

Joint Subcommittee to Study Mental Health Services in the Commonwealth in the 21st Century

Work Group # 1: System Structure and Financing

Meeting #2 Summary

Thursday, June 23, 2016
Capitol Building, Richmond, Virginia

The Joint Subcommittee to Study Mental Health Services in the Commonwealth in the 21st Century's (the Joint Subcommittee's) Work Group #1: System Structure and Financing (the Work Group) held its second meeting of the 2016 interim on Thursday, June 23, 2016, at the Capitol Building in Richmond. Members present included Senator Hanger and Senator Deeds. Materials from the meeting can be found on the Joint Subcommittee's website at: http://dls.virginia.gov/interim_studies_MHS.html.

Presentation: Update on Activities of the System Structure and Financing Expert Advisory Panel

Dr. Richard Bonnie, Director of the Institute of Law, Psychiatry and Public Policy at the University of Virginia School of Law and Chairman of the System Structure and Financing Expert Advisory Panel (the Panel), provided an update on the Panel's activities since the last work group meeting. He reported that the Panel had met twice in person and once by telephone, with a number of meetings scheduled to take place throughout the rest of the summer. Panel members had prepared three items for the Work Group to consider:

- *Initial Report on System Governance Structure.* Members of the Panel evaluated research on system governance structures, starting with the report *Mental Health Governance: A Review of State Models and Guide for Nevada Decision Makers*, prepared by the Guinn Center for Policy Priorities in December 2014 to assist Nevada lawmakers in determining the appropriate structure for the public mental health service system in that state. The report identified three system governance structures: (i) completely state-operated community-based services delivered by state agencies with no local government role (four states); (ii) state-funded services delivered by public or private agencies pursuant to contracts with the state with no local government role (31 states); and (iii) locally controlled community-based services delivered directly or by private agencies pursuant to contracts with the local government supported by some level of state funding (15 states). Currently, Virginia falls in the third category. In recent years, at least one state (North Carolina) has transitioned from one system governance structure (locally controlled) to another (state-controlled services delivered by public and private agencies pursuant to contracts with the state).

The Panel considered these various models and the potential positive and negative outcomes of transitioning from the current model to another model. Ultimately, the Panel members concluded that the best option would be to retain the current system governance structure, with local control over service delivery. The Panel felt this model preserves the important flexibility of the system to respond to diverse local needs. Panel members did determine, however, that an increase in state control over the delivery of services within this model, potentially through changes to performance contracts with community services boards (CSBs), would be beneficial, as greater state control could help address issues of inadequate and inconsistent services and service delivery. The Panel will provide additional recommendations related to improvements in state control over service delivery at future meetings.

- *Problem Statement and Work Plan.* The problem statement and work plan describes the nature of the problem that the Panel seeks to address, specifically the unmet needs for mental health services, inadequate access to mental health services, inconsistency in available mental health services, and underutilization of mental health services by those in need. The document also describes the Panel's work plan for developing recommendations to address these issues. The work plan includes (i) defining the necessary array of services and target populations to be served, (ii) identifying options for increasing available funding for services to provide the minimum necessary array to individuals not covered by private insurance, and (iii) enhancing state direction and oversight of public mental health service system through the Department of Behavioral Health and Developmental Services (the Department). The Panel will provide additional information on and recommendations related to these topics at future meetings.
- *Governance Structure-Finance Diagram.* The governance structure-finance diagram provides a visual map of the system governance structure, representing relationships between the various system participants.

Dr. Bonnie also noted that the survey of CSB executive directors was ongoing; that interviews were being conducted to collect information about executive directors' perceptions regarding the needs, strengths, and weaknesses of the current system and the priorities for reform; and that results of the surveys should be available at the next meeting.

At the end of Dr. Bonnie's presentation, the Work Group members agreed to support conclusions set out in the initial report on system governance structure, contingent on some reforms to improve oversight and accountability in the future. Senator Deeds noted that it would be beneficial to determine why some localities invest such a substantial amount of local funds in the local service system while others invest only the required minimum. Dr. Bonnie stated that the research staff was working to collect data and information about local government

involvement and how local government investment has been encouraged in other states. Senator Hanger noted the importance of investing in reforms to the mental health service system now, to prevent even more substantial problems in the future, and encouraged the Panel to continue evaluating other states to see what lessons could be learned from their successes and their failures.

Presentation: Community Services Board Performance Contracts

Mr. Daniel Herr, Assistant Commission of Behavioral Health Services, Department of Behavioral Health and Developmental Services, provided information about (CSB performance contracts. As set out in the Code of Virginia, CSBs are the single point of entry into the publicly funded behavioral health and developmental services system. Services provided by CSBs are funded through a mix of local, state, and federal funds. Performance contracts define the relationship between and the responsibilities of the Department and CSBs, communicate state and federal accountability requirements for CSBs, and provide the mechanism by which the Department allocates funds for community services. Performance contracts are renegotiated every year, following a process that involves public notice of and comment on a draft contract, and must be signed by the CSB chairperson, the CSB executive director, and the Commissioner of Behavioral Health and Developmental Services. Each contract consists of a standard contract that is the same for all 40 CSBs in the Commonwealth and 10 exhibits. While most of these exhibits are the same for all of the CSBs in the Commonwealth, several contain information and agreements that are specific to individual CSBs. These include Exhibit A, which details the funds available to and services provided by a CSB, and Exhibit D, which details individual CSB performance measures. The performance contract also incorporates by reference a partnership agreement that describes the roles and responsibilities of the CSB, the Department, and state hospitals and training centers and includes sections on core values, accountability, inclusion of individuals receiving services, quality improvement, and technical assistance.

Mr. Herr reported that the Department evaluates and monitors CSB performance pursuant to performance contracts in various ways through the year, including mid-year and end-of-fiscal-year financial reports on funds and expenditures, reports on individuals served and types of services provided, audits conducted by certified public accountants of operating boards and behavioral health authorities and financial reviews of CSBs identified as "high risk," and program and clinical reviews conducted by regional consultants to provide oversight and technical assistance. Mr. Herr noted that the Department is developing behavioral health services quality monitoring processes with measures and benchmarks to provide further oversight and accountability.

At the end of his presentation, Mr. Herr noted that Item 315.FF of the 2016 Appropriation Act requires the Department to develop a plan to implement a performance-based contracting system for CSBs. Research has shown that the most successful performance-based contracting

models use mutually agreed-upon measures between funder and provider and incorporate small, incremental rewards and penalties rather than large rewards and penalties. Research also indicates that the focus should be on the visibility of provider performance while minimizing disruption to services. These concepts will be incorporated into the Department's plan. A report on the plan shall be provided to the General Assembly by November 1, 2016.

Presentation: Public Mental Health Spending in Virginia

Mr. Mike Tweedy, Legislative Fiscal Analyst, Health and Human Resources, Virginia Senate Finance Committee, provided an overview of public mental health service system financing in the Commonwealth. Mr. Tweedy reported that nationally the public share of mental health spending has increased over time, with total spending increasing from \$32.4 billion in 1986 to an expected \$238.4 billion in 2020. Financing of public mental health services consists of a combination of out-of-pocket, private insurance, local, state, Medicaid, Medicare, and other federal funds. Over time, the proportion of state and local spending has decreased while the proportion of Medicaid and Medicare spending has increased, with substantial increases in the portion of public mental health services funded by Medicaid. Taking into account the state share of Medicaid, state funds are the single largest source of funding for public mental health services in the Commonwealth. In fiscal year 2014-2015 (FY 2015), 56% of funds for public mental health services in the Commonwealth were state funds, 30% were federal funds, 10% were local funds, and 4% came from other sources. That year, total public mental health funding was \$1.75 billion, with 43% of funds allocated to CSBs, 19% to state hospitals, 3% to the Department's central office support, and 35% to Medicaid. During the same period, the Commonwealth ranked 6th in the nation in terms of state spending on state psychiatric hospitals, 22nd in state funding of community-based programs, and 15th in terms of total expenditures for public mental health services. During FY 2015, CSBs received a total of \$747.8 million in funding, including \$252.1 million in state funds, \$160.5 million in local funds, \$256.5 million in fees (primarily Medicaid payments to CSBs for services provided to program participants), \$54 million in federal funds, and \$24.7 million from other sources. Local funding for CSBs varies substantially across the Commonwealth, with a few CSBs accounting for a substantial portion of the local funds spent on public mental health services.

Next Meeting

The date and time of the next meeting of the System Structure and Financing Work Group will be announced on the Legislative Information System meeting calendar when this information has been determined.