

# CSB STRUCTURE, FINANCING, AND GOVERNANCE

Findings and Issues for Possible Legislative Consideration

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Expert Panel on System Structure and Financing

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*September 5, 2018*



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# Introduction

- Thanks in large part to the efforts of SJ 47, the Commonwealth has made great strides toward transforming the publicly funded behavioral health system.
- Major transformation efforts are in motion
  - STEP-VA
  - Implementing performance and outcome measurement through SPQM
  - Realigning costs of state hospitalization
  - Healthcare integration
  - Medicaid expansion
- Each initiative is in an early stage.
- These transformations must be given the opportunity to succeed and will require ongoing executive branch leadership and legislative oversight.
- Taken together, these initiatives will lead the system toward improved access, standardization, transparency and accountability. “Build it, measure it, improve it.”
- Any changes in political structure, financing and governance of CSBs should facilitate and not disrupt these transformations. Caution is indicated.

# Components of CSB “Governance Study”

- Face-to-face interviews with nearly all CSB Executive Directors in 2016
- ILPPP statistical research on CSB variations in services provided, and sources of funding;
- Interviews with DBHDS managers and executives;
- Follow-up interviews with a select group of CSB executive directors and local government officials; selected CSBs were representative of the various geographic, demographic, and governance categories (i.e. urban, rural and suburban; single- and multi-jurisdictional; administrative policy and operating CSBs);
- Guidance by members of Expert Panel on System Structure and Financing and Panel consultants.

# CSB Governance Study: Main Findings

# 1. Level of service provided, sources of funding, and particularly level of local financial support, vary widely

- Virginia's CSB system is marked by substantial variations in level of service provided, overall funding, and particularly access to local funding.
- Table 1 refers to Total CSB Budget for FY 2017, number of service recipients and dollars per services recipient, including, MH, SA, ID/DD services. The other three columns show total mental health budget, mental health services recipients, and dollars per mental services recipient. Measures of specific services vary also.
- The remainder of slides in this presentation will largely focus on total CSB budget rather than on specific program areas. However, we assume that the basic narrative holds across those categories. We will continue to test this assumption as we analyze the data.

## 2. Political structure of CSBs strongly affects level of funding and political support

- Key variations among CSBs are strongly related to the political structure of the CSBs
  - **Administrative policy CSBs (12)** are parts of local governments, typically serving single political jurisdictions, and CSB staff are employees of local government. Most of these boards serve densely populated areas with more high-income areas than most operating CSBs.
  - **Operating CSBs (28)** are independently incorporated entities, typically with participation by several local governments but without local government fiscal responsibility. Most (~24) are in largely rural areas.
- A major advantage of AP CSBs is substantial local funding and strong collaboration with other local government agencies.
- By contrast, while there is considerable variation among the Operating CSBs on all measures, they are generally less well-funded than Admin-Policy CSBs.

## 2. Political structure of CSBs strongly affects level of funding and political support (continued)

- The Administrative Policy governance structure comes with several built-in advantages: political support, interagency collaboration, local funding, in-kind benefits like office space and legal services.
- Many – though not all – Operating CSBs do in fact have high levels of political support, interagency collaboration, and in-kind contributions, but it often requires good leadership and influential CSB Boards of Directors to achieve these benefits.
- Local funding as a percentage of total budgets at operating boards, however, is far lower overall, regardless of good leadership.



# Contrasts between Administrative and Operating Boards

	Administrative Policy*	Operating
Range of Local Funding (% of CSB budget)	20% - 72%	1% - 16%
Median per capita local \$	\$37	\$8
Median proportion Local \$	42%	5%
Median proportion M-caid \$	18%	44%
Median proportion State \$	22%	27%
Median MH spend/recipient	\$6,897	\$4,248

\*Note: excluding Portsmouth, which receives 7% of its budget from its local government

### 3. A substantial portion of ALL local funds invested in mental health services in the Commonwealth is concentrated in 11 Administrative Policy Boards

- In FY 2017, 11 administrative policy CSBs accounted for \$261M out of \$287 total local mental health funding.
- These 11 CSBs:
  - Serve 50% of the state's population;
  - Receive at least \$20 per capita from local governments, ranging from \$20.64 to \$137.33;
  - Also tend to receive significant in-kind contributions, including building maintenance, rent, HR and legal support.
- Virginia has an unusually high level of local funding; according to a 2015 SAMHSA report, Virginia ranked among the top tier of states in terms of percentage of local dollars and overall local dollars in the system.

## 4. Medicaid funds are playing an increasingly important role in the system

- Medicaid accounted for approximately 41% of all CSB funds in FY 17, a much greater share than state and local funds.

Total CSB Funds by Source (FY2017)	
Medicaid	41%
State	26%
Local	23%
Federal	5%
Other	5%

- Because Medicaid makes up a greater proportion of CSB budgets, changes in Medicaid rates and rules, and/or delays in payments have outsized effects on the system.

## 5. Operating CSBs face greater challenges than Admin-Policy CSBs, due to a comparatively weaker sense of “ownership” by participating local governments

- Operating boards tend to have lower levels of local funding than AP Boards, especially in rural areas, and must deal with multiple government partners.
- The comparative lack of deep “political” engagement by local government highlights the importance of creative leadership by CSB Executive Directors of operating boards.
- The Panel’s impression is that operating boards generally have histories of good collaboration with local human services agencies, although not as robust as that typically achieved by the single-jurisdiction administrative policy boards.

## 6. Many operating CSBs, especially small rural boards, face substantial fiscal vulnerability

- Overall, operating boards have substantially less local funding, but there is considerable variation across the 28 boards.
- In FY 2017, local funding accounted for between 1% and 16% of operating CSB budgets; 23 had 5% or less.
- Many operating boards, especially in rural areas, face significant budget uncertainty and fiscal challenges in the current transformation environment:
  - They receive few local dollars, and rely more heavily on Medicaid funding;
  - In the last year, CSBs have experienced increasingly long delays in reimbursements from MCOs;
  - This poses an almost existential threat to many operating boards who have little financial cushion, and lack a local government backstop;
  - Compounding this uncertainty is Medicaid expansion, which will result in further decreases in state general fund allocations and may not cover the full cost of services provided.

## 7. As presently administered, the “local match” is an inefficient and outdated device for increasing local mental health funding

- 10 CSBs did not meet the local match requirement in FY 2017 (all operating boards, mostly rural).
- Had those localities met the match, it would have added roughly \$3 million in additional funding across the 10 CSBs (a fraction of 1 % of all CSB funding).
- Localities currently have to adjust their match each time the CSB receives additional state funds. A one-time calculation of the amount of the match would probably be sufficient to accomplish reasonable compliance with the existing requirement.
- Other solutions are needed to address the stark disparities in local resources across the state.

## 8. CSB Board members vary significantly in level of involvement

- There is fairly wide variation in the role and level of involvement but the variation does not appear related to the type of CSB governance structure.
- In nearly all cases, CSB boards provide some baseline of accountability: they receive periodic reports on financials and level of services being provided; they also play a role in Executive Director selection; it appears, however, that many CSB boards do not provide additional accountability above this baseline.
- Some CSBs have reported that many Board members do not have the time or expertise to be very engaged; it can take a long time for Executive Directors to bring new members up to speed.
- Good leaders use their boards to increase local engagement and support, improve community education and advocate in terms of funding and policy for persons served at state and local levels.

## 9. Regional arrangements have been successfully used

- Regional arrangements have evolved in different ways in different parts of the Commonwealth and have successfully been used as vehicles for service innovation.
- Main current uses are to manage programs and funding related to hospital census management, and to create and manage high-intensity, low-demand services (e.g. CSUs).
- It is likely that other regional initiatives will be undertaken as STEP-VA and hospital-CSB fiscal realignment unfolds.



## 10. DBHDS will likely need additional capacity for oversight

- It is our impression from interviewing DBHDS managers and executives in early 2018 that the Department's oversight practices are not grounded in robust and systematic data analysis.
- DBHDS collects a significant amount of data from CSBs, but much of the data is compliance-oriented and does not shed light on system performance. Outcome measures are scarce.
- SPQM and DLA-20 appear to represent an excellent opportunity for DBHDS to improve its oversight practices so that they are more systematic and efficient.
- It is expected that system improvement envisioned under STEP-VA and SPQM will require an enhanced DBHDS capability for providing technical assistance to the CSBs.
- DBHDS will likely need additional analytic expertise and data infrastructure to monitor system performance

## 11. DBHDS formula for allocating state general funds to CSBs requires review

- Allocation of state funds CSBs appears to be based primarily on historical levels, perceived immediate needs, and ongoing support for legislatively targeted programs (e.g., CIT, CSUs).
- The formula does not explicitly account for things like local cost of living, ability to pay, level of local support, Medicaid penetration, and other demographic factors.
- The Panel is currently reviewing this topic.

# Questions for Discussion/Possible Policy Initiatives

- Should the General Assembly ask JLARC to study the formula currently used by DBHDS to allocate state general funds for mental health services among CSBs and to assess alternative approaches for allocating state general funds and for leveraging state general funds to assure adequate access to services in the underserved areas of the Commonwealth? Such a study could include public-private partnerships.
- Should the General Assembly direct DBHDS (or the Secretary of HHR), in consultation with stakeholders, including local government, consumer groups, and to study the feasibility of consolidating the smallest CSBs with larger adjacent CSBs, and to assess the possible the advantages and disadvantages of doing so?
- Should the General Assembly strengthen the capacity of DBHDS to oversee the delivery of mental health services by CSBs and, if so, how?

# Discussion

