

# Newsom begins mental health care crackdown with county sanctions

By Angela Hart

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SACRAMENTO — California is penalizing 10 rural counties for failing to provide enough mental health practitioners to treat patients with serious conditions, taking an aggressive new stance to demand better care across the state.

Gov. Gavin Newsom's administration has withheld a [total of \\$12 million over the past month](#) from mental health plans managed by the 10 counties, mostly situated in the Central Valley, according to data obtained by POLITICO through public records requests.

Top state health officials say the sanctions are part of a larger strategy to improve California's disjointed mental health delivery system.

"We're going to basically wack you if you don't do your existing job that you are contractually expected to do," Jennifer Kent, director of the state Department of Health Care Services, told POLITICO this spring before the state imposed sanctions.

Counties that don't have enough mental health practitioners are losing a portion of state funds they rely on to treat patients with a range of conditions, from depression to inpatient psychiatric treatment.

At the beginning of the year, San Bernardino County in Southern California was short 547 providers, according to sanctions rulings obtained by POLITICO. It's being fined \$4 million per month. Fresno County is losing \$2.2 million per month and is short 54 full-time mental health providers, while Kern County is short 29 providers and facing monthly fines of \$2.3 million.

County leaders say they struggle with a severe provider shortage across geographic regions larger than some U.S. states. Needs span from child psychiatrists to adult clinical social workers. They also say they lack enough funding to attract and retain the mental health providers they need, a problem that gets worse when the state withholds funding.

"Counties want to ensure access and quality, but being able to demonstrate you have an adequate network is a heavy lift for many of them," said Molly Brassil, a behavioral health policy expert for Harbage Consulting who served previously as director of public policy for the County Behavioral Health Directors Association.

The June 8 sanctions represent the start of a crackdown by the Newsom administration on state-contracted managed care plans as it seeks to hold them accountable for shifting state and federal requirements on health care access and quality. They stem from a 2016 Centers for Medicare and Medicaid Services rule intended to modernize managed care and improve it across delivery systems, based on more than a dozen interviews over the past four months with state and county officials and mental health advocates. New federal regulations require the state to assess at least annually the adequacy of managed care plans' provider networks, according to DHCS.

"The federal managed care rule really did force the state to look at our managed care oversight and enforcement," Kent told POLITICO last week. "We're looking for equal treatment across managed care plans."

Regulatory changes mean county mental health plans must comply with new network adequacy standards, as well as tighter rules setting limits on how far patients must travel to get to an appointment and how long they must wait. The state is effectively treating mental health plans the same as traditional Medi-Cal managed care plans, which have long been subject to strict time and distance requirements.

"This is a huge change — until now county mental health plans have operated as a kind of county program and less like a health plan," said Farrah McDaid Ting, a lobbyist with the California State Association of Counties.

California health officials saw the federal rule change as an opportunity to strengthen long-sought quality care standards. But they also were responding to growing pressure from the public and state lawmakers, as well as a scathing state audit in March that found "millions of children do not receive preventative services to which they are entitled."

A January poll by the Kaiser Family Foundation found more than half of Californians believe their communities lack enough mental health providers to meet local needs.

The Newsom administration is seeking even greater sanction authority. DHCS shelved an initial proposal during the budget process but is now working on stronger rules with Assemblyman Jim Wood (D-Santa Rosa), chairman of the Assembly Health Committee.

"It's really about quality and access," Wood told POLITICO this week. "It's a shared responsibility. We need to do a better job and plans need to do a better job."

Wood this month amended [CA AB1642 \(19R\)](#) to give Kent broader power to terminate contracts or impose greater penalties and sanctions on any contractor that fails to comply with contract requirements, federal and state laws, "or for other good cause," according to a Senate Health Committee analysis of the bill. It cleared the committee Wednesday with support from its chairman, Sen. Richard Pan (D-Sacramento). Kent and Wood said they are still negotiating changes.

The current sanctions and proposed legislation have county mental health providers and Medi-Cal managed care plans scrambling. Their representatives say the state hit them with sanctions while still working to implement federal rule changes. Counties worry the moves will have unintended consequences.

"We are facing in behavioral health one of the worst provider shortages we've ever seen, including for child psychiatry, and we are concerned that sanctioning county mental health plans could devastate some of those plans financially and leave them less able to serve Californians," said Michelle Doty Cabrera, executive director of the County Behavioral Health Directors Association of California.

One in six adults in California suffers from mental illness, and one out of every 14 children have a "serious emotional disturbance," according to a 2018 report by the University of California, San Francisco Healthforce Center. It found that behavioral health provider-patient ratios persistently rank worst in the Inland Empire and San Joaquin Valley — where the sanctioned mental health plans are concentrated.

Felt across physical and behavioral health systems, provider shortages are getting worse as a result of retiring baby boomers retreating from the workforce, the cost of living in California and difficulties recruiting and retaining enough doctors and nurses.

If trends continue, California will have 41 percent fewer psychiatrists and 11 percent fewer psychologists, licensed marriage and family therapists and clinical social workers than what is needed by 2028, according to the workforce report.

"Jennifer [Kent] is right — we need to have more providers. There are many counties that don't even have a practicing psychiatrist," McDaid Ting said. "But some of these counties just don't have people. It's been a huge challenge and we're really worried."

State leaders this year included \$110 million in the budget for loan forgiveness and workforce development specifically targeted at the state's mental health system needs. Rural counties say the state must do more.

"We are so underfunded and not even close to sufficient in terms of serving the mental health needs of the community," said Sonoma County Supervisor Shirlee Zane, a longtime critic of California's public and private mental health delivery systems. "The state has not funded the counties adequately and we need some champions there in Sacramento.

"At the county level, we are seeing this crisis spill over into the streets in terms of the homeless and people are filling up our jail," she added. Sonoma County last year faced an \$18 million behavioral health funding shortfall, she said, which forced it to scale back extra-help employees, cut overtime and freeze openings for full-time positions.

It cobbled together \$11 million to forestall deeper cuts, Zane said, but that only temporarily addressed the county's challenges. It has not been penalized by the state.

The sanctions on the 10 county mental health plans came after an initial warning in September 2018. Kent said she is simply looking to hold plans accountable for providing enough psychiatrists and other mental health professionals to meet the projected need.

In California, two public mental health delivery systems co-exist. Counties operate the system for Medi-Cal patients with serious mental health conditions who qualify for specialty treatment. Meanwhile, the Department of Health Care Services

administers mild- to moderate mental health services through traditional Medi-Cal managed care plan contracts and fee-for-service arrangements.

All 10 counties hit with sanctions declined to comment or did not return calls from POLITICO. But Cabrera said most, if not all, are appealing. The state says seven of the 10 counties have formally appealed.

"To date, we don't have any indication that we aren't meeting existing needs — it's just the anticipated need...and because of these sanctions, we'll have less money to serve the actual needs," she said.

DHCS spokesman Anthony Cava said in a statement that the department "needs to be able to hold contractors accountable, in a consistent manner across multiple delivery systems, for the quality of the health care services they deliver."

State Health and Human Services Secretary Mark Ghaly told POLITICO that state health officials are working to find balance within "a carrot-and-stick approach." He said the state ultimately wants to work with counties to move from penalizing plans to "more of a partnership-based mindset."

But for the time being, sanctions are a necessary tool in some instances.

"There could be scenarios and I think we're running into those now where despite a number of efforts, we're not getting the results that we believe can help deliver the outcome of timely, good quality care that is accessible," Ghaly said.

He said he and new state mental health czar Tom Insel are trying to develop a well-coordinated behavioral health system.

It comes after decades of decentralization in California, starting with the closure of state hospitals in the 1960s and followed later by realignment deals in the 1990s and in 2011 that shifted administrative and financial control of specialty mental health care to counties while the state retains oversight. Specialty services are available to Medi-Cal patients with diagnosed mental health conditions or county residents who otherwise meet criteria for medical necessity.

Funding for county mental health plans fluctuates with the economy. The 2004 state millionaires' tax and federal Medicaid dollars provide \$7.4 billion for mental health care. The state also dedicates a share of sales taxes and vehicle license fees to counties, totaling \$1.4 billion this budget year, according to the state Department of Finance.

But counties say they still struggle to keep pace with demand, in part because they are funded differently than traditional Medi-Cal managed care plans. Counties receive a defined pot of money every year to serve the specialty mental health needs of their entire Medi-Cal population. The funding formula remains the same regardless of increases in patients and the severity of their mental health needs.

Meanwhile, managed care plans that contract with the state to provide a range of physical health care benefits for Medi-Cal beneficiaries get paid a set amount per patient per month. The more patients there are, the more the money flows.

Counties say when faced with shortfalls, they must dig into their own budget coffers to improve provider networks and care quality.

"The state has had a few really good years, yet we're still struggling because of wildfires and pensions and we're trying to build a lot new housing," said Zane, the Sonoma County supervisor. "We've been able to go after our highest mental health needs in terms of what the state says is our mandate, but that means programs like our crisis prevention program in schools don't get funded."

It's not just county mental health plans that face sanctions.

DHCS in June warned five Medi-Cal managed care plans serving hundreds of thousands of low-income patients that they, too, could suffer penalties if they don't comply with corrective action plans calling on them to improve care quality.

The managed care plans include big, well-known commercial insurers like Health Net and smaller county Medi-Cal managed care plans, such as Health Plan of San Joaquin and Partnership Health Plan of California, which covers a large swath of rural Northern California stretching from Sonoma County to the Oregon border.

Liz Gibboney, CEO for Partnership Health Plan, told POLITICO that her organization is working to prevent sanctions. It was issued a corrective action plan last year for missing care quality targets and has since stepped up efforts.

She said over the past five years, Partnership has hired 284 additional clinical staff, including doctors and nurses. And it has rolled out nontraditional programs, including paying for gas mileage or providing door-to-door transportation to medical appointments. She also mentioned beefing up mammogram and vaccination programs.

"We're really pushing hard in our northern region, where our scores are lower, to get people the preventative services they need," Gibboney said. "It's challenging in our particular service area, as we are impacted by the workforce shortages pretty much across the board."