

MOTION BY SUPERVISOR JANICE HAHN

AGENDA NO.
September 30, 2025

Contracting for State Hospital Beds

The Department of State Hospitals (DSH) manages California's state hospitals in Atascadero, Coalinga, Metropolitan, Napa, Patton, and Sacramento, providing counties access to specialized mental health services. To meet the needs of Los Angeles County residents, the Department of Mental Health (DMH) provides access to a continuum of residential treatment settings. DSH facilities are a vital part of that continuum, primarily serving the treatment needs of relatively high acuity conserved patients needing long-term care.

Welfare and Institutions Code (WIC) Section 17601 requires cities and counties to reimburse the State for their use of State hospital beds. WIC Sections 4330 through 4335 allow counties, including those counties acting jointly, to contract with the DSH for use of State hospital facilities. Under California Government Code Section 6500 et seq, the California Mental Health Services Authority (CalMHSA) is a Joint Powers Authority formed in 2009 to jointly develop and fund mental health programs on a Statewide, regional, and local basis.

On May 11, 2010, the Board authorized the DMH to sign the CalMHSA Joint Exercise of Powers Agreement in order to exercise powers jointly with other participating CalMHSA members, which currently includes 58 counties, including Los Angeles County.

MOTION

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Through this agreement, CalMHSA has helped counties reduce administrative overhead by centralizing compliance with State reporting requirements, negotiating cost-effective rates with subcontractors, and maximizing group purchasing power for products and services. CalMHSA also provides a mechanism for counties to jointly develop requests for proposals, establish contracts with providers, and achieve mutual goals.

In addition, CalMHSA facilitates the development of annual joint purchase agreements with DSH for statewide utilization of State hospital beds, and is responsible for fiscal accountability, ensuring quality of care, and supporting the development of alternative placements. CalMHSA has recently negotiated a new Purchase of State Hospital Beds Memorandum of Understanding (MOU) with DSH for Fiscal Years (FYs) 2025-26 and 2026-27. The new MOU outlines the responsibilities of CalMHSA, DMH, and DSH; covered hospital services; admission and discharge procedures; bed rates; and other terms and conditions.

It is not unusual for State-related agreements to be submitted late to the County due to the coordination required in the negotiations between CalMHSA and DSH regarding bed rates and MOU terms. As such, DMH received the Participation Agreement extension amendment and the new MOU from the State after the intended execution date. To allow for execution of the new MOU, the term of the CalMHSA Participation Agreement must be amended to extend through June 30, 2027. Execution of both the Participation Agreement amendment and the new MOU will ensure DMH's continued access to State hospital beds.

Both the Participation Agreement amendment and the new MOU have been reviewed and approved as to form by County Counsel. In order to access the State

hospital beds in the DSH facilities, this contract must be executed. Given the scale and scope of the mental health crisis in Los Angeles County, it is vital to act urgently to sign and execute the Participation Agreement amendment and MOU with CalMHSA for access to DSH facilities and beds. The Director of Mental Health continues to serve on CalMHSA's Board of Directors but is not compensated and does not benefit financially from that role, and did not participate in the approval process for the agreement amendment or the MOU.

I, THEREFORE, MOVE that the Board of Supervisors:

1. Approve and authorize DMH's Chief Deputy Director (Chief Deputy Director), or designee, to sign the Purchase of State Hospital Beds MOU (Attachment I) with DSH and CalMHSA for Fiscal Years (FYs) 2025-26 and 2026-27, effective July 1, 2025 through June 30, 2027, to purchase and utilize State hospital beds at rates negotiated by CalMHSA. There is no cost associated with the MOU. The FY 2025-26 Final Adopted Budget for State hospital bed usage, totaling \$78.9 million, is fully funded by Sales Tax Realignment revenue;
2. Approve and authorize the Chief Deputy Director, or designee, to sign and execute an amendment to the sole source Participation Agreement (Attachment II) with CalMHSA to continue participation in the State Hospitals Program. The Participation Agreement authorizes CalMHSA to negotiate and contract DSH on behalf of participating counties for the procurement of State hospital beds. The term of the CalMHSA Participation Agreement amendment is effective July 1, 2025 through June 30, 2026, with an option to extend for one additional FY, through June 30, 2027. The CalMHSA Participation Agreement is fully funded by Sales Tax Realignment revenue with an annual Total

Contract Amount (TCA) of \$298,626 for FY 2025-26. The TCA of the Participation Agreement with CalMHSA does not include the cost of State hospital beds;

3. Delegate authority to the Chief Deputy Director, or designee, to prepare, sign, and execute amendments to the MOU in Recommendation 1 and/or execute future MOUs through June 30, 2030 to ensure continuous utilization of State hospital beds on terms negotiated by CalMHSA, provided the amendments and future MOUs will be subject to prior review and approval as to form by County Counsel, with written notice to the Board and Chief Executive Officer (CEO);
4. Delegate authority to the Chief Deputy Director, or designee, to prepare, sign and execute amendments or modifications to the Participation Agreement in Recommendation 2 and/or execute future Participation Agreements with CalMHSA through June 30, 2030, including amendments that extend the term; add, delete, modify, or replace Exhibit A – Program Description and Funding; reflect federal, State and County regulatory and/or policy changes; and increase the TCA provided that sufficient funds are available to continue participation in the State Hospitals Program. These amendments will be subject to prior review and approval as to form by County Counsel, with written notice to the Board and CEO; and
5. Delegate authority to the Chief Deputy Director, or designee, to terminate the MOU described in Recommendation 1 and/or terminate the Participation Agreement described in Recommendation 2. The Chief Deputy Director, or designee, will notify the Board and CEO in writing of such termination action.

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