



County of Santa Cruz

HEALTH SERVICES AGENCY

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HEALTH SERVICES AGENCY ADMINISTRATION

September 4, 2009

AGENDA: September 15, 2009

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

REPORT ON THE FUTURE OF ACUTE PSYCHIATRIC SERVICES IN SANTA CRUZ COUNTY

Dear Members of the Board:

In 1981, the County and Dominican Santa Cruz Hospital ("Dominican") entered into the Mental Health Master Agreement which called for the County to close its Emeline Avenue psychiatric unit and for Dominican to build and operate a new psychiatric unit as part of the hospital. Since 1983, Dominican has operated the Behavioral Health Unit as a resource for the entire community but particularly as a program where County Mental Health patients received treatment. The Mental Health Master Agreement expires June 30, 2010 and Dominican cannot renew the agreement under the existing terms and conditions. Two years ago the County and Dominican began meeting to explore possible changes to the Master Agreement that would reduce Dominican's financial losses while still meeting the community's need for acute psychiatric services.

Attached for Board and public consideration is a report entitled "Acute Psychiatric Services at the Crossroads" (the "Crossroads Report"). The Crossroads Report analyzes the County's options for ongoing acute psychiatric care and presents a plan to transfer responsibility for provision of acute psychiatric services to the County by December 31, 2013. The Memorandum of Understanding (MOU), which was negotiated with Dominican/CHW during the last year, outlines the changes the County and Dominican will make to the Mental Health Master Agreement and specifies the relationship between the County and Dominican during the transition period and beyond.

We believe that the proposed 'Crossroads' plan is, on balance, the best way to meet the acute psychiatric needs of our community. It will allow for the continued provision of these services without the escalating costs associated with hospital-based services, and it will continue the recent pattern of reducing reliance on the most restrictive, expensive form of acute psychiatric care in favor of enhanced crisis observation, crisis residential, and other alternative services. This shift in location to a new facility will also permit Dominican to utilize the existing Behavioral Health Unit to house acute rehabilitation services now provided at Dominican's Frederick Street facility. Dominican's rehabilitation beds provide a broad range of important rehabilitation services including vital services for stroke and head injury patients; these services cannot

continue at the Frederick Street facility after December 2013 due to the State's stringent seismic requirements for inpatient hospital buildings.

Summary of Crossroads Report

The material which follows provides a summary of the Crossroads Report.

- The County and Dominican have mutually determined that due to the high and rising costs of hospital-based services and evolving mental health system needs, continued operation of the Behavioral Health Unit (BHU) is no longer financially feasible and other approaches to providing acute psychiatric care demonstrate improved outcomes.
- This determination resulted from a lengthy study and negotiation process regarding the best way to provide the services when the current County-Dominican contract expires in June, 2010.
- The County has considered all possible options to fulfill its responsibilities assuming eventual closure of the BHU. The remaining feasible options for the County include:
 - Require clients needing acute psychiatric services to receive them in facilities outside of Santa Cruz County which have active contracts with the County; or
 - Open a new acute psychiatric mental health facility within the county that will be licensed by the State Department of Mental Health as a Psychiatric Health Facility (PHF).
- Based on best practices and current reimbursement models, clients and families will be best served by a new Psychiatric Health Facility (PHF) planned and built by the County and operated by a contractor which specializes in providing acute psychiatric mental health care. Ideally the facility will be located near Dominican within the current hospital/medical/health services area and will include a range of acute services and clinical options.
- The County believes that operating a PHF in concert with peer and crisis support services and supported housing will contribute to a more cost-effective and high quality mental health system overall and will reduce the need for locked acute psychiatric services in the future.
- This situation is not unique to Santa Cruz County; other California counties have successfully made the transition from providing acute psychiatric services in a hospital-based setting to providing them in a Psychiatric Health Facility.
- Dominican is working as a full partner with the County to ensure a smooth transition from the BHU to the new facility. Dominican will provide substantive financial resources to the County to assist in the transition of these critical services.

Memorandum of Understanding

The attached Memorandum of Understanding (MOU) outlines the business relationship between the County and Dominican during the transition period and beyond. The MOU will also serve as the basis for an amendment to the Master Agreement. The amendment itself will be developed and presented to your Board on December 8, 2009. Key provisions of the Memorandum of Understanding include the following:

- The existing Master Agreement will be extended from June 30, 2010 until December 31, 2013 which is identified as the Transition Date;
- Pending stakeholder review, the County will construct and open a new acute 16 bed Psychiatric Health Facility (PHF) by December 31, 2013. Simultaneously with the opening of the new facility, Dominican will discontinue operation of the Behavioral Health Unit;
- The new PHF will be operated by a contractor with expertise in the provision of acute psychiatric services (the contractor will be selected based on a request for proposal process).
- Commencing with the opening of the new PHF, Dominican will make the first of sixty monthly payments to the County that will total \$5,000,000; Dominican will also contribute furnishings and equipment from the BHU that could be used in the PHF.
- The County will establish a Transition Team with Dominican and other parties; the Transition Team will develop a detailed plan for the transition of acute psychiatric services from Dominican to the PHF and will oversee the transition process.
- The new PHF facility will house crisis evaluation services and 23-hour crisis observation services similar to the services currently provided at the BHU. It will be a goal of the system to encourage patients with psychiatric emergencies to come directly to the PHF for help. Dominican's Emergency Department will continue to evaluate and treat patients with mental health and/or medical conditions who present at that facility (as required by law).
- Dominican, the County and the new operator of the PHF will work together to develop policies and procedures to ensure that patients receive the appropriate level of care at the appropriate facility.

Consultation with Stakeholders

Prior to finalizing this plan, the County needs to engage in additional dialogue with the many groups in our community that have a stake in how acute psychiatric services are provided. While informal conversations have been held with a few representatives, due to the confidential nature of the negotiations with Dominican, the Health Services Agency has not been able to make formal presentations to all stakeholder groups.

Therefore, prior to requesting your Board's approval for this plan, and prior to formally amending the Mental Health Master Agreement, the Health Services Agency will schedule presentations and otherwise consult with key groups and individuals and seek their input about the options

and how best to move forward. Additionally, Dominican will be making presentations to its advisory Board, employees, emergency department staff, and others who will be affected by this major transition in services.

Groups that the County will consult with include, but are not limited to:

- The Local Mental Health Board
- The Mental Health Services Act Steering Committee
- NAMI Santa Cruz (National Alliance for Mental Illness)
- MHCAN (Mental Health Client Action Network) and Mariposa Wellness Center
- County Mental Health Services contractors including the Santa Cruz Community Counseling Center, Front Street Inc., and the Volunteer Center
- Local mental health professional groups including psychiatrists, psychologists, social workers, and marriage and family counselors
- Community safety net clinics, Palo Alto Medical Foundation/Sutter Santa Cruz, Dominican Medical Foundation, and Watsonville Community Hospital
- The Health Improvement Partnership Council (HIP-C)
- Local law enforcement agencies
- Local city leaders

Based on dialogue with these stakeholders and other community mental health representatives, the County will develop a plan for on-going consumer and family input into planning for the new acute psychiatric services program. Details of how this will be accomplished will be outlined in the subsequent Board letter recommending a final course of action.

Financing the New Facility

The Health Services Agency is working with the County Administrative Office on the development of financing options for the acquisition of land and the design and construction of a new psychiatric facility. We believe that the total cost of constructing the new facility will be approximately \$8,000,000.

At this time we believe that an inter-governmental loan, which could be partially repaid by the \$5,000,000 payment from Dominican, would serve as the primary financing element for the new facility. We anticipate that the remainder of the funds would be secured from a combination of State, Federal, County and private funds. A detailed financial plan will be finalized and presented to the Board December 8, 2009 along with additional information regarding anticipated operating costs for the new services.

Report on the Future of Acute Psychiatric Services in Santa Cruz County
 AGENDA: September 15, 2009

At this time, it is RECOMMENDED that your Board take the following actions:

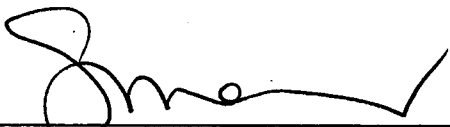
1. Accept and file this report and direct the Health Services Agency to meet with community stakeholders and gather additional input on the proposed Crossroads plan and the Memorandum of Understanding;
2. Direct County staff to return with a proposed amendment to the Mental Health Master Agreement and a binding version of the Memorandum of Understanding on December 8, 2009; and
3. Direct the Health Services Agency to work with the CAO and other County departments, including County Counsel, Planning, Real Property, and Redevelopment to identify one or more recommended potential sites for the proposed new facility and a recommended approach for construction of the facility; develop a detailed financing plan and draft operating budget; and develop a detailed timeline for accomplishing this project, all to be presented to the Board on December 8, 2009.

Sincerely,



Rama Khalsa, Ph.D.
 Health Services Agency Director

RECOMMENDED:

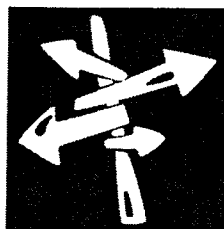


Susan A. Mauriello
 County Administrative Officer

Attachments: Mental Health "Crossroads" Report
 Memorandum of Understanding

cc: County Administrative Office
 County Counsel
 Auditor-Controller
 HSA Administration
 Local Mental Health Board
 Mental Health Services Act Steering Committee
 NAMI Santa Cruz
 Dominican Hospital
 Sutter Santa Cruz
 MHCAN
 Mariposa Center
 Volunteer Center
 Front Street Inc.
 Santa Cruz Community Counseling Center

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Santa Cruz County
Acute Psychiatric Services at the Crossroads

Prepared by the Santa Cruz County Health Services Agency

September 4, 2009

I. Executive Summary

Overview

Throughout California and the U.S., private hospitals are closing their acute psychiatric mental health units. In California, the impact of mandatory hospital nursing ratios as well as funding and reimbursement policies is making it unaffordable to deliver inpatient mental health services in general acute care hospitals.

Here in Santa Cruz County, Dominican Hospital/Catholic Healthcare West (CHW) and the County have determined that Dominican's inpatient 'Behavioral Health Unit' (BHU), which has served the region since 1983, is not financially viable as currently structured. Dominican CHW is unable to continue subsidizing the BHU, where deficits are projected to increase, and the County cannot assume greater long-term financial responsibility for costs and operations it does not control. The rising cost for these services is also diverting resources away from essential community-based mental health services - services which can over time prevent psychiatric crises and thereby reduce the demand for acute care.

The Master Agreement with the County to operate the BHU began in 1981 and expires June 30, 2010. Dominican CHW cannot renew it under the current terms and conditions; an extension to the Master Agreement is pending the outcome of community discussion on this Crossroads report.

The County is responsible under State law for providing access to acute psychiatric care, and these services are a necessary aspect of a comprehensive and coordinated community mental health care system. The County therefore must develop and implement a plan to relocate acute psychiatric services to another facility; Dominican/CHW has offered a \$5 million subsidy to assist the County with this process. Dominican is also assisting the County with identifying and evaluating optimal sites near the Hospital.

Options and Proposed Approach

Representatives from Dominican CHW and the County, with the assistance of expert consultants, have thoroughly explored numerous options, including implementing operational and financial improvements at the BHU. **Our deliberations and conclusions, as presented in this report, have resulted in the recommendation that mental health clients, families, and the community will be best served by enhanced crisis support services together with a new, 16-bed freestanding Psychiatric Health Facility (PHF) located in the vicinity of Dominican Hospital and other regional medical facilities.** Attachment 1 is a draft Fact Sheet about these deliberations, and Attachment 2, "Milestones for Improving Acute Psychiatric Mental Health Services", outlines collaborative actions taken to date and elements of a future project work plan.

The County has the potential to significantly improve the local mental health system and manage acute care costs over the long-term by moving from a general hospital-based model to a Psychiatric Health Facility operated by a contractor with primary expertise in the provision of

acute psychiatric mental health services. This will be a challenging, complex project during an equally challenging time for local and state governments, but it also presents an opportunity to improve services and strengthen the mental health system over the long term.

Contents of the Report

This report is organized into five sections:

- I. Executive Summary (p. 1)
- II. A Brief History of Acute Psychiatric Mental Health Services (p. 3)
- III. Options Considered (p. 5)
- IV. Recommendations (p. 12)
- V. Summary (p. 17)
- VI. Attachments (p. 18)

Other reports and reference materials not contained in this document are on file with the Clerk of the Board.

Note: Throughout the document, Catholic Healthcare West d.b.a. Dominican Hospital is referred to as "Dominican CHW" or "Dominican" or "Hospital" or "CHW"; the County of Santa Cruz is referred to as "County" or "County Mental Health".

II. A Brief History of Mental Health Unit Services

In March 1981, the County entered into a contract (known as the Mental Health Master Agreement) whereby Dominican Hospital agreed to build and operate a 28 bed inpatient psychiatric unit that would serve County Mental Health and private patients. The County needed to close its inpatient psychiatric unit which was operated under the license of the former County Hospital at 1080 Emeline Avenue; State Licensing had informed the County that this unit could not continue to be licensed as a general hospital since the hospital's medical/surgical beds had been closed in 1973.

Just prior to this agreement, Dominican and the County had concluded successful negotiations regarding the transfer of the County's licensed hospital beds to Dominican in exchange for a long-term commitment to care for County indigents. After a second round of negotiations, Dominican agreed to build and operate a mental health unit ("Behavioral Health Unit" or "BHU") that would primarily serve County Mental Health patients. The term of the Mental Health Master Agreement was for 15 years from 1981 to June 30, 1996; pursuant to an option for extension that was included in the Master Agreement, the County and Dominican subsequently approved a 14 year contract extension to June 30, 2010.

In recent years, the operation of the BHU caused challenges for County Mental Health and Dominican CHW. The BHU was posting substantial financial losses: \$3.2 million in 2006 on total costs of \$9.8 million. The losses were primarily due to insufficient Medicare reimbursement. The Hospital asked the County to increase its payments to underwrite these shortfalls. While the County offered a per diem increase for Medi-Cal and indigent days, the County could not cover the significant Medicare shortfalls. Mental health funding for inpatient services was not increasing and the rates paid to Dominican CHW were already among the highest paid by any county in the state for contracted inpatient mental health services. Moreover, County Mental Health did not feel responsible for increases in hospital overhead costs, Dominican's escalating salary and benefits structure, nor its higher nursing ratios, and believed that various elements of BHU policy and operations could be made more efficient and effective.

In 2006, Dominican CHW sent a letter notifying the County that it would be closing the BHU; the Health Service Agency Director responded with a letter citing the terms of the Master Agreement. Instead of closing the Unit, the County and the Hospital agreed to create a "Joint Operations Committee" to improve communication and resolve disputes. The Joint Operations Committee, with County and Dominican representatives, commissioned two reports entitled "Analysis of Inpatient Utilization" and "Financial Performance of BHU and Options for Improvement"; these reports included numerous recommendations which could improve operations and potentially reduce costs at the BHU. The Committee continues to meet monthly and has worked collaboratively to improve day-to-day operations as well as implement a number of the reports' recommendations. However, this approach has not eliminated the Hospital's losses nor contained per day costs: between 2006 and 2008, Dominican's cost to provide a BHU day increased 20% from \$1,230 to \$1,587.

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Dominican CHW notified the County that it could not extend the date of the current Mental Health Master Agreement when it expired June 30, 2010. The County believed there was the potential to improve the current situation through cost containment or other long-term alternatives. The County and Dominican agreed to form a negotiating group to examine the inpatient mental health unit options in depth and develop a plan for continuing this crucial service after 2010 (Attachment 3).

The group started its comprehensive examination of the options and associated negotiations in August 2007. County Counsel and Board members have been kept apprised of the status of these negotiations.

As a result of this collaborative process, it is now apparent that the structure and licensing requirements associated with general hospital operations make it impossible (short of a major change in Medicare reimbursement) for the BHU to break even financially. This situation is not unique to Santa Cruz County. Throughout California and the U.S., private hospitals have been closing their acute psychiatric care units due to similar cost-control, procedural, management and financial concerns. Pending national health care reform and/or Medicare and Medi-Cal reform that fully addresses this problem, local counties will continue to be faced with the challenges of improving mental health outcomes with fluctuating public revenues. Perhaps more importantly, the development of broader community-based crisis response services for our county is a reflection of what mental health policy experts recognize as an evidence-based "shift toward non-hospital-based...community-oriented approaches ..." which effectively "stabilize the crisis in the least restrictive and most natural settings possible and...provide the necessary rehabilitation and recovery-oriented supports that...allow consumers to maintain and enjoy long-term community tenure." (From "A Community-Based Comprehensive Psychiatric Crisis Response Service" by the Technical Assistance Collaborative www.tacinc.org/Docs/HS/Crisis_Monograph_Final.pdf). Enhanced crisis support services, which may include crisis intervention and stabilization, enhanced peer support, and crisis residential services, can work together effectively with a new, smaller acute psychiatric care facility.

Consideration of this report and its recommendations by the Board of Supervisors will initiate a broader community discussion of these proposals, in particular with the County's mental health partners and stakeholders: the Mental Health Advisory Board, the local medical community and safety net providers, family and consumer groups, mental health contractors, and the National Alliance on Mental Illness (NAMI) Santa Cruz Chapter.

III. Options and Models Considered for Acute Care

The County and CHW spent the first 11 months of the negotiating process, from August 2007 to June 2008, educating themselves about the BHU and the context in which it operated.

Attachment 4 is a Power Point presentation that describes in detail the materials which were developed and reviewed on a month-by-month basis by the group. These included utilization data, cost and revenue figures, County Mental Health budget trends, profiles of patient utilization data (repeat admits, diagnosis groupings), census trends by day and month, etc.

As part of this process and as noted above, the negotiating group commissioned a study by hospital finance specialists (The Camden Group) which suggested opportunities to reduce costs, and which included projections about the financial future of the Unit. The group was advised by Abbott and Elpers, former California County Mental Health Directors who now consult with public and private systems on the design and operation of acute psychiatric mental health services and programs. The negotiating group made site visits to several other counties and interviewed their mental health program managers and clinicians about their inpatient service configurations. There were also consultations with State staff and others familiar with licensing and finance issues associated with various acute psychiatric care models.

In order to share the options explored and the conclusions reached, information in this section has been structured in the form of questions and answers.

1. Must the County provide acute psychiatric inpatient mental health services? *YES, in order to operate a Mental Health program, the State requires the County to provide or otherwise provide access to and pay for inpatient mental health services for MediCal patients and indigents.*

- Counties must either operate their own facility or have a contract with an inpatient acute psychiatric health facility or hospital to provide this care.
- While some believe that acute psychiatric services in a locked facility are not ever necessary, studies have shown that there continue to be important health and safety reasons for maintaining this aspect of a comprehensive, high quality mental health care system.

2. Could the County find another local hospital that would provide this service? *NO, there are no other hospitals within the County or near the County that can or will provide this service for all Santa Cruz county residents regardless of method of payment.*

- The Palo Alto Medical Foundation/Sutter Santa Cruz does not have enough beds to provide an inpatient mental health inpatient unit nor have they indicated a desire to expand their services to include such a unit. Watsonville Community Hospital also is not interested in serving this patient population.

- The County currently maintains a contract with one out-of-county hospital (Fremont Hospital, a free standing psychiatric hospital in the east Bay Area) which accepts transfers of County patients on a space available basis. Fremont has numerous restrictions on what types of patients it will accept - for example, it will not accept patients with diabetes. The County is also close to finalizing a contract with a second hospital: Natividad Medical Center in Salinas. However, Natividad has a small unit with 19 beds and does not have the capacity to serve all Santa Cruz patients.
- Other nearby hospitals that have declined to contract with Santa Cruz County Mental Health for this service include Santa Clara Valley Medical Center and San Mateo County Hospital.
- It is possible the County could enter into contracts with more distant hospitals to accept local patients. However, as noted earlier, similar to our situation, around the state, private acute care hospitals are closing or reducing their mental health beds due to economic pressures. County Hospitals generally receive a financial subsidy for their mental health units and are not able to increase their capacity.

3. Is transferring patients to out-of-county hospitals a good option? *NO, even if it were possible to secure enough out-of-county hospital beds, this would be expensive and problematic.*

- Transporting patients to and from a distant hospital is expensive: involuntary patients must be transported by an ambulance and may require an additional attendant.
- Hospitalizing patients away from their support systems presents a very significant hardship for clients and their families and friends and inhibits the recovery process.
- Discharge planning works best when County case workers can visit the patients, review their needs, and facilitate their transitions home. When case managers must travel to reach hospitalized patients, those clients are likely to stay in the hospital longer than necessary and system costs increase.
- Hospitalizing patients away from the County courts and attorneys involved in conservatorship proceedings also leads to delays and additional costs.

4. Could the County legally compel Dominican CHW to continue providing inpatient services? *NO, County Counsel has determined that the County does not have a clear contractual right to have Dominican CHW operate the inpatient mental health unit after June 30, 2010.*

- The Master Agreement allows for a 15 year extension beyond the original expiration date of June 30, 1996 (this extension was exercised by the County for 14 years - to June 30, 2010); there is no language in the agreement which indicates that it was intended to last into perpetuity.

5. Could Dominican CHW and the County operate differently to reduce BHU losses? YES, some changes have been made but these changes alone are not sufficient in the longer term.

- As noted above, the County and Dominican CHW engaged the Camden Group to review BHU metrics (staffing, salaries, admission and discharge practices, total costs, revenues, etc.) in comparison with other hospital-based mental health units in northern California. With the exception of employee salaries, Dominican's unit costs and allocated costs were in-line with other similar programs. San Francisco Bay and central coast hospital salaries have historically been high; Dominican's salaries are similar to other hospitals in this region. Salaries and benefits are negotiated by CHW on a system-wide basis and are not likely to be adjusted downward. Camden identified options for saving between \$300-500k annually (representing 3-5% of total costs). Camden projected that Dominican's losses would increase to \$4 million per year by within 5 years.
- As a result of this negotiation and study process, the County has financed and made significant changes that enable Dominican CHW to operate more efficiently than in the past. County Mental Health increased its expenditures for skilled nursing homes and other locked facilities for people who are need these services; it has opened a new Crisis Residential Facility with state Proposition 63 (Mental Health Services Act – MHSA) funds; it has developed new enhanced support crisis services; and it has entered into overflow contracts with two hospitals outside the County. These changes have resulted in a 17% cumulative increase in County mental health expenditures related to locked care (including but not limited to inpatient services) for the three year period from 2005/06 to 2008/09 (see Attachment 5).
- Due to changes made by the County and the Hospital, Dominican's financial deficit for the BHU was reduced in FY 2008; nevertheless, new salary agreements and other hospital cost increases are expected in 2009 and 2010. Dominican CHW has said that it is not willing to continue operating the Unit unless the County will assume financial risk and share in the losses of the BHU over the long- term. The County already is at risk to pay for each day of care needed by Medi-Cal and uninsured low- income patients admitted to the Unit; there is no cap on the County contract and the County does not directly control admissions or discharges.

6. Could the County pay for Dominican's losses? NO, the County has no new funds to do this and in any case would not make a commitment to pay for costs it does not control.

- County Mental Health already pays for over 50% of BHU days with no cap on total days per year or total contract payments. The County is already sharing the financial risk of the Unit with Dominican through these payments. In 2008/09, the County

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spent an estimated \$2.3 million on BHU services; this is 150% of what was spent three years ago (2005-06) when BHU contract payments were \$1.5 million. The Mental Health system is already straining to accommodate these increases and cannot decimate other services nor secure new general fund dollars in order to finance additional BHU cost increases.

- While County staff have some influence, as an acute care hospital Dominican must abide by State mandated staffing patterns. Salaries and benefits are governed by prevailing union contracts and cannot be modified. Additionally, overhead charges are allocated from the parent Corporation to the Hospital and to the BHU.
- Nonetheless, Dominican and the County explored the option of financial risk-sharing. CHW proposed a cap on Dominican's losses with increasing County responsibility each year until the County would pay for 100% of losses above the cap. The County responded that it could not commit to paying for losses over which it has little or no control. The price tag for this option would also require shifting millions of mental health dollars which now are directed toward outpatient treatment and housing support services, with a probably consequence of declining recovery rates and an ever-spiraling need for more acute services.

7. Could the County and Dominican CHW create a new partnership to share operations and financial risks? *YES, in theory, but the actual functioning of such a partnership is difficult to envision.*

- Dominican CHW offered and the parties explored a full partnership model involving the creation of a new limited liability corporation (LLC) with a Board of Directors made up of Hospital and County representatives. The LLC would construct and operate a new PHF unit (or contract for the operation of the unit). Both parties would equally share programmatic decisions and profits or losses. The Hospital currently has a similar partnership arrangement with Stanford Hospital for operation of the Neonatal Intensive Care Unit. The County was concerned about limiting the partnership to the Mental Health Unit since other community mental health services play a large role in admissions and length of stay. For example, if the County does not have a sufficient contract for locked skilled nursing services, many persistently ill patients could not be discharged from the BHU. Similarly, the County decides how many patients it will send to and pay for at State hospitals, which in turn impacts the need for local beds. As the payer for 50% of BHU days, the per diem rates paid by County would have a big impact on the bottom line.
- While Dominican CHW understood these issues, the Hospital had no expertise or interest in managing the entire continuum of acute mental health services. Attempting to establish minimum levels of effort would have locked the County into certain budgetary patterns that might not be optimal in the future. Based on extensive attempts to work together on much simpler issues, it did not appear that

dual governance of a new mental health unit and acute care services linked to hospital care would result in a more effective and efficient system of care.

8. Could the County lease the BHU from Dominican CHW and contract with an operator to run it? *YES, in theory, but Dominican CHW does not agree with this approach.*

- The Master Agreement has an expired provision that would have provided the County with an option to run the BHU, with conditions. Section 8 of the Agreement (Option to Lease) states:

"In the event that Federal or State reimbursement policies change prior to March 1995, so that operation of the psychiatric service by Hospital rather than County no longer has a significant financial advantage as determined by County, County shall have the option to lease the Replacement Addition [BHU] from Hospital and operate it." However, prior to 1995, there were no changes to federal or state reimbursement policies that would have triggered the option for the County to lease the facility. Because the BHU was operating at the fully licensed capacity of 28 beds at the time of the agreement extension, there was no consideration that conversion to a PHF would be possible, because PHFs can only receive full Medi-Cal reimbursement if they are licensed for 16 or fewer beds.

- Dominican CHW could elect to lease the BHU to the County when the Master Agreement terminates in 2010, either on a short-term or a long-term basis. However, as noted above, the Hospital is keenly interested in reclaiming the BHU space as soon as possible and therefore is not interested in a long term lease of the building. Although the County believes that a short term lease from would reduce Hospital losses and facilitate a smooth transition to a new PHF, the Hospital has said this is not an option; Dominican CHW is concerned that having an outside contractor that it does not control offering services on its campus could create serious problems for the Hospital.

9. What is a Psychiatric Health Facility and why is it a good option for Santa Cruz County? *A Psychiatric Health Facility, or PHF, is a freestanding health care facility licensed by the California Department of Mental Health specifically to provide acute psychiatric services.*

- In 1978, the California Legislature approved a new type of health care facility license for a Psychiatric Health Facility, or PHF. PHFs were established to provide a less expensive, more flexible alternative to the traditional general hospital inpatient psychiatric units. Licensing standards are specifically designed to meet the needs of psychiatric patients rather than acute medical patients. For example, they permit a PHF to hire psychiatrists directly (unlike hospitals which are forbidden by state law from hiring MDs directly). Instead of being licensed by the State Department of

Health Services, PHFs are licensed and inspected by staff from the State Department of Mental Health, who have a better understanding of needs for this population. See Attachment 6 for an overview comparison of licensing standards for acute care facilities.

- In order to receive Medicare reimbursement, PHFs must be accredited by the Joint Commission on accreditation as a hospital. Alameda County Mental Health recently had a new PHF successfully accredited. Santa Cruz County will benefit from what they learned about the process.
- As of 2008, there were 21 PHFs operating in six counties in the state providing approximately 365 beds of acute psychiatric services. Licensing requirements do not limit the size of a PHF, however most facilities are 16 beds (or fewer) since a free-standing psychiatric facility with more than 16 beds is not eligible to receive federal reimbursement under the Medi-Cal program. Medi-Cal reimbursement for mental health services is made up of 50% local/state funds matched by 50% federal funds; loss of Medi-Cal reimbursement thus represents a loss of the 50% federal share of reimbursement for a service. Most counties cannot afford to utilize any inpatient mental health services that are ineligible to receive federal matching funds.
- PHFs can provide voluntary and/or involuntary treatment for adults or for children and adolescents (but the two populations cannot be mixed). Typically, patients with any type of obvious medical condition must be evaluated, treated and cleared by a hospital emergency room until their medical conditions are stable. According to PHF licensing regulations, "A prospective patient may be admitted to a psychiatric health facility if the patient's medical condition could ordinarily be managed on an outpatient basis by a reasonably competent individual." In practice this means that PHFs can treat most psychiatric patients including those who need wound care, have a broken bone that has been put in a cast or who have chronic conditions such as diabetes, hypertension, asthma, etc. PHFs don't usually admit patients with intravenous lines or patients who need telemetry or other intensive medical monitoring. Patients with these conditions are typically admitted to a medical/surgical floor of a general hospital where they receive psych medications and medical treatment. PHFs must have a written transfer agreement with a local hospital that agrees to accept the transfer of such patients.

- Santa Cruz County has identified the following advantages of providing care in a PHF:
 - The new facility can be constructed much faster and with less cost than a freestanding acute psychiatric hospital or a general acute hospital. Design and construction of a PHF is governed by local building and fire requirements and is not regulated by the State Office of Health Planning and Development which oversees the construction and remodeling of hospitals.
 - The PHF will have approximately the same number of staff hours per patient as a hospital-based acute psychiatric program; however there is more flexibility to hire a diverse staff with a higher proportion of mental health specialists. PHFs must have at least one RN per shift, whereas an acute general hospital must comply with State nursing ratio regulations and must have one RN per 6 patients (or a portion of six patients) which equates to 3 RNs around the clock (not including the director of nursing and other nurse administrators) for any census above twelve patients.
 - The cost of providing acute psychiatric services in a general hospital is higher than other options and hospital costs are increasing more rapidly than mental health revenues are. If acute psychiatric services continued to be provided by Dominican or in another general hospital setting, the County could expect increasing costs with increasing pressure to cover financial losses from Medicare and other patients.

IV. Recommendations

After fully reviewing the options for delivering acute psychiatric mental health services, the County and Dominican CHW negotiators have concluded that the best approach to providing acute psychiatric mental health services into the future includes the following:

1. The County and Dominican CHW will amend the existing Master Agreement to extend the expiration date of June 10, 2010, to December 31, 2013 ("Transition Date" - the date proposed by Dominican to accommodate the relocation of services from their Frederick Street campus).
2. The Master Agreement amendment will commit the County to acquire property and construct a new building or renovate an existing building nearby to Dominican Hospital and other health/medical facilities in the Soquel Drive corridor that will house a 16 bed, locked Psychiatric Health Facility (PHF), 24-hour crisis assessment and observation services, and psychiatric evaluation services (pursuant to CA Welfare and Institutions Code 5150).
3. The County is responsible for access to acute psychiatric care services and will contract operations to an experienced and reputable acute psychiatric care operator (of which several have been identified); this operator will hire staff and manage the psychiatric health facility and its services. The County will also ensure that crisis support services are maintained and enhanced.
4. Dominican CHW will operate the existing Behavioral Health Unit (BHU) until the Transition Date (or earlier if the new PHF is ready to open prior to that date).
5. The new PHF will admit voluntary and involuntary mental health patients in need of acute psychiatric care using substantially the same criteria now used by Dominican CHW (as required by Medi-Cal, Medicare and the County contract).
6. Since the PHF will not have the capacity to admit patients with acute medical conditions requiring inpatient medical services, Dominican CHW and the County will cooperate to provide care for mental health patients with conditions requiring medical services and/or inpatient hospitalization. The Transition Plan, to be developed as follow up to the amended Master Agreement with Dominican CHW, will define the conditions for such cooperation, including plans for appropriate medical screening and transfers between facilities.
7. People with an acute psychiatric mental health emergency will be seen at the new PHF for evaluation, medication, observation and admission to appropriate services as needed. Dominican CHW will evaluate patients who present at its Emergency Department as required by law and will redirect medically appropriate patients with acute mental health needs to the PHF (similar to Watsonville Community Hospital's current approach).
8. Dominican CHW will contribute a \$5 million subsidy toward the new acute care system: \$1 million paid annually for five years following the Transition Date.

9. *Milestones for Improving Acute Psychiatric Mental Health Services in Santa Cruz County (Attachment 2)*, provides an overview of activities that have been undertaken to date as well as a preliminary scan of activities that will be necessary in the future to implement this proposed approach.

Advantages of this approach: There are substantial programmatic and financial advantages to this approach. The new Psychiatric Health Facility will be better able to contain costs than the current hospital-based system and the mental health system of care can be strengthened and improved by this approach. Advantages include:

- Moving from 18 beds at Dominican to 16 beds at the PHF will set a clear expectation for efficient utilization of this most restrictive and expensive resource. Improvements to current BHU operations and alternatives to inpatient hospitalization, including crisis residential services and 24-hour crisis observation services, have recently been deployed in response to community need, and are already reducing the number of inpatient days at the BHU (see Attachment 7, Behavioral Health Unit In-Patient Census Data, 2006-2009). Improving the management of inpatient use and containing the cost of care over the long-term will permit continued investment in community-based services which in turn will contain the need for inpatient acute psychiatric care.
- With 16 beds, the new PHF will qualify to continue receiving Medi-Cal reimbursement which is a crucial revenue source for these services. (Federal regulations prohibit Medi-Cal reimbursement for adults in acute psychiatric mental health facilities with more than 16 beds unless the units are part of a general hospital.)
- Other County Mental Health programs are already utilizing or are planning to utilize the PHF model and have been very pleased with the services provided (see Attachment 8, List of Psychiatric Health Facilities in California). PHFs focus on providing recovery-oriented mental health services that are closely coordinated with other support services and programs.
- The County expects to work with an operator who specializes in providing acute psychiatric inpatient care and who brings experience operating these programs around the state. The new program will be staffed with psychiatrists, an internist, RNs and mental health specialists. Some administrative functions will be performed by the central parent company. It is expected that existing BHU staff who are interested in the new program will be considered for employment by the PHF operator.
- As the owner of the building and monitor of contract compliance, the County will be positioned to assure collaboration between acute psychiatric services and other components of the Mental Health system. Systemic management and integration of all mental health resources is needed in order to contain costs and maximize client outcomes.
- The PHF licensure category (as opposed to the general hospital or freestanding psychiatric hospital) allows for expedited construction of a new facility and for efficient staffing and operation:

- PHFs require local building permits and approvals but, unlike hospitals, do not need Office of State Health Planning and Development (OSHDP) approval. (The OSHDP architectural plan review process is very time consuming and expensive; even small changes to the plans or to the facility itself must be reviewed and approved.)
- PHFs are licensed by the State Department of Mental Health and have requirements specific to an acute mental health treatment facility rather than an inpatient medical/surgical hospital unit.
- PHFs are not subject to stringent hospital seismic safety laws; this allows facilities to have a more residential feel and can reduce construction costs while still meeting strong earthquake safety criteria consistent with County codes.
- PHFs must have one RN per shift but are not subject to the state nursing ratios which apply to acute general and free standing psychiatric hospitals and require one RN for every six patients around the clock; these ratios, while important in an acute hospital setting, can be very expensive. PHF staffing regulations allow for a better balance of nurses and other mental health treatment specialists resulting in more effective mental health services for the community and lower costs for public and private health plans.
- Dominican CHW will be able to relocate services currently housed in facilities that will not meet seismic requirements into the current BHU facility.
- Location of the new PHF in the vicinity of existing hospital and other health/medical services will ensure that people needing acute psychiatric care will also have timely access to other necessary health and medical services, and to public transportation service. (Please see Draft Site Criteria, Attachment 9.)
- This collaborative solution supports the partnership between the County and Dominican CHW, a partnership which is important to both parties as well as to the community at large. It is the basis of our indigent care system, specifically for people without health insurance and jail inmates; it is central to our ability to respond to a natural disaster, an epidemic, or mass casualty incident; it is the foundation of our Emergency Medical System (EMS) advanced life support program; and it a key element in maintaining our public health improvement plans.

Challenges associated with this model of care: If the County moves to having responsibility for the development and contract oversight of a Psychiatric Health Facility, it will face new challenges and risks which, although manageable, need to be recognized.

- **Issues Associated with Providing the Services:** Under the new arrangement, the County will contract for acute psychiatric mental health services and 24-hour crisis observation and emergency evaluation services. Currently these services are provided by Dominican CHW as components of the BHU. As noted above, the cost of providing services in a PHF is projected to be less than in a general acute hospital and the County

should have significantly more control over these costs than it does currently. Nevertheless, future capital and operating costs associated with the provision of acute psychiatric care are a key concern for the County.

As part of the study process, preliminary estimates of construction and operating costs have been developed and reviewed with potential contractors and compared with current Hospital BHU costs. Pending development of more information about land acquisition costs, financing options, and the outcome of a Request for Proposal process for an operator, our preliminary estimates indicate that it is likely that operating costs will be equivalent to or less than the currently escalating costs at the BHU. Revenue sources have been diligently investigated with positive findings; while Medicare and Medi-Cal reimbursement policies are constantly evolving, the County's responsibility for serving these patients will remain constant.

Unless there is a change in federal law, the PHF cannot be expanded beyond 16 beds without losing access to Medi-Cal reimbursement. In order to keep the average daily census within 16 beds, the County will need to maintain a robust community mental health system with alternatives to acute psychiatric care; this strategy will also enhance the mental health system of care and support clients and families in improving outcomes and promoting recovery. As it does now, the County will continue to maintain overflow contracts with nearby inpatient mental health units in the region for times when the census exceeds the PHF capacity.

After reviewing systems in other counties, and based upon the advice of our consultants, we believe it will be feasible to meet mental health needs with a 16 bed PHF. Dominican CHW reduced the number of staffed beds in the BHU from 24 to 18 in January 2009; this was possible due to the opening of the Crisis Residential Program and the expansion of other placement options by the County. Dominican CHW intends to reduce the BHU to 16 beds once the new Crisis Observation service at the BHU has been in place longer and the resulting lower census level appears stable; the average census to date during the 2009 calendar year has been 14 beds.

In addition to the costs per day upon opening, there are also concerns about future cost increases. It is hoped that future costs in a Psychiatric Health Facility will be more restrained than they have been able to be in acute care hospitals. While the cost per day of care is important, total County costs are also impacted by the number of care days paid for by the County. Over time, County Mental Health expects to need and to pay for fewer acute psychiatric days in the PHF than it has needed in the hospital setting; it is fully expected that this can be accomplished with well-developed and enhanced crisis support services.

- **Issues Associated with Location and Construction of the Facility:** Creating a new 16 bed mental health unit (approximately 15,000 square feet) prior to the Transition Date will require a focused effort and dedication of resources by the County. While PHF architectural designs for other facilities now under construction are available and

knowledgeable architects have been identified, it will be important to ensure that the final design for Santa Cruz fits our intended program and results in a safe, efficient, reliable facility that will last for many years with affordable maintenance costs. Securing a good site that is accessible from the freeway, easy to find, located along a public transportation corridor, and within reasonable proximity to Dominican and other health/medical services in the Soquel Drive locale is also very important. While various potential sites exist in this area, the site selection and purchase process will require sensitivity and thoughtful stakeholder input. Zoning, land use, and neighborhood compatibility issues are also important considerations.

Also, this is a difficult time to secure financing for a new public capital project; while construction and site acquisition costs have been declining, the full capital costs will only be known upon approval by the Board of Supervisors of a financing plan and acceptance of a final construction bid. Nevertheless, the Health Services Agency has developed preliminary capital financing estimates for building a PHF. Currently, land acquisition cost estimates range from \$750k to \$2.1 million and are based on a review of commercial properties for sale within the health services corridor near Dominican Hospital. Construction costs estimates, including site improvements, range from \$4.4 to \$5.1 million; these estimates are based on recent bids for facilities in San Leandro and Fresno as well as discussions with the projects' architect and a PHF developer. Soft construction costs such as architect fees, utility hook ups, permits etc. are estimated at \$.8 - \$1 million; these are based on a PHF developer's estimates and need to be refined for Santa Cruz County. The total preliminary capital cost estimate for a PHF is therefore approximately \$8M. Once the Board of Supervisors approves the PHF project in concept and decides on a course of action for financing and constructing the facility, more precise facility and operations cost estimates will be developed.

V. Summary

Santa Cruz County must provide high quality, reliable acute psychiatric mental health services that are closely coordinated with other elements of the County Mental Health program. It is no longer financially feasible for these services to be provided as part of Dominican's general acute care hospital operations. The impact of mandatory nursing ratios, along with other increases in the cost of hospital care, are making it unaffordable to deliver inpatient mental health services in general acute care hospitals in California. After thorough study, it appears that the ability of the County or Dominican CHW to reduce or contain costs at the Dominican BHU is limited.

Dominican is unable to continue to sustain BHU losses, and the County is unable to pay for the increasing BHU costs for County patients, much less shoulder losses from other payers who do not cover their costs.

The County has the potential to significantly improve the mental health system by contracting for the operation of acute psychiatric services via a Psychiatric Health Facility. This facility will be operated by a contractor whose primary focus and expertise is the provision of acute mental health services. This transition will not be easy and entails many challenges, but the County has negotiated a reasonable amount of time in which to accomplish this change and will receive some financial support from Dominican CHW to help with the process.

It is clear that the future of quality mental health programming lies in closely coordinating all elements of the mental health system: by stabilizing clients in housing and other community settings, by providing alternatives to inpatient acute psychiatric treatment whenever safe and feasible, and by providing acute psychiatric care in a setting that works closely with and supports our community mental health system. Transition of acute psychiatric mental health services to the Psychiatric Health Facility-enhanced support services model will best serve these goals over the long term.

VI. Attachments

Attachment 1: Draft Fact Sheet (p. 19)

Attachment 2: Milestones for Improving Acute Psychiatric Mental Health Services in Santa Cruz County (p. 21)

Attachment 3: June 15, 2007 Letter from County to Dominican CHW re Joint Study of BHU Options (p. 26)

Attachment 4: Power Point Presentation Summarizing the BHU Negotiation and Study Process with Outcomes August 2007 – June 2008 (p. 28)

Attachment 5: Cost Analysis of Inpatient Related Services & Dominican BHU Impact 2005-2009 (p. 36)

Attachment 6: Overview of Licensing Comparison (p. 37)

Attachment 7: Behavioral Health Unit In-Patient Census by Month, 2006-2009 (p. 40)

Attachment 8: List of Psychiatric Health Facilities in California (p. 41)

Attachment 9: Draft PHF Site Criteria (p. 45)

Attachment 10: Glossary of Acute Services (p. 46)

Attachment 1:

DRAFT FACT SHEET

Acute Psychiatric Services at the Crossroads in Santa Cruz County

August 22, 2009

- The County of Santa Cruz is responsible for ensuring access to acute psychiatric mental health services in a safe, locked setting, when such services are deemed necessary.
- Since 1983, the County has contracted with Dominican Hospital, now a part of Catholic Healthcare West (CHW), for the provision of these services on the Hospital grounds in the 'Behavioral Health Unit,' or BHU.
- The County and Dominican CHW have mutually determined that due to the high and rising costs of hospital-based services and evolving mental health system needs, **continued operation of the BHU is no longer financially feasible and other approaches to providing acute psychiatric care demonstrate improved outcomes.**
- This determination resulted from a lengthy study and negotiation process regarding the best way to provide the services when the current County-CHW contract expires in June, 2010 (- a contract extension to December 2013 is expected).
- **The County has considered all possible options to enable it to fulfill its responsibilities assuming eventual closure of the BHU.** The remaining feasible options for the County include:
 - Require clients needing acute psychiatric services to receive them in facilities outside of Santa Cruz County which have active contracts with the County; or
 - Open a new acute psychiatric mental health facility within the county that will be licensed by the State Department of Mental Health as a 'Psychiatric Health Facility' or PHF.
- Based on best practices and current reimbursement models, and pending consultation with stakeholders, it seems apparent that **clients and families will be best served by a new Psychiatric Health Facility (PHF) planned and built by the County and operated by a contractor which specializes in providing acute psychiatric mental health care.** Ideally the facility will be located near Dominican within the current hospital/medical/health services area and will include a range of acute services and clinical options.
- The County believes that **operating a PHF in concert with peer and crisis support services and supported housing will contribute to a more cost-effective and high quality mental health system overall and will reduce the need for locked acute psychiatric services in the future.**

- This situation is not unique to Santa Cruz County; **other California counties have successfully made the transition from providing acute psychiatric services in a hospital-based setting to providing them in a Psychiatric Health Facility.**
- Dominican CHW is working as a full partner with the County to ensure a smooth transition from the BHU to the new facility. Dominican CHW will provide substantive financial resources to the County to assist in the transition of these critical services.

Attachment 2: Milestones for Improving Acute Psychiatric Mental Health Services in Santa Cruz County

July 2009

I. The County and Dominican CHW will develop alternatives to inpatient care and work collaboratively to make the acute psychiatric system as efficient as possible. Proposed system changes include:

- a. Operate four new 24 hour crisis observation service at the BHU: **Done January 09**
- b. Optimize use of the recently opened Crisis Residential facility: **Done**
- c. Use overflow contracts with Fremont effectively: **Done**
- d. Implement policies that redirect mental health patients away from the Emergency Department into the BHU for assessment and disposition: **In Progress**
- e. Increase County MH involvement with alternatives for patients prior to admission and at discharge; **On-going**
- f. Implement enhanced support team with Santa Cruz Community Counseling Center to prevent problems and escalations leading to hospitalization; **Done**
- g. Work together on a potential long-range option for a sobering center or housing for public inebriates. **In process**
- h. Reduce permanent staff assigned to the smaller 18 bed unit, consider other staffing changes, monitor staff flexing on occasions of low-census; **Done and on-going**
- i. Consider linking social work to the County which would improve efficiencies by increasing system integration. **Under consideration**
- j. Secure pharmaceuticals at low federal program rates (340 B pricing) to reduce drug costs: **Done 2008**
- k. Examine the options for Medicare reimbursement in order to determine if a more advantageous basis for payment exists (e.g. is a prospective payment system superior to the DRG basis of reimbursement). **Pending**
- l. Consider leasing the BHU space to the County which would license it as a Psychiatric Health Facility (PHF) and contract for operations during the interim period before the Transition Date. This would lower Dominican's losses and create a smoother transition from the BHU to the new model: **Rejected by Dominican**

II. The County and Dominican CHW will negotiate a Memorandum of Understanding(MOU) that will commit them to long term changes in how acute psychiatric services will be delivered, including the following:

- a. The County will build, remodel or otherwise acquire a freestanding Psychiatric Health Facility (PHF) and contact with an experienced reliable operator within an agreed upon period of time.

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- b. The termination date of the Master Agreement will be extended from June 30, 2010 to a new Transition Date. On or before the Transition Date, acute psychiatric services will be moved from the Dominican BHU to the new location.
- c. Dominican CHW will commit to a specific amount of financial subsidy for the new Unit; the proposal is for 5 years of operating subsidy at \$1 million per year.

III. **The County and Dominican will amend the Mental Health Master Agreement to incorporate provisions from the Memorandum of Understanding into a binding contract. The process for amending the Master Agreement will be as follows:**

- a. HSA and the Mental Health Director will brief the CAO, County Counsel and individual Board members about the need to change the way acute psychiatric services are provided and the negotiations with Dominican CHW to develop a LOA.
- b. Dominican CHW will brief its local board and will secure preliminary corporate approval regarding the points in the LOA and will take other appropriate actions as necessary.
- c. A Communications Plan will be developed by the Joint Operations Committee made up of County and Dominican CHW representatives in order to inform and involve stakeholders in proposed plans for a new PHF and associated community crisis support services. This Plan will include in-person meetings with certain stakeholder individuals and groups. Changes to the draft master agreement may be made as a result of stakeholder input.
- d. Communication plans will be implemented after the LOA has been informally agreed to but before formal action is taken by the Board of Supervisors.
- e. The amendment to the BHU Master Agreement will be approved by the Board of Supervisors in Fall/Winter 2009 during a public Board meeting that will include presentations by HSA and Dominican.

IV. **The County will build or otherwise contract to build a Psychiatric Health Facility and contract for operations.**

- a. **Project Management:** The County will establish a Project Management Team that includes, as appropriate, representatives from the CAO, HSA, Mental Health contractors, County Counsel, Redevelopment Agency, Public Works, and Planning. The County will identify a Project Manager who, together with the PM Team, will be responsible for managing and overseeing the development of the new PHF. Other project development team members will be added (e.g. project planner, architect, developer etc) as the project progresses and/or as appropriate.
- b. **Project Work Plan:** The Project Manager and Project Management Team will create a Project Work Plan that lays out the necessary milestones with projected dates for completion. The first phase of the Work Plan will be drafted by December 31, 2009 and the second phase by no later July 1, 2010.

- c. **Project Financing:** The Project Management Team will evaluate and propose options, or combinations of options, for how to finance the construction project. Options include but are not limited to:
 - 1. The County borrows funds through issuance of bonds directly or through the California Healthcare Facilities Financing Authority (CHFFA).
 - 2. The Redevelopment Agency reviews project work plan and evaluates its potential role and ability to offer services and/or funding.
 - 3. An at-risk developer constructs the building and the County makes monthly lease-purchase payments.
 - 4. County works with federal legislators to obtain an earmark for PHF construction.

- d. **Building Site:** The Project Management Team will identify a site for the new facility which involves the following:
 - 1. Establish site criteria including size of parcel, central location, public transportation access etc.
 - 2. Work with a land use expert (Dominican to finance) to review possible sites which meet identified criteria and identify one or more desirable sites estimated purchase costs
 - 3. Identify and consider environmental, zoning, general plan, and other possible site constraints
 - 4. Identify potential permitting and land use issues, including environmental review, zoning and General Plan requirements
 - 5. Identify building permit requirements and process for securing a permit
 - 6. Decide on the best site and have appropriate the County departments develop an offer that may include contingencies, and/or work with Dominican CHW to secure the site.
 - 7. Request Board of Supervisor's approval to make the offer and negotiate
 - 8. Make offer, conclude negotiations and purchase the property

- e. **Capital and Operations Budget:** Develop an initial budget for the facility construction and operations; refine it as plans progress and decisions are made. Budget estimates, which will use recently constructed PHFs as starting estimates, will include but are not limited to:
 - 1. Cost of property acquisition
 - 2. Planning permits and fees
 - 3. Cost of planning and construction project management
 - 4. Cost for PHF construction
 - 5. Site preparation costs, landscaping, lighting, parking lot
 - 6. Cost for furnishing and equipping the facility
 - 7. Costs of securing financing

8. Annual operating costs, gross and net of revenues
- f. **Construction Process:** The Project Management Team will agree on a process to construct the facility.
 1. Develop and evaluate options for public facility construction including the option of an "at-risk" developer; design-build-operate-maintain (DBOM); pre-qualifying builders; etc.
 2. Obtain Board approval on the process that will be used to construct the new facility
- g. **Plans and Specs:** Depending on earlier decisions, this may be undertaken the County or by an at-risk developer with County oversight.
 1. Hire/identify a project architect who has designed similar facilities and use existing PHF blue prints as a starting place for design
 2. Define the functions that are needed in the facility
 3. Review, amend, approve conceptual plans
 4. Evaluate all building requirements and the construction standards (life safety standards, HVAC quality etc.)
 5. Review, amend approve biddable construction specifications for the facility including site prep, landscaping and utility plans

V. Open the New Facility

- a. **Secure an operator:** The County will contract with an operator with expertise in acute mental health services to operate the PHF.
 1. HSA will develop a process to pre-qualify entities that are interested in operating the new program.
 2. HSA will establish a selection process depending on the number of interested entities, will secure County Counsel and Board approval of that process and will implement it in order to select the best operator.
 3. A contract with the selected operator will be negotiated and approved
- b. **Develop and Implement the Transition Plan:** In cooperation with the Joint Operations Committee, HSA and Dominican CHW will develop and implement a Transition Plan that addresses at least the following points:
 1. Establish an Acute Care Services Coordinating Committee to assist the County and contractors with planning for the new facility and associated enhanced crisis support services.
 2. Process for the PHF operator to interview and potentially hire existing BHU employees, in cooperation with Dominican CHW

3. Donation of BHU beds, other furniture and equipment to the new facility, if so desired by the selected facility operator
4. Secure PHF license from Department of Mental Health as well as Medi-Cal and Medicare certification
5. Set up systems to coordinate billing, patient data exchange, and eligibility
6. Secure JCAHO accreditation
7. Dominican to provide access to BHU patient information and medical records for use by new PHF operator
8. Access historical payer information by new PHF operator
9. Develop protocols and criteria for referring patients from Dominican's Emergency Department to the new facility; determine process for making the referral, transporting the patient, etc.
10. Criteria and process for referring a patient from the PHF to Dominican for inpatient or outpatient medical services, including continuing access to specific medical 24 hour medical and lab services.
11. Agreement on a specific process/date for closing one unit and opening the other and/ or overlapping service plan as transition is implemented.
12. Develop and implement a Communications Plan to provide information and assist consumers; families, health providers, law enforcement, private providers, and the general public with the transition of acute care services from the Dominican CHW BHU to the new PHF.
13. Establish a community advisory group to provide stakeholder input on clinical and programming issues during the first two years of operation.

Attachment 3: County Letter to CHW Proposing Joint Study of Options

To: the Dominican CHW Leadership Team
 Re: CHW contract proposal to the County
 June 15, 2007

Dear Steve, John, Nan and other members of the CHW Leadership team,

On behalf of the County, I am responding to your letter of May 7th 2007 regarding the County contracts for indigent care (MediCruz) and Behavioral Health Unit (BHU) services. It was very helpful to meet with Rick Harron and Susan McMillan on June 5th. We now have a better understanding of how CHW calculated cost neutrality for the Medi-Cruz contract and of the BHU's continuing deficit.

We have a number of concerns and suggested revisions to your proposal for MediCruz services. However, since you have repeatedly stated that CHW will not finalize the Medi-Cruz contract until an agreement on the BHU is reached, and we have agreed on the general principle of "cost neutrality," we would like to concentrate on the BHU at this time.

In principle, the County is not opposed to CHW's request that it share in the financial risk of operating the BHU, and in fact we believe we do so now, since we are responsible for paying for a significant portion of the inpatient stays. We believe that in the past 8 months many positive changes have occurred including a reduction in the Medicare length of stay. We believe that by working together and viewing the inpatient unit and the County programs as part of the same system, we could further improve the Unit's fiscal and clinical performance as part of the overall continuum of care. If the County is to share further in financial risk, we would want to also establish a shared decision-making approach and agree on goals and performance standards for the Unit for which we would both have clearly defined areas of responsibility and control. This does not sound easy to achieve, but we were encouraged to learn that Dominican operates the NICU in partnership with Stanford Hospital. Perhaps the NICU contract would be a template for us to consider.

In short, the County would like to further explore additional options in sharing risk and decision making with CHW. We would also like to consider other approaches to the provision of inpatient psychiatric services that might be mutually acceptable; all options should be on the table. In any case, we believe that CHW and the County need to have a new understanding about our mutual roles and responsibilities for mental health services as we approach the end of the current contract term.

In order to reach a long-term resolution on the Behavioral Health Unit contract, the County proposes the following:

- CHW and the County will commit to a strategic planning process regarding the future of inpatient psychiatric services.
- Both parties will agree upon a formal goal statement and timeline for this process.
- Each party will appoint 3 to 4 high level-decision makers to participate in the discussions. At least one participant from each organization will have an intimate

knowledge of BHU operations. One or more will have organization-wide responsibility for strategic decision making and one or more will have a strong financial background.

- CHW and the County will jointly hire a mutually-agreed upon a facilitator/mediator to structure the meetings and help the group make decisions rapidly.

If you are in agreement with this approach, we would like to set up an initial meeting or phone call to clarify the goals and begin the next steps in the process.

We hope that CHW will see this as a positive offer to work together on a service that is of great importance to both parties and to the community. We hope this process will result in long-term resolution for the provision of inpatient psychiatric services that is fair to both parties and serves our community.

Sincerely,

Rama Khalsa, Ph.D.
Health Services Agency Director

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**Attachment 4: Summary of Negotiation/Study Process and Outcomes
after 11 months of meetings**

Behavioral Health in Santa Cruz County

BHU Master Agreement Committee
August, 2007 – June, 2008

Committee Members

■ Santa Cruz County

- Pat Busch
- Elli Hall
- Rama Khalsa
- Caroline Stewart
- Leslie Tremaine
- Pam Rogers-Wyman

■ Dominican

- Kelly Duffin (till 3/08)
- Steve Guasco
- Rick Harron
- George Jarrow
- Susan Macmillan
- Dr. Freddie Weinstein

Goal Statement

■ August 2007:

- Create a mutually agreeable, financially viable plan for the provision of acute adult psychiatric care and related services that meet the needs of the entire (public and private) community. The end result of this planning process will be a new Master Agreement between Santa Cruz County and Dominican/CHW

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Original Timeline and Milestones

- 10/07 Shared baseline body of knowledge to include finances and operations - inpatient and outpatient
- 11/07 Establish criteria for evaluation and clarify definitions (e.g. financially viable, related services and community needs) and identify potential models that include pre and post hospital care
- 12/07 Analyze potential models of care

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Educating Ourselves

- Review of two document prepared to examine the current environment in Mental Health and to respond to issues that had been raised
 - *Optimizing acute Mental Health Lengths of Stay: Key Stakeholder Views* (Beata Chapman, PhD, April, 2006)
 - *Optimizing Acute Mental Health Lengths of Stay: Phase 2* (Beata Chapman, PhD, February, 2007)

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Educating Ourselves

- Nov, 2007: Overview of County financing of mental health services (Glenn Kulm)
- Nov, 2007: Frequent Users of BHU services (George and Pam)
- Nov, 2007: Site visit by The Camden Group
- Nov, 2007: Site visit by Abbott/Elpers
- Dec, 2007: Receive report from The Camden Group comparing the BHU services and finances to benchmark facilities

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Educating Ourselves

- Dec, 2007: Receive report from Abbott/Elpers
- Jan, 2008: Elements of current mental health system (Pam Roger-Wyman)
- Jan, 2008: New programs funded by Mental Health Act (Leslie Tremaine)
- Jan, 2008: BHU Census Data, 2007 (George Jarrow)

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Educating Ourselves

- Jan, 2008: Use of IMDs while awaiting temporary conservatorship
- Jan, 2008: Distinctions and regulatory differences among three models:
 - Psychiatric Health Facility
 - Free-standing Psychiatric Unit
 - General Acute Care Psychiatric Unit

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Educating Ourselves

- Feb, 2008: BHU Patient Review (conducted by Freddie, George, and Pam) to identify potential opportunities for alternative placements
- Feb, 2008: Inventory of clients served outside the hospital and the capacity of the programs serving them (Leslie and Pam)
- Feb, 2008: Potential for overflow contracts with other mental health units (Rama)
- April, 2008: Site visit to Sonoma County by Pam Rogers-Wyman, Charles Johnson, MD, and Elli Hall

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Key Learnings

- There is shared interest in the success of the collaboration between Dominican and the County and finding a good community solution for this important service
- Business as usual is not an option. Camden's 5 year projection shows unsustainable losses of over \$4 million/year in BHU and SC County cannot continue spending at the same rate for inpatient care
- According to Camden, there are a few areas in the existing inpatient model that, if able to be adjusted, might result in \$300,000 - \$500,000/year in savings for Dominican

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Key Learnings

- Any solution must recognize the critical interdependence of inpatient services and the availability/effectiveness of community based systems services
- Any solution must recognize that inpatient psychiatric services have an impact on patient flow through the Emergency Dept and the ED should not be harmed
- Psychiatric Health Facilities (PHF) or free standing psychiatric hospitals must be under 16 beds to be eligible for MediCal payment for adults to age 65
- PHF or free standing psychiatric facilities are not subject to nurse staffing ratios which reduces costs significantly

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Key Learnings

- PHFs cannot admit patients with complex medical conditions requiring more than outpatient level of care
- Based on other Counties' experience, we believe 16 beds would be sufficient for Santa Cruz County provided other acute services are in place
- Crisis Stabilization, Crisis Residential, enhanced crisis supports and transitional residential beds are essential to divert admissions and provide discharge options

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Recommendations

1. Preserve the positive working relationship between Dominican and the County
2. Reduce the inpatient BHU capacity to 16 beds in the existing space and license the unit as a free standing psychiatric facility
3. Continue Psychiatric Emergency Service (PES) and bill for this service
4. Re-institute 4-bed 23 hour Crisis Stabilization in the existing BHU space
5. Maintain an effective Crisis Residential program and robust pre and post hospital outpatient programs

14

Recommendations

6. Evaluate and negotiate the structure, governance and financial implications of this inpatient unit and the PES and Crisis Stabilization services
7. Continue Hospital/County Mental Health Operations Group to deal with on-going changes in the model of care (e.g. transition to fewer beds, fewer group settings for outpatients, more wrap-around services in assisted living arrangements, etc)

15

Recommendations

8. Develop an appropriate plan to educate the stakeholders and the community about these changes
9. Develop specific measures and track them to assess the impact of any changes
10. Assign Steve, Susan, Rama, Elli, and Pat to negotiate the details of a new Master Agreement

16

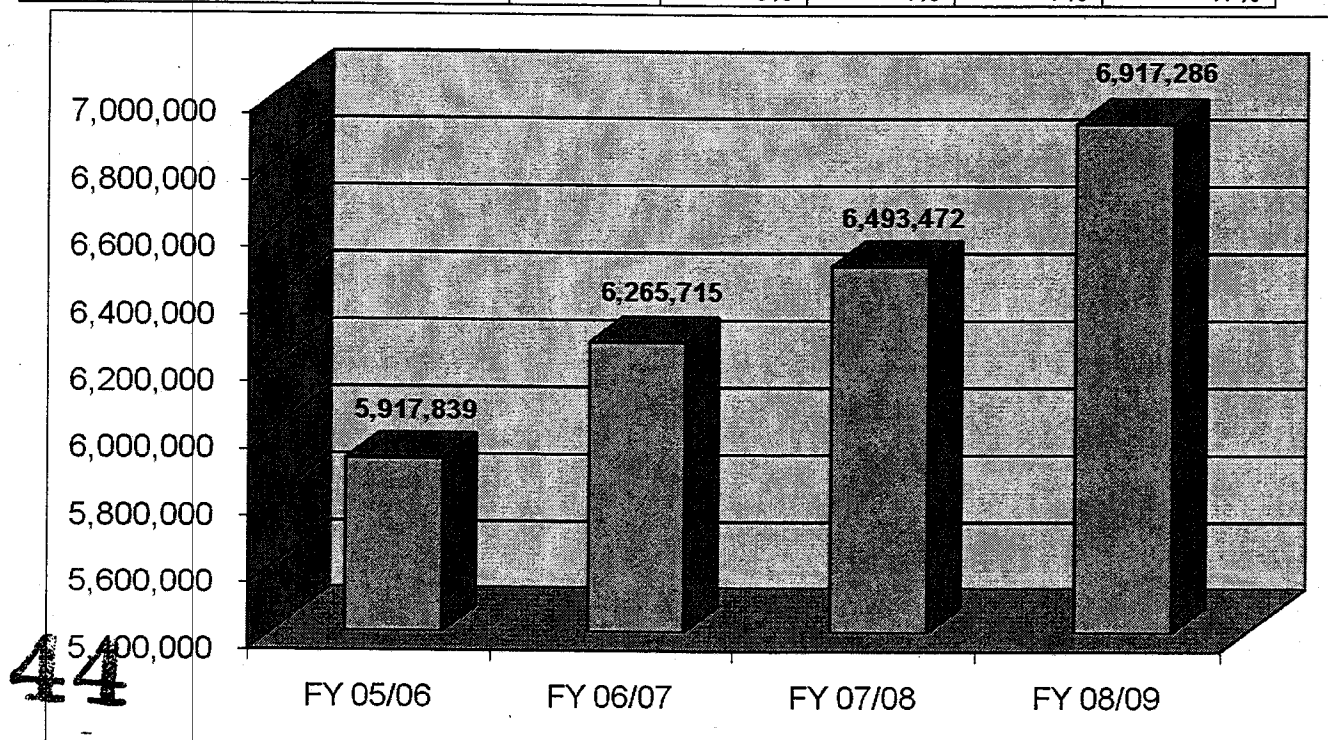
Attachment 5: Cost Analysis of Inpatient Related Services

County of Santa Cruz-HSA Mental Health

DOMINICAN BHU IMPACT

Program Costs \$	FY 05/06	FY 06/07	FY 07/08	FY 08/09
IMDs	1,540,158	2,869,352	2,749,733	2,031,696
Dominican Inpatient				
Medi-Cal FFS	2,617,283	2,105,935	2,060,792	2,080,000
Indigent	438,483	463,117	493,846	800,854
El Dorado Residential	613,725	580,195	718,402	709,785
El Dorado Outpatient	240,230	247,116	13,000	n/a
Crisis Residential	n/a	n/a	362,699	906,272
Enhanced Support Services	n/a	n/a	95,000	388,679
STAT (mobile crisis team)	467,960	n/a	n/a	n/a
Total	5,917,839	6,265,715	6,493,472	6,917,286

Increases		FY 05/06	FY 06/07	FY 07/08	FY 08/09	Cumulative Increase
Increased \$		Base Year	347,877	227,757	423,814	999,447
Increased %			6%	4%	7%	17%



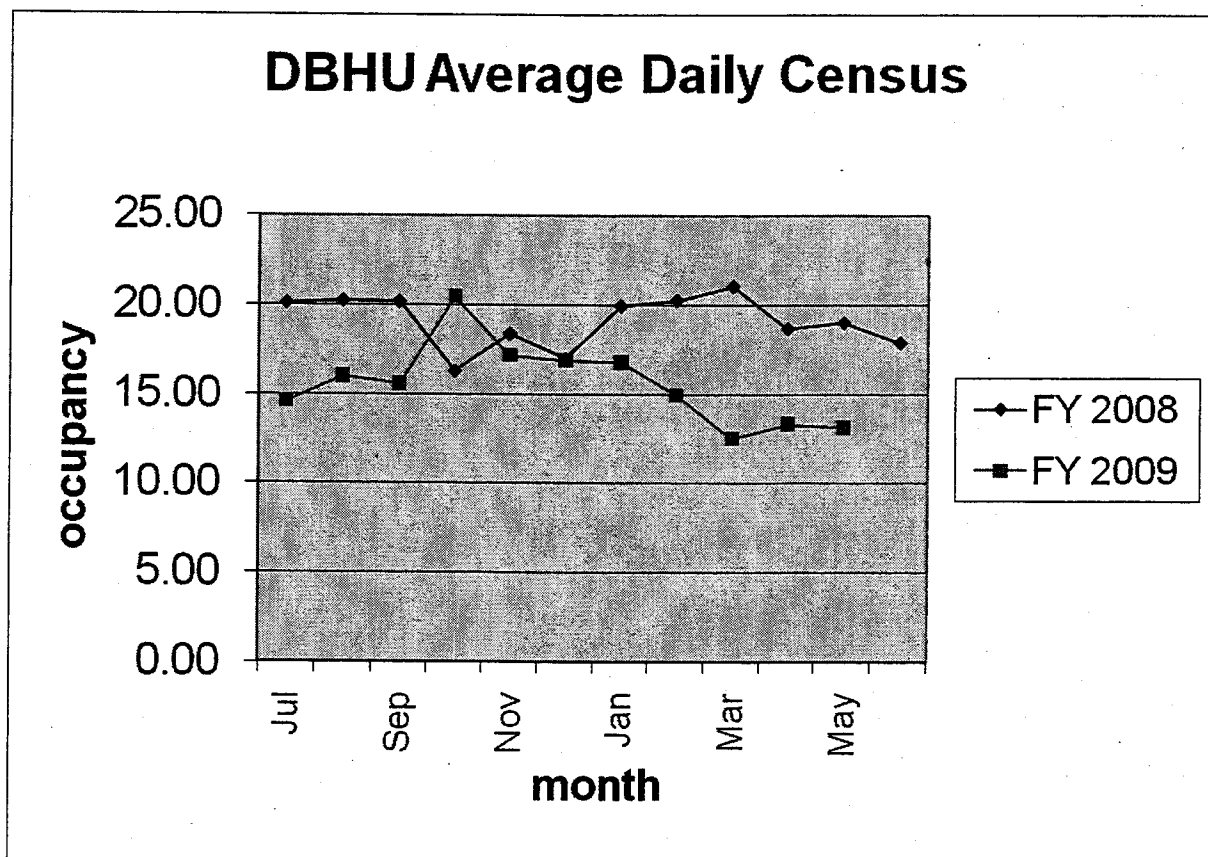
Attachment 6: Overview of Licensing Comparison (Proposed = Psychiatric Health Facility per JHACO)

Facility by Type	Psychiatric Health Facility PHF non JCAHO	Psychiatric Health Facility PHF per JCAHO	Free Standing Psychiatric Hospital	Psychiatric Unit in General Hospital
<p>Definitions Title 9: 1810.219. Hospital. "Hospital" means an institution that meets the requirements of Title 22, Section 51207, and has been certified by the State Department of Health Services as a Medi-Cal provider of inpatient hospital services. Hospital includes general acute care hospitals, acute psychiatric hospitals, and psychiatric health facilities.</p> <p>NOTE: Authority cited: Section 14680, Welfare and Institutions Code. Reference: Sections 5777, 5778, 14684 Welfare and Institutions Code.</p>	<p>Title 22 Chapter 9</p>	<p>Must be JCAHO certified using Hospital Standards to be recognized by Medicare</p>	<p>Title 22 71005. Acute Psychiatric Hospital. Acute psychiatric hospital means a hospital having a duly constituted governing body with overall administrative and professional responsibility and an organized medical staff which provides 24-hour inpatient care for mentally disordered, incompetent or other patients providing the following basic services: medical, nursing, rehabilitative, pharmacy, and dietary services. An acute psychiatric hospital shall not include separate buildings which are used exclusively to house personnel or provide activities not related to hospital patients.</p>	<p>71004. Acute Psychiatric Care Bed Classification. Acute psychiatric care bed classification means beds designated for acute psychiatric, developmentally disabled or drug abuse patients receiving 24-hour medical care.</p>
Admission Limitations	<p>Must have DSM IVR primary diagnosis. Cannot admit medical conditions requiring more than outpatient level of care or primary diagnosis of eating disorders or substance abuse disorders</p>	<p>Must have DSM IVR primary diagnosis. Cannot admit medical conditions requiring more than outpatient level of care or primary diagnosis of eating disorders or substance abuse disorders</p>	<p>Minimal limitations based on hospitals capacity to provide services</p>	<p>Minimal limitations based on hospitals capacity to provide services. Can take the most medically compromised of the inpatient programs</p>

Facility by Type	Psychiatric Health Facility PHF non JCAHO	Psychiatric Health Facility PHF per JCAHO	Free Standing Psychiatric Hospital	Psychiatric Unit in General Hospital
Non Nursing Staffing Requirements	Staffing ratios in Psychiatric Health Facility Services shall be consistent with Title 22, Chapter 9, Section 77061. Title 9 In 24 -hour period 1-20 Consensus Multidisciplinary staff comprised of 2 FTE of following: Psychiatrist or Ph.D. or Licensed Social Worker or Marriage Family Counselor	Staffing ratios in Psychiatric Health Facility Services shall be consistent with Title 22, Chapter 9, Section 77061. Title 9 In 24 -hour period 1-20 Consensus Multidisciplinary staff comprised of 2 FTE of following: Psychiatrist or Ph.D. or Licensed Social Worker or Marriage Family Counselor. In addition to nursing staff see nursing staff requirements	Title 9 C.3, Article 1, 663 Title 22 Article 3, S. 77061: In 24-hour period. 1:20 = 1 psychiatrist 1:50 = 3 Ph.D. 1:50 = SW 1:20 = 1 Other Staff (MHW/Rehab/etc)	Title 9 C.3, Article 1, 663 Title 22 Article 3, S. 77061: In 24-hour period. 1:20 = 1 psychiatrist 1:50 = 3 Ph.D. 1:50 = SW 1:20 = 1 Other Staff (MHW/Rehab/etc)
Nursing Staff Requirements	Title 22, Chapter 9, S. 77001 In 24 -hours 1-20 Clients 5 FTE licensed RN's or LVN's. (40-hrs minimum of RN/Week). 5 FTE Mental Health Workers	JCAHO requires 1 RN on each shift otherwise same as PHF in column one. Records of acuity system, nursing hours/pt & per nursing unit, staffing patterns of nursing staff categories.	T 22 Article 3 S. 77061 In 24-hour period 5 RN's - 1/2 can be LVN 5 mental Health Workers. Records of acuity system, nursing hours/pt & per nursing unit, staffing patterns of nursing staff categories.	T 22 Article 3 S. 77061 In 24-hour period 9 RN's - 1/2 can be LVN, plus relief for breaks requires 1 add'l RN ea shift. 5 mental Health Workers. Records of acuity system, nursing hours/pt & per nursing unit, staffing patterns of nursing staff categories.
5150 Designated	Staffing requirements 1 Supervisory RN ea shift. Physician or Ph.D. on call 24/7 to assess clients in restraint	Staffing requirements 1 Supervisory RN ea shift. Physician or Ph.D. on call 24/7 to assess clients in restraint	Same as above Plus 1 DTE Licensed Mental Health Professional in addition to 1 FTE Psychiatrist	Same as above Plus 1 DTE Licensed Mental Health Professional in addition to 1 FTE Psychiatrist
Site Oversight	Annual State Fire Marshall Inspection with specific approval to use in Seclusion or Restraint	Annual State Fire Marshall Inspection with specific approval to use in Seclusion or Restraint	Annual State Fire Marshall Inspections and all construction in accordance with	Annual State Fire Marshall Inspections and all construction in accordance with

Facility by Type	Psychiatric Health Facility PHF non JCAHO	Psychiatric Health Facility PHF per JCAHO	Free Standing Psychiatric Hospital	Psychiatric Unit in General Hospital
Licensing/Certification	License provided by County Mental Health Director and CA DMH	License provided by County Mental Health Director and CA DMH Certification by JCAHO-Hospital Standards Certification by CMS if JCAHO approved Medicare review	Title 22 7100 License provided by CA DHS. Certification by JACHO-Hospital Standards Medicare deemed status review	Title 22 7100 License provided by CA DHS. Certification by JACHO-Hospital Standards Medicare deemed status review
Revenue Sources	❖ County, private pay (if 16 beds or less) ❖ or under 18, or over 65, Short-Doyle Medi-Cal....	❖ County, private pay (if 16 beds or less) ❖ or under 18, or over 65, Short-Doyle Medi-Cal May also apply for fee-for-service Medi-Cal which is based on a negotiated rate and doesn't have an SMA. ❖ Third party payers and Managed Care Companies (meet NCQA accreditation) ❖ Medicare if CMS certified.	❖ County, private pay (if 16 beds or less) or under 18, or over 65, fee for service Medi-Cal. May also apply instead through County as a Short-Doyle Provider ❖ Third party payers and Managed Care Companies (meet NCQA accreditation) ❖ Medicare deemed status for CMS Certification.	❖ County, private pay ❖ Fee for Medi-Cal for all age groups. May also apply to County to be Short-Doyle/medical provider for all psychiatric services. ❖ Third party payers and Managed Care Companies (meet NCQA accreditation) ❖ Medicare deemed status for CMS Certification.
Staff Organizations	Organized Clinical Staff- Comprised of all Licensed Mental Health Professionals on staff.	Organized medical/Clinical Staff – Under supervision of Medical Director & comprised of all Licensed Mental Health Professionals on staff and Physicians (majority physicians)	Organized medical staff with formally approved bylaws	Organized medical staff with formally approved bylaws
Site and Building Regulatory Oversight and Approval:	Local Jurisdiction (City or County)	Local Jurisdiction (City or County)	OSHPD	OSHPD

Attachment 7: Behavioral Health Unit Inpatient Census Data



Detail:

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2008	20.13	20.26	20.20	16.29	18.40	17.00	19.97	20.28	21.06	18.70	19.03	17.90
FY 2009	14.61	16.00	15.57	20.48	17.20	16.90	16.80	14.96	12.52	13.33	13.13	

March 2008
 July 2008
 January 2009

Crisis Residential opened
 Enhanced Support Services started
 Crisis Stabilization Services started

Attachment 8: Psychiatric Health Facilities in California

As of January 1, 2008, there were 21 Psychiatric Health Facilities located in 19 counties. In six counties, the PHF provided the only licensed acute psychiatric beds, including El Dorado, Humboldt, Merced, Placer, Sutter and Yuba counties. This information is provided by the State Department of Mental Health.

Alameda

- Bill Bay, Administrator
Telecare Heritage Psychiatric Health Facility
2633 E. 27th Street
Oakland, CA 94601
(510) 535-5115
- John Adam, Administrator
Willow Rock Center
2050 Fairmont Drive
San Leandro, CA 94578
(510) 525-7040

Butte County

- Susan Menzie, Facilities Manager
Butte County Mental Health Service
107 Parmac Road, Suite 4
Chico, California 95926
(530) 891-2775

El Dorado County

- Marlene Hensley, LCSW, Program Manager
El Dorado County Psychiatric Health Facility
935-B Spring Street
Placerville, California 95667
(530) 621-6212 OR 621-6200

Fresno County

- Joan Keenan, Clinical Supervisor
Fresno County Psychiatric Facility
4411 E. Kings Canyon Road
Fresno, California 93702
(559) 453-5199 FAX (559) 453-8244

Humboldt

- Karolyn Stein, RN, Director
Sempervirens, Humboldt Mental Health PHF

720 Wood Street
 Eureka, California 95501
 (707) 441-5510 FAX (707) 441-5581

Kern County

- Laura Collins, RN, Administrator
 Crestwood Psychiatric Health Facility
 6700 Eucalyptus Drive, Suite B
 Bakersfield, CA 93306
 661) 363-8127

Los Angeles County

- Toshi Kuramatsu, Ph.D., Administrator
 La Casa Psychiatric Health Facility
 6060 Paramount Boulevard
 Long Beach, California 90805
 (562) 630-8672 (ask for Karen Amarosa)
- Barbara O'Connor, MFT, Administrator
 Star View Adolescent PHF
 4025 West 226 Street
 Torrance, California 90505
 (310) 373-4556 ext 171 FAX 373-2826

Merced County

- Roy Abril, Facilities Manager
 Marie Green Psychiatric Center
 300 East 15th Street
 Merced, California 95340
 (209) 381-6879

Orange County

- Ron Pollitt, LCSW, Clinical Director
 Royale Health Care PHF
 23228 Madero Avenue
 Mission Viejo, California 92691
 (949) 900-4580

Placer County

- Jeff Symon, M.H.A., R.N., Administrator
 Telecare Placer Psychiatric Health Facility
 101 Cirby Hills Drive
 Roseville, California 95678
 (916) 787-8900

Riverside County

- Steve Harmon, Administrator
Oasis Psychiatric Health Facility
47-915 Oasis Street
Indio, California 92201
(760) 863-8600 (ask for Beverly Maloney)

Sacramento County

- Dorian Kittrell, Director
Sacramento County Mental Health Treatment Center
Human Resources Office
7001-A East Parkway, Suite 100
Sacramento, California 95823

San Luis Obispo County

- Rose Drago, M.D., Medical Director
San Luis Obispo Psychiatric Health Facility
2178 Johnson Avenue
San Luis Obispo, California 93401
(805) 781-4711

San Joaquin County

- John Schaeffer, MFT/PT, Deputy Director
San Joaquin Psychiatric Health Facility
1212 North California Street
Stockton, California 95202
(209) 468-8660

Santa Barbara County

- Walt Litwin, Facilities Manager
Santa Barbara Psychiatric Health Facility
315 Camino del Remedio
Santa Barbara, California 93110
(805) 681-5244

Solano County

- Dennis Dow, MFT, Executive Director
Telecare Solano Psychiatric Health Facility
P.O. Box 2866
Fairfield, California 94533
(707) 784-2130

Sutter/Yuba County

- Arne Hyson, Administrator
Sequoia Psychiatric Center
1541 Plumas Court
Yuba City, CA 95991
HR: Jennifer Payne: (530)-821-2410
- Joan Hoss, Director
Sutter/Yuba Psychiatric Health Facility
P.O. Box 1520
Yuba City, California 95992
(530) 822-7200

Yuba County

- Jeff Payne, Administrator
North Valley Behavioral Center
1535 Plumas Court
Yuba City, CA 95991
(530) 790-2520

Attachment 9: Draft Criteria for Siting a New Psychiatric Health Facility

Goal: The County will open a new 16 bed psychiatric health facility (PHF) by December 2013 that meets all state licensing requirements and is constructed in a manner that supports the delivery of high-quality, safe and efficient acute mental health services in close coordination with enhanced crisis support services.

In order to do this, the County will acquire a suitable site for construction or an existing facility that could be remodeled.

Recommended Site Criteria:

1. The new site must be located in an area that can be easily reached by potential clients, family members, friends, case managers, etc.
2. The site must be easily accessible by public transportation.
3. Ideally the site will be in proximity to Dominican Hospital in order to permit a smooth flow of patients between the PHF and the Hospital. Mental health patients who present at the emergency room must be able to locate and get to the PHF without delay. Patients who present at the PHF but need medical evaluation or treatment must be able to get to and from the ED quickly. Patients admitted to the PHF who need a medical test (such as an MRI) must be easily transported to Dominican or nearby medical and office facilities. Currently over 700 patients per year present themselves at Dominican's mental health unit. Having the new PHF facility located near the existing facility will ease the transition process.
4. The site will be located in a suitable neighborhood where the adjacent property use is compatible. Residential neighborhoods are not considered a compatible use.
5. The site must have appropriate zoning or qualify to be rezoned without major delays.
6. The site must not have environmental constraints that would delay construction
7. The site must be large enough to accommodate a building of approximately 12-16,000 square feet along with an enclosed outdoor courtyard and necessary parking. A site that permitted some additional outpatient mental health services would be desirable but not required.
8. Ideally, in order to meet timelines, the site will be on the market.

Draft May 29, 2009

NOTE - Status of PHF site identification, September, 2009: Of 33 sites considered, three sites have been identified as potentially meeting the above criteria. These sites are currently undergoing detailed site analysis and evaluation by a professional local planning firm together with an architect experienced with PHF design issues.

Attachment 10 - Glossary of Acute Services

Conservatorship	A person under conservatorship is a conservatee or protected person; the Public Guardian must review the facts of the case and petition the court requesting the power to take responsibility for an individual's person and estate and to authorize treatment on behalf of the individual when the individual is gravely disabled and unable to care for themselves.
Crisis Assessment	A written evaluation including the individual's presenting circumstances, psychosocial history, previous history of mental health treatment, mental status exam and disposition planning.
Crisis Intervention	Immediate response to stabilize an individual during a crisis event. May include medication, counseling and containment dependant on risk, needs and setting.
Crisis Stabilization	A 23 – hour window in which to stabilize an individual during a crisis prior to admission to an in-patient unit. Services provided include crisis intervention, nursing care and linkages to community resources.
Crisis Residential	A facility specifically licensed to provide crisis intervention services to those who can be safely treated outside of a locked setting. Includes high staff-client ratios, medication monitoring services and brief treatment.
ED	Emergency Department in a general hospital
EDC	El Dorado Center
ESS	Enhanced Support Services – services which assist with crisis intervention and stabilization
DRG	Diagnostically Related Groups – used by Medicare to cap reimbursement per treatment episode.
DSM IVR	Diagnostic and Statistical Manual of Mental Disorders.
JCAHO	Joint Commission on Accreditation of Health Care Organizations; the accreditation entity for in-patient hospitals.
MHSA	Mental Health Services Act – California State Proposition 63 approved November 2004.
LPS	Lanterman-Petris-Short Act; the act authorizing the involuntary treatment of individuals in a mental health facility in the State of California.
IMD	Institution of Mental Disease; a locked setting to provide longer-term mental health treatment to conserved individuals.
PG	Public Guardian
PHF	Psychiatric Health Facility
SC4	Santa Cruz Community Counseling Center
5150	California Welfare and Institutions code for involuntary psychiatric hold; an individual must meet criteria for the hold by exhibiting at least one on the following issues, Danger to Self, Danger to Other, Gravely Disabled.

MEMORANDUM OF UNDERSTANDING BETWEEN
SANTA CRUZ COUNTY
AND
CATHOLIC HEALTHCARE WEST d.b.a. DOMINICAN HOSPITAL

This Memorandum of Understanding prepared by the County of Santa Cruz (COUNTY) and Catholic Healthcare West d.b.a. Dominican Hospital (CHW), effective September 4, 2009, represents the present shared understanding of both parties concerning the issues it addresses. The COUNTY and CHW intend that, after public review and input and required approvals, this Memorandum shall form the basis for an amendment to the Mental Health Master Agreement dated March 17, 1981; this Memorandum is not intended however to bind either party at this time.

RECITALS

WHEREAS, the COUNTY and CHW entered into the Mental Health Master Agreement on March 17, 1981, whereby the COUNTY discontinued operation of its acute psychiatric hospital at Emeline Avenue and CHW assumed the responsibility for the provision of inpatient psychiatric services in Santa Cruz County;

WHEREAS, the Mental Health Master Agreement between the County and CHW terminates June 30, 2010;

WHEREAS, over the past 24 months, the COUNTY and CHW have undertaken extensive research and study to determine the model that will provide the best and most efficient acute psychiatric care in Santa Cruz County;

WHEREAS, the parties agree that the best way to serve acute psychiatric needs in the future is for the COUNTY to construct a freestanding Psychiatric Health Facility (PHF) which will be operated by a contractor with expertise in the provision of acute psychiatric services and for CHW to discontinue operation of its Behavioral Health Unit (BHU);

WHEREAS, the parties have agreed to and have made changes in the delivery of acute psychiatric services that have been or will be implemented with the goal of improving the continuum of care and the operations of existing psychiatric services. These include but are not limited to the following:

- COUNTY contracted for a new 10-bed Crisis Residential Treatment program that is able to treat voluntary patients who might otherwise have to be hospitalized. This program opened near Dominican Hospital in February 2008.
- COUNTY increased the funds available to pay for special services in locked facilities that enable patients to be discharged from the Mental Health Unit earlier than they would have been without these contracted services.
- CHW established a 23-hour Crisis Stabilization service co-located within the Behavioral Health Unit effective January 9, 2009, and COUNTY has contracted to reimburse for that service. Utilization Management criteria for Crisis Stabilization services have been jointly developed.
- Both parties have formed the Joint Operating Committee and have committed to work together to improve operations and avoid unnecessary use of acute inpatient admissions by optimizing the use of the Crisis Stabilization and the Crisis Residential Treatment Program.
- The new services and increased collaboration between the parties have reduced the average daily census at the current psychiatric facility and have made it possible for CHW to reduce the number of staffed beds to eighteen (18) effective January 30, 2009.

WHEREAS, Section 18.2 of the Master Agreement by and between the County of Santa Cruz and Dominican Santa Cruz Hospital (now known as Catholic Healthcare West d.b.a. Dominican Hospital) effective March 17, 1981, allows for the Master Agreement to be amended at any time by written consent of both parties.

NOW THEREFORE, the COUNTY and CHW, in recognition of the premises stated above, hereby state the following understanding:

1. Section 18.1 of the Master Agreement shall be amended to read "This Agreement shall become effective upon its execution by both parties and will terminate on December 31, 2013, or sooner if the COUNTY and CHW agree in writing."
2. CHW will further reduce the number of staffed beds in the current psychiatric facility from eighteen to sixteen as soon as feasible and on a date to be agreed to in writing by the parties.

3. CHW and COUNTY agree to continue working on operational issues surrounding social work services, including replacing any Dominican BHU social worker vacancy with a COUNTY contract for the service previously performed by the BHU social worker. CHW agrees to contract with the COUNTY for all BHU social work effective nine months prior to the Transition Date, defined below. It is the intent of the parties that any contract for this service would be cost neutral to CHW.
4. The County will use its best efforts to open a new acute freestanding Psychiatric Health Facility (PHF) by December 31, 2013, which shall be known as the "Transition Date." It will be the County's responsibility to build or secure an appropriate facility, contract with an operator to manage the program, secure all necessary licenses, permits and certifications, and perform any other activities necessary to assume responsibility for the provision of acute inpatient psychiatric services. On the Transition Date, CHW will discontinue operation of its inpatient psychiatric services.
5. If there is a delay in the Transition Date caused by the need to perform a full environmental review (EIR) on the construction site, the COUNTY will notify CHW immediately and the parties will meet and confer to establish a revised Transition Date. The Transition Date will not be deferred for more than 180 days. Both parties are committed to the Transition Date and will work jointly to remove any obstacles to meeting that goal.
6. Commencing on the Transition Date, CHW will make the first of sixty (60) monthly payments of \$83,330 per month (totaling approximately \$5,000,000) to the COUNTY to assist the COUNTY in making this transition of acute psychiatric services.
7. Commencing when the new facility opens, the COUNTY will terminate CHW's designation as an Emergency §5150 facility. The County's freestanding psychiatric health facility will become the designated §5150 facility. The professionals in Santa Cruz County, including emergency physicians, who are currently authorized to issue §5150s may continue to have that authority, and the parties will not take steps to interfere with that status. Dominican Hospital's Emergency Department will continue to assess all patients who present themselves and will arrange to transfer clinically appropriate patients to the PHF. The COUNTY and CHW will coordinate to educate consumers, families, health care providers and law enforcement officers regarding the appropriate location for emergency psychiatric evaluations and treatment.

8. The COUNTY will establish a collaborative Transition Team with Dominican Hospital/CHW, the new facility operator and other parties as needed. The Transition Team shall be responsible for planning and overseeing the transition of services from Dominican Hospital's acute psychiatric unit and emergency evaluation services to the new PHF facility.
- The Transition Team will develop a Transition Plan that will be completed no later than six months prior to the Transition Date. The Transition Plan will address issues regarding transfer of records, accounts, patients and staff to the new facility. The Transition Plan will give special attention to making this change as smooth and easy for consumers as possible. The Transition Plan shall include a process to educate providers, staff, patients, families, health providers, law enforcement, and emergency responders about the change in operations and location for acute psychiatric services.
 - The Transition Team shall be responsible for overseeing a Communications sub-committee that will develop materials and facilitate consistent communication by the parties with a wide range of stakeholders
 - The Transition Team shall continue to meet monthly for six months after the transition in order to assure smooth operation and coordination of the new facility.
9. The COUNTY will complete and share with CHW a Timeline for development of the new freestanding PHF that includes the significant tasks necessary to open the new program. The County will provide quarterly reports to CHW documenting the status of the Timeline milestones and any revisions that occur.
10. CHW will donate to the COUNTY those furnishings and equipment (with the exception of the Pyxus drug dispensing machine) being used in the Behavioral Health Unit at the time of Transition for use in the new facility or related facilities. As part of the Transition Plan, CHW will work with the COUNTY and the facility operator to inventory and document the furnishings and equipment that will be made available to the COUNTY.
11. If requested, CHW will assist the COUNTY and the facility operator in preparing for the Joint Commission Accreditation process.
12. CHW will work with the new facility operator to support the hiring of existing CHW Behavioral Health Unit staff for the PHF. This will include providing employee contact information to the new operator for those employees giving their consent, making interview space available at Dominican Hospital, scheduling interviews if requested, and taking other actions which will facilitate the transition of employees to the new operator. Every CHW staff member of the psychiatric service unit who requests an interview will be offered an interview by the new facility operator, who shall be solely responsible for its own hiring decisions.

13. CHW will retain all accounts receivable and will be responsible for continuing to collect outstanding revenue after the closure of the BHU. It shall not be the responsibility of the new facility operator to participate in any billing appeals or documentation preparation for CHW's accounts receivable; however, the new facility operator will permit CHW to contract with any former CHW staff now working for the new facility for this purpose if CHW so desires.
14. To the extent permitted by law, CHW will supply the new facility operator with any requested Medical Records immediately upon transition. To the extent permitted by law, CHW will also provide the facility operator copies of medical records for those psychiatric discharges that occurred during the 24 months prior to the Transition Date for those patients for whom the County had financial and clinical responsibility, including all Medi-Cal patients, all indigent patients, and Medicare and private insurance patients with whom the County has a treatment relationship. CHW will fully and carefully consider any requests to provide contractual services that would enable the new facility to operate more economically or to provide better quality of care.
15. CHW, the County and the new operator will work together to develop policies and procedures to ensure that patients receive the appropriate level of care at the appropriate facility.

IN WITNESS WHEREOF, the parties have executed this Memorandum of Understanding and by their signatures indicate their intent to so amend the Mental Health Master Agreement, pending public review and subsequent approval by their respective governing Boards.

Nanette Mickiewicz, MD, Dominican Hospital President

Rama Khalsa, Ph.D., Health Services Agency Director, County of Santa Cruz

CBD BOSMAIL

From: CBD BOSMAIL
Sent: Sunday, September 13, 2009 5:14 PM
To: CBD BOSMAIL
Subject: Agenda Comments

Meeting Date : 9/15/2009

Item Number : 44

Name : Sylvia Caras

Email : Sylvia.Caras@gmail.com

Address : 146 Chrystal Terrace
5
Santa Cruz 95060

Phone : 831 426 5335

Comments :

California law requires access to a locked facility. Santa Cruz needs to make decisions. This report suggests that we build a new locked psychiatric facility.

I'd like to see other prongs explored:

- * a comparison to renting existing facilities
 - * converting space at 1400 Emeline (flexibility was incorporated in the plans); data would be required to compare hospital proximity to county staff convenience
 - * evaluating establishing a peer run crisis facility
 - * comparison to like communities who do and don't have locked facilities
- * and I'd like to have the citations for the undocumented assertion 'studies have shown' (Section III.1) the necessity of unconsented interventions.

Thank you for your consideration,

Sylvia Caras

CBD BOSMAIL

From: CBD BOSMAIL
Sent: Tuesday, September 15, 2009 8:09 AM
To: CBD BOSMAIL
Subject: Agenda Comments

Meeting Date : 9/15/2009

Item Number : 44

Name : Virginia Gomez

Email : gomezginny@yahoo.com

Address : 2820 Capitola ave
Soquel Ca 95073

Phone : 831-464-3554

Comments :

I have not had oppurtunty to review any of the imformation. The reason we have a diverse board is so people with diverse experience can have input. We have people from family and client experience, and knowlege or educational experience. I wuold also appreciate that we as a board review any imformation so we can discuss it.

I have a few letters from clients who have something to share with you. i don't feel we have been given reasonable time for review or voice of many clients and family mebers and people w knowlege and experience.

Sincerely

Virginia A Gomez

Santa cruz mental health Board and Steering Committee

CBD BOSMAIL

From: CBD BOSMAIL
Sent: Tuesday, September 15, 2009 8:23 AM
To: CBD BOSMAIL
Subject: Agenda Comments

Meeting Date : 9/15/2009

Item Number : 44

Name : Maria C Gonzales

Email : Not Supplied

Address : Santa cruz ca

Phone : Not Supplied

Comments :

I'm much better on n my meds, but now i feel like i can't get any better because my meds control my feelings and i feel stuck like i have a srtaight jacket on my mind and emotions and i have no libido and i can't even have sex. My libido is killed by all of my medication stabilizing depression and i can not feel much. much like a zombie i am better but I am always melancholy like i am a eunich or dead person I would love to do everything with something alternative and natural that allows me to be myself. I took lithium for 14 yrs and the doctors told me it was the Lithium that made me lose my gallbladder and i got a cyst in my thyroid.

i do not want to die or become a zombie because of my meds i want to be as Natural as Possible

PLEASE

Sincerely Maria C Gonzales

44