



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Health Services Agency

Subject: Approve Rate Agreement with California Department of State Hospitals for Mental Health Treatment Beds

Meeting Date: June 24, 2025

Formal Title: Approve two-year rate agreement with the California Department of State Hospitals to purchase mental health treatment beds for Santa Cruz County clients, and take related actions

Recommended Actions

1. Approve an expenditure rate agreement with the California Department of State Hospitals, Contract No. 26H0404, to purchase mental health treatment beds for Santa Cruz County clients through June 30, 2027; and
2. Authorize the Interim Director of Health Services or designee to sign the agreement.

Executive Summary

Santa Cruz County and several other counties participate in a program in which the California Mental Health Services Authority (CalMHSA) negotiates with the California Department of State Hospitals (DSH) to allocate State hospital beds among California counties and set bed-day rates for the various levels of care. CalMHSA and DSH have concluded negotiations for the contract term covering Fiscal Year (FY) 2025-26 and FY 2026-27, and the Santa Cruz County Health Services Agency (HSA) Behavioral Health Division (BHD) requests Board approval of the resulting multi-year expenditure agreement.

Discussion

For several years, HSA BHD has contracted with DSH to provide hospitalization services for clients conserved under the Lanterman-Petris-Short Act (Welfare and Institutions Code section 5000 et. seq.). In February 2024, HSA BHD began participating with a cohort of other California counties in a program, administered by CalMHSA under expenditure contract number H0350, in which CalMHSA negotiated with DSH on the cohort's behalf to allocate State hospital beds amongst California counties and set bed-day rates for the various levels of care. CalMHSA also serves as a liaison for matters of compliance with agreement terms and conditions.

CalMHSA and DSH have concluded negotiations for the term covering FY 2025-26 and FY 2026-27 and provided the proposed updated contract. In the new multi-year agreement, Santa Cruz County has been allocated the use of two (2) Intermediate Care Facility, Acute Psychiatric Hospital, or Skilled Nursing Facility beds to be used on an as needed basis. The level of care to be delivered is determined by client needs.

FY 2025-26 daily rates for use of State hospital beds are \$792 for Intermediate Care Facilities, \$818 for Acute Psychiatric Hospitals, and \$878 for Skilled Nursing Facilities. Program costs due to DSH are paid by the County in the form of an offset to Realignment revenue transfers from the State.

Financial Impact

This expenditure rate agreement with DSH, Contract No. 26H0404, is budgeted for FY 2025-26 in the amount of \$302,000 under account 363149/74004. Sufficient appropriations exist in HSA BHD's FY 2025-26 Budget. Funding for this agreement is provided by 1991 State Realignment funding, which is derived from a combination of a half-cent increase in the state sales tax enacted in 1991 and a dedicated portion of vehicle license fees. As this funding is dependent on the state of the economy in California, it is subject to fluctuations and will vary from year to year. No additional General Fund contribution is needed or requested.

Strategic Initiatives

Operational Plan - Comprehensive Health & Safety

Submitted By:

Jennifer Herrera, Interim Director of Health Services

Recommended By:

Carlos J. Palacios, County Executive Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.