Human Services Agency (HHSA) to remove the duties of BHS as defined by State and federal laws and regulations and establish a new County Administrative Code Article [NUMBER] that outlines the duties of BHS as a standalone organizational structure distinct from HHSA. 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 HHSA and establishing a new Administrative Code section 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:

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

   [ORDINANCE NAME]

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):
   [ORDINANCE NAME]

2. Authorize conforming changes to the policies, procedures, agreements, and additional related actions impacting 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 (SMI) or substance use challenges, BHS delivers care through County-operated and contracted programs designed to address social determinants of health. These programs are structured to meet the needs of diverse populations and provide culturally responsive services that promote equity.

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. This includes refining the department's structure and processes to ensure it is positioned to reduce behavioral health disparities and achieve meaningful outcomes for those we serve.

The recommendations presented today are essential for BHS to maintain and expand access to treatment and care for populations historically underserved by behavioral health systems. Through these efforts, we continue to advance equity, improve access, and deliver services that make a measurable difference in the lives of San Diegans.

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

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for more efficient allocation of resources, enhanced care coordination, and greater capacity to reach historically underserved communities.

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 _____ the recommendation on consent.

BACKGROUND
The County of San Diego (County) formed the Health and Human Services Agency (HHSA) 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, HHSA began integrating care for people with both mental health and substance use conditions resulting in what would become the Behavioral Health Services (BHS) department.

Since then, HHSA 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)

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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.

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

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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 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

To establish BHS as a distinct organizational structure, County Administrative Code Article XV must be amended. Currently, Article XV calls for HHSA to succeed and assume a list of duties and responsibilities that includes "Mental Health," "Behavioral Health," and "Alcohol and Drug Services." The Ordinance before the Board today will amend Article XV to remove these references. Additionally, the proposed Ordinance removes the following references from Administrative Code Section XX: "Local Director of Mental Health", "County Drug Program Administrator", "County Alcohol Program Administrator", "County Drug and Alcohol Program Administrator", "Behavioral Health Director", and "Mental Health Director."

These duties and responsibilities are reflected in a new Administrative Code section, related to Behavioral Health Services, which the proposed Ordinance, if approved, would establish 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 and the department's organizational

structure to operate more effectively. Key new health functions include, but are not limited to utilization management, care management, revenue cycle management and billing, network management, benefit design, and practice transformation, all of which are critical to providing 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 be simultaneously assessing the scope and role of contracted Administrative Services Organization (ASO) services to determine the critical functions will need to be included within future procured services. The ASO provides functions that support Medi-Cal beneficiaries, including a 24-hour access line, referrals to outpatient providers, claiming, training, and coordination of fee-for-service network providers, as well as administrative processes necessary for effective specialty care delivery.

Today, a separate action 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.

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,

USE "INSERT PICTURE" FUNCTION TO INSERT SIGNATURE

EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENT(S)
TBD

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