STATE HOSPITALS LPS ALTERNATIVE PROJECT PROPOSAL

EXECUTIVE SUMMARY

The California Mental Health Services Authority (CalMHSA) is an independent administrative and fiscal government agency focused on the efficient delivery of California mental health projects. CalMHSA was established by California counties in July 2009, as a Joint Powers Authority (JPA). CalMHSA's member counties work together (statewide, regionally, or locally) to develop, fund, and implement mental health services, projects, and educational programs; and implement these services at state, regional, and local levels. (See Gov. Code §6500 et seq.)

CalMHSA and its members have produced incredible results since inception. None more than the efforts with one-time statewide funds for Prevention and Early Intervention (PEI), composed of three comprehensive and coordinated initiatives that articulated how the JPA implemented Mental Health Services Act funds to prevent suicides, reduce stigma and discrimination, and improve the mental health of California's students.

CalMHSA was also asked to provide services surrounding the counties use and procurement of patient Lanterman-Petris-Short (LPS) beds from the State of California, including the negotiation of the Memorandum of Understanding (MOU) for such beds. During this process, it became evident that counties would benefit from expanding the pool of providers for these beds.

As a result, CalMHSA was directed to research other possible providers. Upon going through a Request for Interest process, Correct Care Solutions (CCS) was selected as the provider. Since 2014, CalMHSA, in collaboration with its member counties and CCS, has sought to acquire or build a Mental Health Rehabilitation Center (MHRC) facility, for the placement of patients on LPS conservatorship that will serve as an alternative to the services currently provided by California State Hospitals. This collaboration has produced several different potential opportunities and remains hopeful that it will put forth a recommendation as sites are located.

GOAL

The goal of this project is to increase bed capacity statewide and obtain greater control of care and costs through the acquisition or construction/renovation of a facility that will, at a minimum, provide inpatient services at the same levels of care that currently exist in California State Hospitals or other Institutions for Mental Diseases (IMDs) to persons with mental disorders, in accordance with Welfare and Institutions Code (WIC) Section 4100 et eq..

The project will be developed using either a model of design-build-finance or the renovation of publicly-owned property with a goal to secure placement for patients on LPS conservatorships within 24 months of site identification. The contracted provider, CCS, will serve as developer for the project and arrange for all necessary financing, permitting, architectural design, construction, and licensing requirements. In order to obtain the necessary project financing, counties will be required to enter into contracts with CalMHSA to purchase beds from the newly developed facility.

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PROPOSED SOLUTION

Structure, Design and Implementation Goal

- Bed target – 300
- Location: Paso Robles
- Contract with CCS
- CCS subcontracts with appropriate entities
- Financial Obligations/Structure
    - Contract between CCS and CalMHSA (cancellable)
    - Bed commitments
    - Rates at or below current rates
    - Includes in third party pay reimbursements
- Preferred Location
    - 40+ acre site
        - Modern space planning and design efficiencies
        - Single-story, radial design to ensure safe environment for patients and staff
        - Proximity to electricity, gas, water, and other utilities
    - Larger campuses would provide opportunity to develop a social services campus in collaboration with City, County, and/or private entities
    - State or County-owned property avoids/mitigates zoning issues
    - Compatible adjacencies – undeveloped state-owned land, municipal airport, detention facilities, etc.
    - Existing usable spaces that are not connected to central plant (i.e., maintenance/warehouse, infirmary building, housing, visitation, classrooms, etc.)
    - Locations attractive to professional staff
    - All utilities onsite
    - CEQA compliant
    - Existing properties (200,000+ sf) that can be renovated

BENEFITS TO COUNTIES/MEMBERS

- Greater care and operational responsivity to counties
- Move from no control to total control
- Alleviate census pressure on state-operated facilities
- Anticipated bed rate reduction
- Reduced length of stay – resulting in potential savings
- Create an alternative to DSH for a competitive environment
- Ability to manage third party pay billing and collections
- Managing increased bed need with increased bed availability
- Enhancements of accountability
    - PAMM Tablet Technology
    - Performance Dashboards
    - Video Monitoring

        - Key Control System
        - Management by Walking Around
    - Increased efficiencies
        - Kronos®
        - Remote Physician Assessments
        - Automated Policy Management
        - Learning Management System (LMS)
        - Online Credentialing Software
        - Electronic Medical Records
        - eCommerce Foodservice Procurement
    - Improvements in quality of care
        - Aftercare Team
        - Recovery Plan Coordinator
        - Employee Assistance Program

Assessment of Potential County Site

- Benefits to County housing facility
    - Estimated $100 - $150 million capital development
        - Capital development
        - Who pays—participating counties on a tiered use basis
        - How to pay options
            - Up front
            - Amortized
            - Life of project/product
            - Pay as you go—most expensive
    - Estimated $50 million annual operations budget
    - Estimated $15 - $20 million increased annual consumer consumption (housing, retail, staples, etc.)
    - Increased property tax revenue
    - ~350 construction/trades professionals working for ~18 months
    - ~400 healthcare professionals as part of ongoing operations
    - Opportunities for academic partnerships through internships, residency, and other training programs
    - Relationships to others in the community (e.g., university, dentistry, specialists)

CHALLENGES

Locating a Site:

- Existing housing is often not suitable for behavioral health population – may require engineering review to determine feasibility and scope of renovations
- Large campus may require subdividing
- Usable buildings (classroom building, visitation) are sometimes interspersed amongst older buildings

- Older construction often has asbestos and/or lead that makes demolition cost prohibitive
- Many larger campuses are dependent on a central plant, which is labor and cost intensive to maintain and operate
- Surplus real estate may be too far from southern California population centers

Transaction:

- Complexities of transaction
- Numerous participants
- Commitments from members
- Funding structure

Others:

- Community opposition
- Labor force
- Local/state requirements
- Addressing potential concerns
    - Licensed and accredited facility
    - Secure facility with CCTV monitoring, trained security staff, and fenced perimeter
    - Off-site medical appointments accompanied by security staff
    - MOUs established with local hospitals, fire department, law enforcement, etc.
- State response
    - Include in local security
    - Discharge in county – public safety

ACTIVITIES TO DATE

Site Visit History

- Los Angeles - Lancaster (High Desert Hospital) – February 24, 2016
- Fresno – Fresno Juvenile Detention Center – March –April 2016
- Orange - Norwalk (SCYRCC) – November 15, 2016
- San Bernardino - Chino (Heman G. Stark Facility) – February 28, 2017
- San Luis Obispo - Paso Robles (Estrella Youth Correctional Facility) – March 2, 2017, Second site visit February 21, 2018
- San Joaquin - Stockton Northern CA Women's Facility – March 3, 2017

NEXT STEPS

CalMHSA's highest priority is to seek alternatives and has focused heavily on this mission since 2014. As such, our next steps are as follows:

- Paso Robles – Expression of Interest (July, 2018)
- Los Angeles - Lancaster (High Desert Hospital) – 5th District Supervisor Meeting *(November 27, 2017 @ 3:30pm)*
- Los Angeles/Downey (Los Padrinos Juvenile Hall) – Site Visit *(February – March 2018)*

- Stockton (Northern CA Women's Facility)- Follow up Site Visit & Webinar for Interested Counties *(February – March 2018)*
- Sonoma (Child Development Center) – Site Visit *(February – March 2018)*

BACKGROUND/ HISTORY

CalMHSA

CalMHSA is an independent administrative and fiscal government agency focused on the efficient delivery of California mental health projects. CalMHSA was established by California counties in July 2009, as a JPA. CalMHSA's member counties work together to develop, fund, and implement mental health services, projects, and educational programs; and implement these services at state, regional, and local levels. (See Gov. Code §6500 et seq.)

CalMHSA is governed by a separate Board of Directors composed of representatives of Member Counties and an Executive Committee comprised of officers and Statewide Regional Representatives. CalMHSA operates within the statutes governing JPA entities and complies with the Brown Act open meeting requirements.

California is the most populous state in the United States and third largest state by area, encompassing 163,696 square miles. There are 58 counties and 2 city programs in California, 9 of these 53 counties, one city, and one JPA, are members of CalMHSA.

STATE HOSPITALS PROGRAM

On April 13, 2012 at the CalMHSA Annual Strategic Planning Session, the members directed staff to work in collaboration with the California Behavioral Health Directors Association (CBHDA) in an effort to explore the feasibility of the JPA acting on behalf of member counties (and possibly non-member counties via a contractual agreement) in the development of an annual purchase agreement with the new Department of State Hospitals (DSH) for a statewide utilization of state hospitals beds (as provided under sections 4330 et seq. of WIC). Counties collectively pay between $90-130 million for the procurement of state hospital beds, and expressed their angst regarding the annual rate increases of 22%, which was imposed by the Department of State Hospitals (DSH) without the ability for counties to negotiate the terms of their contract with the state department.

Since that time, CalMHSA has worked collaboratively with DSH and other state agencies in analyzing issues, such as patient care, wait lists, third-party pay, and compliance with statutes, amongst others. As a result of this work and collaborative efforts, $20 million in cost savings to counties has been projected since Fiscal Year 2013-14. Contributions for the projected cost savings are as follows:

- Freezing of Rates *(approximately $6 million cost savings)* – Acknowledging the DSH was unable to provide counties with "actual cost accounting" for each hospital, as required by statute, it was agreed the DSH would freeze the rates until such time they are able to comply with the statute. The estimated cost savings is based on an assumption of the 22% rate increase imposed by DSH each year.

- Blended Rate *(approximately $2 million cost savings)* - Moved from a three-rate structure (Acute $646, ICF $617, SNF $775), to a two rate (Acute/ICF $626, SNF $775 (blended rate)).
- Billing Based on Actual Usage *(approximately $12 million cost savings)* - Moved from a commitment-based billing to actual use; therefore, counties are no longer paying for beds not used.

ALTERNATIVES TO STATE HOSPITALS

In this process, it was determined that one of the largest issues at state hospitals, was and continues to be, a lack of capacity. Therefore, the State Hospital Committee requested approval by the CalMHSA Board to develop an RFI for the purpose of identifying inpatient alternatives to placing individuals in DSH facilities, which would require a national solicitation of interest.

In September 2014, an RFI was developed and released to elicit responses from interested entities with the experience and capability to provide inpatient services at the same levels of care that currently exist at California State Hospitals or IMDs to persons with mental disorders, in accordance with Welfare & Institutions Code (WIC) Section 4100 et eq.

The selected entity would be required to comply with all applicable federal and state laws, licensing regulations and provide acute/long term inpatient and skilled nursing services, in accordance with generally accepted practices and standards prevailing in the professional community at the time of treatment.

The selected entity would be required to provide core treatment team services that are the core to a patient's stabilization and recovery. These teams are to provide highly structured treatment for mental rehabilitation and re-socialization in preparation for an open treatment setting or community placement.

Services would be provided statewide in an effort support the needs of the California's diverse geographic regions.

As a result of the RFI, there were two proposals and one (1) letter of interest received. The State Hospital Committee held interviews with all three interested entities. The committee was in full agreement that CCS clearly demonstrated to be the most qualified with the experience and expertise required to meet the needs of California Counties. CCS is based out of Nashville, TN and has more than 17 years of experience operating psychiatric facilities in multiple states, including experience with civil, forensic, sex offender, youth, adult, and geriatric populations. CCS specializes in treating high-risk and vulnerable populations, with additional experience delivering behavioral healthcare and other secure treatment services to government agencies.

CalMHSA has entered into an MOU with CCS for the purpose of collaborative efforts in the initial phase of research and development of alternatives to state hospitals. Since this time, CCS has availed itself for site visits to potential sites, presentations to the CalMHSA Board, Committee, and county specific meetings throughout the state.

Overview of Current DSH Operations

- Approximately **6,300** beds at five DSH-operated facilities (excludes ~1,000 beds at three CDCR facilities)
- Remaining 10% of state-operated beds serve LPS population at three locations:
    - Metropolitan State Hospital
    - Napa State Hospital
    - Patton State Hospital
- ~90% of state-operated beds are utilized by justice-involved patients, *which are not the responsibility of the county*:
    - Incompetent to stand trial (IST): ***28%***
    - Not guilty by reason of insanity (NGI): ***22%***
    - Mentally disordered offenders (MDO): ***20%***
    - Referrals from California Department of Corrections and Rehabilitation (CDCR): ***5%***
    - Sexually violent predators (SVP): ***15%***
- **910** additional IST patients awaiting hospital bed (Feb. 2018)
- Other step-down services at these facilities
    - Step-down co-located