

Healthy Children, Healthy Communities

Solving the Mental Health Services Crisis in Contra Costa

December 2019



EXECUTIVE SUMMARY

There are children and youth in Contra Costa who, through no fault of their own, have suffered atrociously high levels of trauma in their short lives from causes such as sexual and physical abuse, neglect, and domestic violence.

One of the most prevalent diagnoses given to affected young people is Post Traumatic Stress Disorder (PTSD). Diagnostically, these kids present more like war veterans than like their less traumatized peers. A PTSD diagnosis is known to cooccur with at least one other psychiatric diagnosis 70% to 90% of the time in adolescents and young children.¹ These children and youth urgently need mental health services. But they are not getting what they need, and as a result they continue to suffer.

Fortunately, Contra Costa hosts a rich array of community-based nonprofit professional mental health organizations (CBO's) ready, willing and able to help these kids. But they can't do so without the support of the public and county decision makers.

Why can't our organizations help these kids? Because, simply put, CBO's are unable to hire and retain the staff necessary to provide needed (and mandated) mental health services to children and families in Contra Costa.

CBO agencies provide 65% of County funded mental health services, yet contract funding provided by the County fails to cover their cost of doing business in the Bay Area, and lag significantly behind neighboring counties and employers such as Kaiser.

If steps are not taken to address this crisis in the coming fiscal year of 2020-21, agencies will need to cut services and some may no longer contract to provide any services in the County. Many children will go without vitally needed mental health services and continue to suffer. We just cannot let this happen.

The Human Services Alliance of Contra Costa has done extensive research on the [cost of doing business](#) and comparative contract rates and salaries and has found that in order to enable Contra Costa to fulfill its mandate to provide services, a 10% increase in contract rates will be necessary in fiscal year 2020-21. If Contra Costa were to increase its maximum allowance for state and federal matching funds, virtually all of the necessary funds will be reimbursed, thus sparing county tax payers.

By ensuring that the system of care in Contra Costa is healthy and robust, the County can meet our children's needs, draw down significant funding from the Federal and State governments, and prevent costly remediation measures in the form of criminal justice intervention, delinquency, homelessness and other social ills.

INVESTING IN EARLY PREVENTION SAVES MONEY

Mental health is a critical component of each child’s ability to learn, grow and thrive. Unfortunately, many children—approximately one in five youth nationwide—struggle with mental health problems that negatively impact their health and well-being. Given that over 70% of mental disorders have onset prior to the age of 25, childhood and adolescence is a critical time in which to identify and address mental health needs before more costly and restrictive interventions are required.² However, estimates suggest that 75-85% of children and youth in need of mental health services do not receive them.³



75-85% OF CHILDREN IN NEED OF MENTAL HEALTH SERVICES DO NOT RECEIVE THEM.

Children in preschool and elementary school with mental health needs experience rates of suspension and expulsion three times greater than those of their peers without mental health needs.⁴ This pattern only increases with age, as roughly 44% of youth in high school with mental health problems drop out of high school.⁵ One in 10 youth who drop out of high school were institutionalized (often in jails or prisons), as compared with 1 in 33 of those who do not drop out.⁶

SUICIDE

Suicide is the 2nd leading cause of death among 10 – 24 year olds.⁷ Indeed, a nationwide survey of high school youth across the U.S. found that 16% of students seriously considered suicide, 13% reported creating a plan, and 8% reported attempting to take their own life in the 12 months preceding the survey.⁸ Only 29% of youth expressing suicidal ideation receive mental health services.⁹

CRIMINAL JUSTICE INVOLVEMENT

Roughly 70% of youth in the juvenile justice system have a diagnosable mental health disorder.¹⁰ More than 90% of justice-involved youth have been exposed to trauma, or Adverse Childhood Experiences (ACEs)—which include different types of abuse, neglect and household dysfunction.

PLACEMENT INSTABILITY AND HOMELESSNESS

Over 80% of children and youth involved in the child welfare system have mental health problems.¹¹ Youth in foster care with mental health needs are less likely to experience permanency and are more likely to be placed in residential care in order to access needed services.¹² Estimates suggest that over 50% of foster youth will experience homelessness after exiting care.

THE BENEFITS OF EARLY INTERVENTION

Timely, easily accessible and developmentally appropriate interventions can prevent many mental health problems entirely, and reduce the long-term severity and impact of more serious mental illness. This makes it in the best interest of the community to address these needs early.



INVESTMENTS IN EARLY INTERVENTION CAN SAVE AS MUCH AS \$4 TO \$9 PER DOLLAR INVESTED, WITH MANY BENEFITS TO THE COMMUNITY

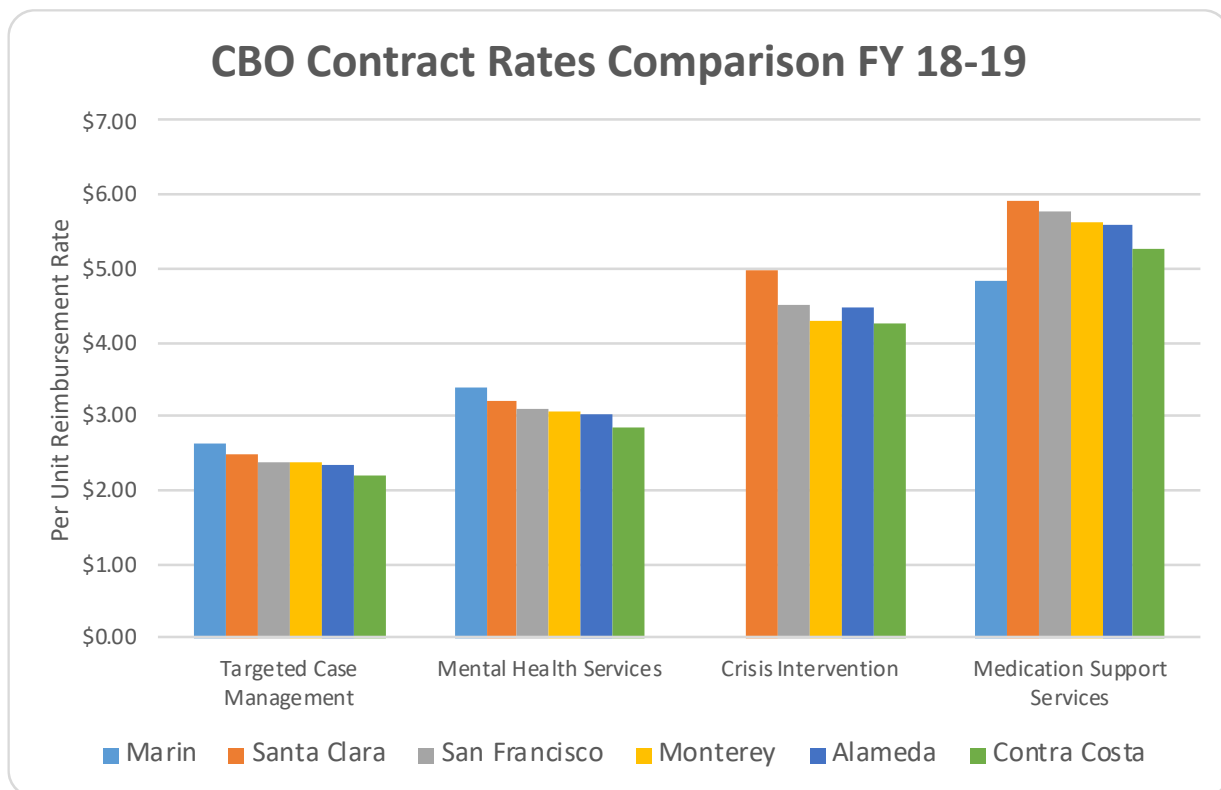
Prevention and early intervention activities offer significant cost savings in the public interest. A study by the Center on the Developing Child at Harvard University found that “investments in the earliest years of life produce the greatest

returns. Most of those returns, which can range from \$4 to \$9 per dollar invested, benefit the community through reduced crime, welfare, and educational remediation, as well as increased tax revenues on higher incomes for the participants of early childhood programs when they reach adulthood.”¹³

Investments in delinquency-prevention programs and diversion alternatives to the juvenile justice system are shown to save \$7 to \$10 for every dollar invested, and significantly reduce crime.¹⁴ Community-based crisis services reduce the overall cost of care by 75%, an average of \$40,000 per child per year.¹⁵ For example, the average cost of mobile crisis services is 23% less per case than when law enforcement is involved as the first responder to a mental health crisis.¹⁶

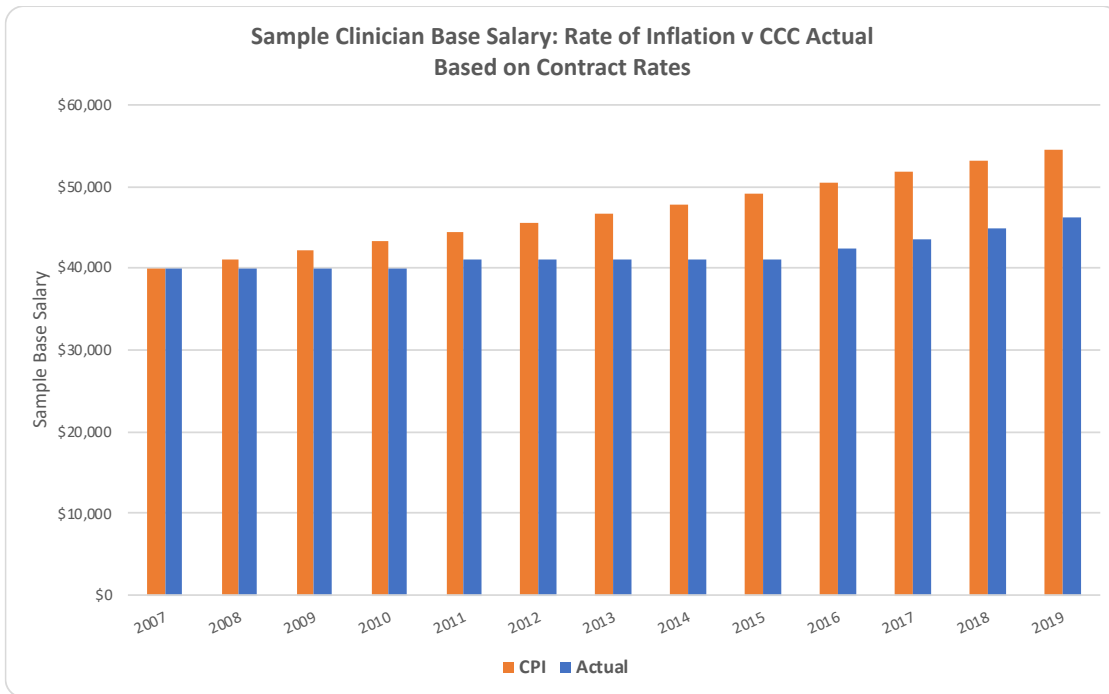
THE CONTRA COSTA CHALLENGE: CONTRACT RATES ARE NOT COMPETITIVE

Sixty-five percent of publicly funded mental health services in Contra Costa are provided by community-based organizations (CBO’s). But contract rates for providers range from 6% to nearly 20% lower than neighboring counties, and are about 6% less than the rate the County receives from the State. It should be noted that federal Medicaid Administrative funding is available for administrative overhead, so it is unclear how the 6% differential is spent. (Data are for Medi-Cal reimbursement rates.)



A HISTORY OF NO INCREASES RESULTS IN A 19% COST OF LIVING GAP

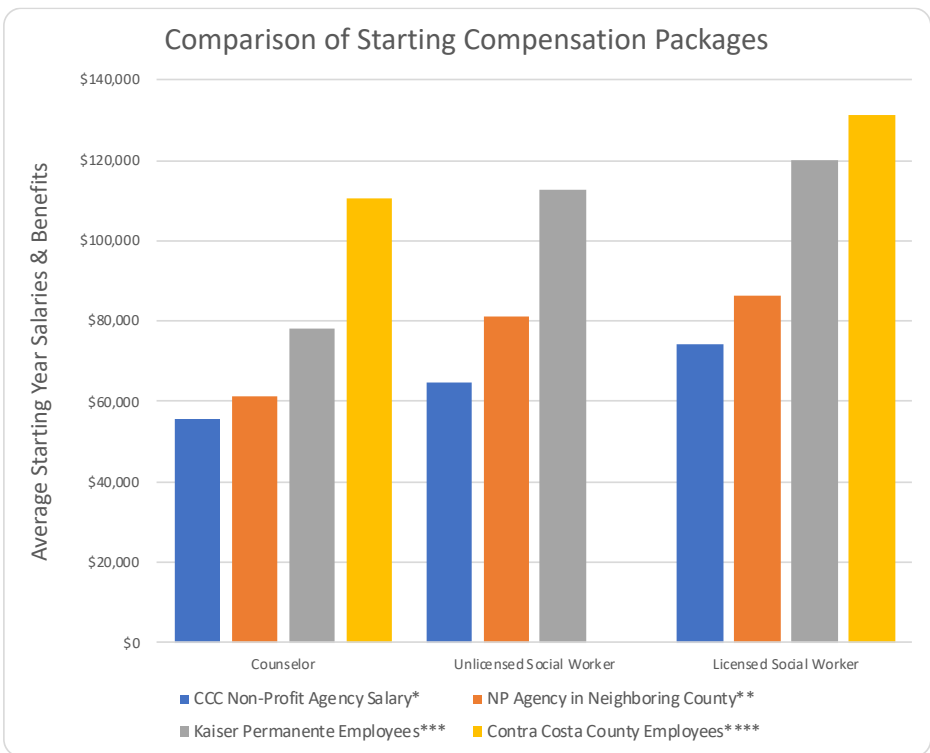
Between 2007 and 2016, Contra Costa provided only one (~3%) increase in contract rates. Since then, it has increased rates at 3% per year, but this does not begin to make up for the foregone increases in previous years. The graph below illustrates what a sample base salary would be at an annual 2.6% increase (actual Bay Area rate of inflation) compared to what the actual rates supported.



THE CONSEQUENCES: CBO'S CANNOT HIRE AND RETAIN STAFF AND SERVICES ARE DENIED

A recent survey of members of the Human Services Alliance found that 86% of agencies are unable to deliver the services that they have contracted with the County to provide. On average, agencies are short almost 3.5 FTE clinical staff, resulting in 405 hours per month of denied services to clients in need.

The primary cause of this shortage is that *salaries of Contra Costa providers lag significantly behind those of agencies in neighboring counties, and even more dramatically behind large employers like Kaiser and Contra Costa County.*



*Total compensation for CBO's assumes a benefits package 25% of salary

**Neighboring county CBO data is from agencies doing business in multiple counties

***Benefits for Kaiser employees vary dramatically based on tenure and union membership. Fifty percent benefits is a conservative average estimate that includes comprehensive medical and dental benefits as well as pension, life insurance, professional development, and paid time off.

**** County employee salary information is from "Fair Pay for Northern California Nonprofits: The 2018 Compensation & Benefits Survey Report" by Nonprofit Compensation Associates, and 2017 data from Transparent California (<https://transparentcalifornia.com>), "California's largest public pay and pension database", as cited in Human Services Alliance of Contra Costa (2018), Nonprofits' Real Cost of Doing Business and What We Can Do About It. We understand the County's benefit ratio is between 60-70%. For the purposes of this representation, we have estimated the County's benefit ratio at 60%.

NEW MINIMUM WAGE LAW WILL EXACERBATE THE CRISIS

The Alameda Council of Community Mental Health Agencies conducted the following analysis of the impact of new minimum wage laws: “SB 3 (Leno) was signed into law in 2016, requiring the state minimum wage to increase by \$1 per year from 2019-2022. By 2022, all staff who work for an organization with 26 or more employees will earn at least \$15. California labor law ensures that exempt employees make at least twice the state minimum wage to protect exempt employees from being unfairly compensated. Currently, employers with 26 or more employees must pay exempt employees \$49,920. By 2022, such employers will have to pay exempt employees \$62,400 to be compliant with labor law—the equivalent of a 20% wage increase in a little over two years. Although employers will have the option to convert exempt positions to hourly positions, that change would also likely result in increasing payroll costs. For example, if employees worked just two hours of overtime per week, payroll costs would increase by 7.5%.

Without funding increases or reduced contract requirements to compensate for this exempt salary imperative, many nonprofit CBOs will be caught in an untenable situation. A salary increase of this size, over such a brief timeframe, poses a significant financial concern for underfunded nonprofits who currently struggle to hire, retain, and competitively pay professional clinicians and staff.”¹⁷

WE CAN FIX THIS!

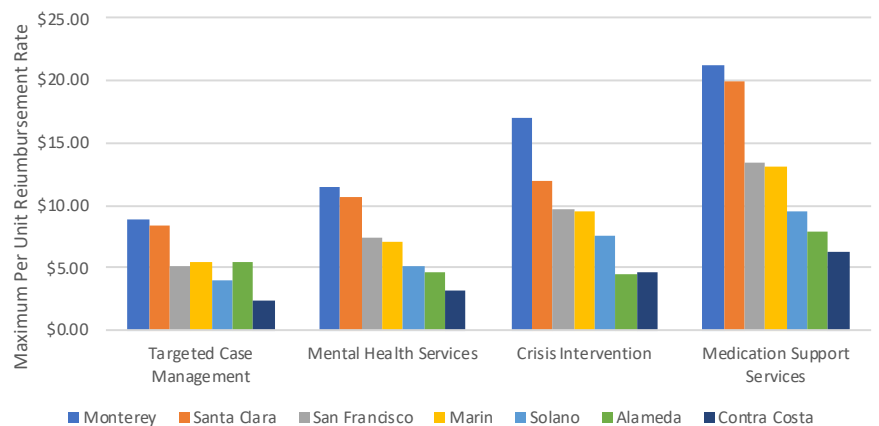
County departments and CBO’s can work collaboratively to identify opportunities to maximize state and federal matching funds to support a 10% increase in contract reimbursement rates for 2020-2021. For example, the County receives funding for ~98% of CBO contract expenditures from outside sources (Medi-Cal, Realignment funds and other sources - see below), and should weigh the minimal risk of possible future shortages of reimbursement against the real costs today and tomorrow of reduced capacity and services for the community. Specifically, **Contra Costa should increase the maximum allowable reimbursement limits from the state of California, and draw down more Realignment and Federal match funding.**

Contra Costa’s maximum allowable rate for payment from DHCS is significantly lower than a large portion of counties in California. A comparison of those rates in Northern California counties [shows that Contra Costa’s rates are as much as 73% lower than comparable counties.](#)¹⁸ These counties have successfully increased EPSDT and other contract reimbursement rates with no negative consequences.

Increasing the maximum allowable rates creates a virtuous circle: by spending more, the County gets more matching funds, which support providing more services to County residents. A failure to increase rates creates the opposite effect – spending less means Contra Costa County and CBO providers pay staff less than neighboring counties, have more difficulty recruiting staff, and have less capacity to provide services.

The largest component of contract provider funding is Early and Periodic Screening, Diagnostic and Treatment (EPSDT) funding, through provides the means for the County to resolve this crisis with very little in new General Fund

Comparison of Maximum Allowable Reimbursement Rates from DHCS, FY 19-20



expenditures and minimal risk. Based on the Realignment of 2011, a simplified description of this funding mechanism follows:

1. The State deposits approximately 35% of total expenditures into the County behavioral health sub-account, from Realignment funds. These payments are based on historical usage plus growth, and are deposited on a monthly basis.
2. The County *advances* funds (including funds from MHSA and other sources) for the balance of expenditures.
3. Federal Financial Participation then match about 45% of total expenditures, reimbursing the County for most of its expenditures.
4. The County’s only risk is if it exceeds the maximum allowable rate, in which case it will only get half of the 50% federal share for the excess amount (not the entire amount), and may have to wait 6 to 18 months to get those excess funds. Contra Costa has not exceeded the maximum limit in many years.

An approximated illustration of the financial implications of a 10% increase, in terms of Net Cost to County (“the difference between budgeted appropriations and departmental revenues for General Fund budgets and financed by General Purpose Revenues”), demonstrates that almost 90% of additional expenditures would be matched, and assuming non-Medi-Cal funders (e.g. MHSA) agreed to the increase, the Net County Cost would be insignificant:

Total Expenditures to CBO Behavioral Health Providers	\$80,000,000	
Estimated increased expenditures @ 10% increase	\$8,000,000	
Matched Funds		
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Federal match	\$3,462,581	43%
Realignment match	\$2,791,631	35%
MHSA match	\$399,776	5%
Other matching funds	\$271,174	3%
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Total Matched Funds	\$6,925,163	87%
Non-matched funding sources		
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County Realignment for non-MediCal	\$172,274	2%
MHSA for non-MediCal	\$756,606	9%
Other Incoming Funds for non-MediCal	\$145,957	2%
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Total Non-matched funds	\$1,074,837	13%
Net County Cost (from General Fund)	\$172,274	2%

This means that in the final analysis, the financial risk and cost to County taxpayers are negligible, whereas the risk of losing services provided by CBO’s is great, and the costs borne by those in need who are unable to attain services is unacceptable.

Many other counties in California have developed strategies to maximize matching funds and minimize risk, and as a result are able to compensate contractors at higher rates. Contra Costa can do the same.

It’s time for Contra Costa County to join its neighbors in taking the prudent, money saving, humane steps to maximize federal and state funding and ensure that its young people receive the care and treatment they need.

Endnotes

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- ¹⁸ Data drawn from [County Interim Rate Table](#), California Department of Health Care Services