



# GOVERNOR NEWSOM'S TRANSFORMATION OF MENTAL HEALTH SERVICES

*Housing with Accountability. Reform with Results.*

- A bond for 10,000 new treatment beds and housing units with support.
- First major structural reform in nearly two decades since voters passed the Mental Health Services Act in 2004.
- Focus on accountability with results for people with mental health and substance use disorder needs, including veterans and unhoused people.

Together with the Legislature, local officials, labor leaders, community organizations, providers, and more, Governor Gavin Newsom is proposing a major transformation of the State's behavioral health care system – making good on decades-old promises.

This effort will **build 10,000 new beds and housing units with \$4.68 billion funded by a bond on the March 2024 ballot** to provide the resources needed to care for and house those with the most severe mental health needs and substance use disorders. It will update the Mental Health Services Act (MHSA) passed by voters 20 years ago **to focus funds where they are most needed now.**

The package focuses on **FOUR strategies** to transform California's behavioral health system through **housing with accountability and reform with results:**

1. Services for the most in need. Reforming the MHSA to provide services to the most seriously mentally ill and to treat substance use disorders, while continuing to invest in prevention and early intervention for children, youth, young adults, and all Californians.
2. Accountability. Focusing on outcomes, transparency, and equity so families and communities see real results.
3. Behavioral health housing. Building thousands of treatment beds and supportive housing units - all unlocked, community-based settings – with a dedicated number reserved for housing veterans with behavioral health challenges.
4. Workforce. Building up our behavioral health workforce to reflect and connect with California's diversity – helping services remain accessible.

## LEGISLATIVE PACKAGE

- **SB 326: REFORM** – This bill would **modernize and reform the Mental Health Services Act (MHSA)**, which was passed as Proposition 63 by voters in 2004. This legislation would expand services to include treatment for those with substance use disorders – in addition to prioritizing care for those with the most serious mental illness – providing

more guaranteed resources for housing and workforce, and continuing community support for prevention, early intervention, and innovative pilot programs – all with new and increased accountability for real results for all families and communities.

- **AB 531: BUILD – A \$4.68 billion general obligation bond** to build 10,000 new treatment beds and housing units with support. This would be the single largest expansion of California's continuum of behavioral health treatment and residential settings in our state's history. It will create new, dedicated housing for people experiencing homelessness who have behavioral health needs, with a dedicated investment to serve veterans, providing Californians experiencing behavioral health conditions a place to stay while safely stabilizing, healing, and receiving ongoing support.

Combined, these bills will dramatically increase the State's capacity to provide behavioral health care and housing with **strengthened accountability for results**, while creating good jobs. These reforms will complement and build upon Governor Newsom's unprecedented **Mental Health Movement** that is increasing access to mental health care for all whether using Medi-Cal or private insurance; providing treatment and housing to those in crisis and with serious mental illnesses; supporting and serving kids and young adults; and building our health care workforce.

The behavioral health modernization package will go to the **voters for approval on the March 2024 ballot**, after consideration and approval by the Legislature and Governor Newsom's signature.

## SB 326: REFORM

### REFORMING BEHAVIORAL HEALTH CARE FUNDING TO PROVIDE SERVICES TO THOSE WITH THE MOST SERIOUS ILLNESS & TO TREAT SUBSTANCE USE DISORDERS.

- Expands eligible services to include treatment for substance use disorders (SUDs) alone, and allows counties to use funds in combination with other state and federal funds to expand SUD services. Because of the expansion to cover SUD, the bill updates the name of the MHSA to the Behavioral Health Services Act (BHSA).
- Recognizes the need for treatment beds and housing with supports to address a variety of serious behavioral health disorders.
- Modernizes county allocations (**90% of total BHSA funds**) to require the following priorities and encourages innovation in each area:
  - 30% for Housing Interventions for children and families, youth, adults, and older adults living with serious mental illness/serious emotional disturbance (SMI/SED) and/or SUD who are experiencing homelessness or are at risk of homelessness.
    - Authorizes housing interventions to include rental subsidies, operating subsidies, shared housing, family housing for children and youth who meet criteria, and the non-federal share for certain transitional rent.

- Half of this amount (50%) is prioritized for housing interventions for the chronically homeless. Up to 25% may be used for capital development.
  - 35% for Full Service Partnership (FSP) programs, which are the most effective model of comprehensive and intensive care for people at any age with the most complex needs. These funds will be used to expand the number of FSP slots available across the state and are key to CARE Court being successfully implemented.
  - 35% for Behavioral Health Services and Supports, including early intervention, outreach and engagement, workforce education and training, capital facilities and technological needs, and innovative pilots and projects, to strengthen the range of services individuals, families, and communities need.
    - A majority (51%) of this amount must be used for Early Intervention.
    - A majority (51%) of Early Intervention services must be for people 25 years and younger.
- Provides counties with flexibility within the above funding areas by allowing each county to individually move up to 7% from one category into another, to allow locals the ability to address their different local needs and priorities – based on data.
  - This 7% amount will gradually reduce to 6% and then 5%, to continue allowing flexibility at the local level and providing greater flexibility at the start of implementation.
- **Creates new state-wide, state-led investments (10% of total BHSA funds):**
  - Prevention (4% of total funding) through population-based programming on behavioral health and wellness. These strategies target the entire population at the community level to reduce the risk of individuals developing a mental health or substance use disorder. For example, in school-linked settings, this prevention funding must focus on school-wide or classroom-based mental health and substance use disorder programs, not individual services.
    - A majority of Prevention (51%) programming must serve people 25 years and younger.
  - Workforce (3% of total funding) investments to develop a culturally-competent and diverse behavioral health workforce to address our statewide need, and leverage these dollars to draw down additional federal funding that will benefit the entire state system with a \$2.4 billion investment over 5 years.
  - Reduces the funding for state administration (3% of total funding) used to develop statewide outcomes, conduct oversight of county outcomes, train and provide technical assistance, research and evaluate, and administer programs.

## **EXPANDING THE BEHAVIORAL HEALTH WORKFORCE TO REFLECT AND CONNECT WITH CALIFORNIA'S DIVERSE POPULATION.**

***The proposal recognizes and supports the critical need to expand a culturally-competent and well-trained behavioral health workforce to address behavioral health capacity shortages and expand access to services.***

- Provides up to 3% of annual BHSAs funds for the California Health and Human Services Agency (CalHHS), in collaboration with the Department of Health Care Access and Information, to implement a statewide behavioral health workforce initiative, including leveraging federal dollars for a \$2.4 billion workforce initiative under BH-CONNECT, a proposed federal waiver.
- Authorizes counties to also fund additional, local workforce initiatives using resources from their local BHSAs allocation prioritized for Behavioral Health Services and Supports.

## **FOCUSING ON OUTCOMES, ACCOUNTABILITY, AND EQUITY.**

***OUTCOMES: The proposal replaces the existing MHSAs-specific plan with a new County Integrated Plan for Behavioral Health Services and Outcomes, which includes all local behavioral health funding and services.***

- Requires counties to demonstrate coordinated behavioral health planning using all services and sources of behavioral health funding (e.g., BHSAs, opioid settlement funds, realignment funding, federal financial participation), to provide increased transparency and stakeholder engagement on all local services.
- Requires stratified local data analysis to identify behavioral health disparities and consider approaches to eliminate those disparities.
- Requires the Department of Health Care Services (DHCS) to work with counties and stakeholders to establish outcome metrics for state and county behavioral health services and programs.

***ACCOUNTABILITY: The proposal establishes a new, annual County Behavioral Health Outcomes, Accountability, and Transparency Report to provide public visibility into county results, disparities, spending, and longitudinal impact on homelessness.***

- Requires counties to report to DHCS their annual service utilization data and expenditures of state and federal behavioral health funds, unspent dollars, and other information. Authorizes DHCS to impose corrective action plans on counties that fail to meet the requirements established by this section.
- Authorizes up to 2% (and up to 4% for counties with a population of 200,000 or less) of local BHSAs revenue to be used for local resources to assist counties in improving plan operations, quality outcomes, reporting fiscal and programmatic data and monitoring subcontractor compliance for all county behavioral health funding, on top of the existing 5% county administrative costs.
- Reduces authorized local prudent reserve amounts in the BHSAs to allow for needed investments while still saving for an economic downturn.
- Strengthens the independent state Oversight and Accountability Commission by increasing its scope of advisory review to all behavioral health funding, mirroring the county integrated plans and reports; continuing its status as an independent agency; and adding additional community representation, namely for transition-age youth and for individuals who are aging or disabled, and other critical community perspectives.

***EQUITY: The proposal connects the Behavioral Health System statewide for all Californians.***

- For those with Medi-Cal health insurance: Authorizes DHCS to align the terms of the county behavioral health plan contracts regarding administration, infrastructure, and organization with Medi-Cal managed care plan contracts.
- For those with commercial health insurance: Directs the Department of Managed Health Care (DMHC) and DHCS to develop a plan with stakeholder engagement for achieving parity between commercial and Medi-Cal mental health and substance use disorder benefit. This plan may include, but is not limited to, phasing in alignment of utilization management, benefit standardization, and covered services.

## AB 531: HOUSING

### HOUSING AND BEHAVIORAL HEALTH TREATMENT IN COMMUNITY-BASED UNLOCKED SETTINGS.

***The proposal places a \$4.68 Billion General Obligation Bond on the March 2024 ballot for construction of unlocked community-based behavioral health treatment & residential care settings and permanent supportive housing.***

- A recent RAND study indicates the state has a shortage of at least 6,000 behavioral health beds. This lack of capacity leads not only to unnecessarily long lengths of stays in locked settings and hospitals, but contributes to the growing crisis of homelessness and incarceration among those with severe mental illness and substance use disorders.
- Among Californians experiencing homelessness, nearly 40,000 have a serious mental illness and over 36,000 have a chronic substance use disorder. Housing is a needed component of treatment to recover.
- To address these long-standing challenges, a general obligation bond will fund the more community-based treatment settings that will help ensure those with the greatest needs have access to high-quality, unlocked, residential care.
- Bond funding would be used to construct, acquire, and rehabilitate both:
  - **Treatment beds (\$2.9 Billion)** for unlocked, community-based clinical care, building on the success of the Behavioral Health Continuum Infrastructure Program (BHCIP).
  - **Permanent supportive housing units (\$1.8 Billion)** in the form of affordable housing with supports, building on the success of HomeKey. Of this, a dedicated portion (\$865 million) is reserved for veterans with behavioral health needs.

### HOUSING FOR VETERANS WITH BEHAVIORAL HEALTH CHALLENGES.

***The proposal dedicates a portion of the bond (\$856 million) to housing for veterans at risk of, or experiencing, homelessness with behavioral health needs.***

- Upwards of 50% or more of homeless veterans suffer from mental health issues and upwards of 70% or more are affected by SUD.