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To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

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January 2, 2015

CONFIDENTIAL

TO: Each Supervisor

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **PROPOSAL TO INTEGRATE THE DEPARTMENTS OF HEALTH SERVICES, MENTAL HEALTH, AND PUBLIC HEALTH**

In response to your request, please find a proposal for integrating the Departments of Health Services, Mental Health, and Public Health. I look forward to discussing with you on January 6th, January 13th, or whenever you choose.

Background

Historically, the Departments of Health Services (DHS), Mental Health (DMH), and Public Health (DPH) existed as a single organization within Los Angeles County. In response to a variety of external factors and the need to establish distinct identities, the Departments separated over time to become three separate entities. While these decisions to separate were appropriate at the time, evolving trends in health care delivery, policy, and reimbursement have changed things. In the present and expected future health care environment, it would be better for the County to operate a single unified health department that encompasses all aspects of population and personal health.

Benefits of integration

By integrating DHS, DMH, and DPH, the County will be better positioned to provide high-quality, comprehensive health-related services and programs to LA County residents within a fixed level of financial County resources. Specifically, integration of physical and mental health programs with population health within a single County department will:

1) Provide better care for LA County patients by integrating physical health care, mental health care, and substance abuse treatment.
2) Be better able to respond to health plans' expectation that providers deliver a full package of physical and behavioral health care services.
3) Improve prevention and early intervention strategies for physical and behavioral health by more closely linking them to clinical service delivery.
4) Better control costs by improving coordination of services, leveraging economies of scale, and decreasing administrative costs.
5) Increase revenue by taking greater advantage of available local, state, and federal funding streams.

Rationale

Provide better care for patients

Health care clinicians and policy makers agree that patients should receive integrated physical health, mental health, and substance abuse treatment. In fact, when patients present with symptoms (e.g., headaches, abdominal pain, palpitations) it is often not clear whether their illness reflects a physical health problem, a mental health problem, a substance abuse problem, or some combination of the three.

Individuals with serious mental illness die 25 years earlier than non-affected peers; 30 years earlier if they have a concomitant substance abuse disorder. To achieve better results among this most challenging of patient populations, physical health, mental health, and substance abuse providers must operate within a single, seamless system of care.

Consolidation of services within a single, unified department will enhance the ability of the County to:

- Bi-directionally co-locate primary care and mental health services
- Consult and refer select patients for services between physical and behavioral health settings
- Case-manage care for individuals who are high utilizers of County health services
- Target high-cost, finite resources to those patients who stand to benefit the most
- Ensure patients are cared for in the least costly setting that is appropriate for their clinical condition
- Improve coordination of care for persons under the County's supervision: jail inmates, juvenile detainees, and foster care youth

Although more coordinated care can be achieved through closer collaboration of the Departments, it will always be harder to achieve when the Departments have separate supervisory structures, locations, policies, and strategic plans. Today, patients requiring services from more than one County health department must navigate a complicated web of eligibility and enrollment procedures, referral protocols, and programs. Patients fall through the cracks too often and, even when they do get the services they need, they are often not provided in a timely, efficient, or coordinated manner. A single, combined health department is best positioned organizationally to break down the bureaucratic barriers facing our patients, identify synergies between programs, streamline operations, optimize finances, and align incentives so that all County staff work toward the same goal: the provision of high-quality, patient-centered, cost-effective health services, across the full continuum of health services, for LA County residents.

Recent work with the Department of Children and Family Services (DCFS) illustrates the potential benefit of this consolidation. The services that DCFS needs for its children are currently provided by the three separate Departments (DHS administers the medical/forensic HUBS; DMH provides services directly and through contractors at the HUBS; children and caregivers needing substance abuse services are referred to DPH).

Deliver a full package of physical and behavioral health care services

Under managed care, health plans prefer delivery systems that can provide the full spectrum of services including physical, mental health, and substance abuse treatment. For example, under our contracts with LA Care and Health Net for the Medicaid expansion population, DHS is required to provide treatment for mild to moderate mental health disorders and perform Screening, Brief Intervention, and

Referral to Treatment (SBIRT) services for individuals with potential alcohol misuse. Medi-Cal managed care plans must also ensure that individuals receiving specialty mental health services under a County's Mental Health Plan, receive coordinated physical health services within their regular Medi-Cal provider network: both the physical health and behavioral health sides are expected to ensure patients receive the entirety of their health needs. This emphasis on integrated physical and behavioral health care is similarly seen in the ACA's Health Home option which California is now exploring, as well as in California's Coordinated Care Initiative in which up to 200,000 dually-eligible (Medicare and Medicaid) beneficiaries in Los Angeles County could shift to Medicaid managed care, with the health plan and ultimately their providers bearing greater responsibility for coordinating physical and behavioral health services.

Improve linkage between prevention and health services delivery activity

As currently structured, prevention and population health activities largely reside within DPH whereas the majority of personal health services reside within DHS; DMH possesses both types, operating though in silo from DPH and DHS. It is widely accepted that health services is only one determinant of a person's health. Social behavioral determinants, including poverty, education, literacy, diet, exercise, life stress have a far larger effect on health. Separating prevention programs and the funding streams supporting them, from direct patient care services, complicates efforts to closely link and merge interventions that could ultimately improve health outcomes. For example, the county funds nutrition and exercise programs in the community through public health, but often the patients most in need of these services are in the DHS system. Getting these patients to needed community programs would benefit both the individual and the program. A combined health department would offer opportunities to adopt new approaches to such areas as chronic disease prevention, environmental health, and community-based interventions and to ensure there is synergy and non-duplication between available funding streams.

Better control costs

Consolidation will enable the County to coordinate services for patients with complex needs. Patients with mental health issues who can be cared for in a non-locked residential setting should be promptly moved from restrictive, costly emergency or inpatient settings. Patients who frequent emergency rooms and psychiatric urgent cares may reduce their visit rate if they had a safe place to live and store their medicines.

Similarly, the three health departments could realize budgetary savings if they shared costly capital or administrative resources, while yielding tangible benefits for patients in terms of service delivery enhancements. Buildings currently used to offer a limited array of STD and tuberculosis services could shift to providing a full set of primary care services, expanding geographic access for patients. Over time, administrative overhead could be reduced through greater collaboration among departmental personnel in such areas as contracting, supply chain, etc. A combined department would also be able to achieve economies of scale in the areas of drug formulary management, ancillary services (e.g., laboratory studies), and have the potential for better use of 340b drug pricing. These and other initiatives would ensure the County is making the most cost-effective use of all available resources.

Achieving these savings in practice requires close collaboration and communication between administrative staff and clinical personnel who work in very different parts of the health care system. While the County has encouraged and supported inter-departmental collaboration, such as with the Housing for Health initiative and the psychiatric emergency services decompression plan, results are complicated by the different ways in which each department chooses to prioritize its time and funding. A more integrated approach is needed if we want to achieve better results across a broader scale.

Increase revenue by taking better advantage of existing funding streams

A combined department would enhance budget flexibility and increase the likelihood that the County can draw down the maximum Disproportionate Share Hospital (DSH) payments, available Measure B funding, and other revenue sources. An integrated behavioral and physical health program will also help the County maximize opportunities to support whole person care which will likely be a prominent part of the next Section 1115 Medicaid waiver. For example, the Centers for Medicare and Medicaid Services (CMS) has expressed that they would like the goals of the next 1115 waiver to include population health goals, such as decreasing the prevalence of smoking in a community. By combining our efforts, Los Angeles would be in a better position to respond to these demands. We would also be in a better position to apply for competitive grants that are focused on integrated delivery systems.

Proposed implementation and practical considerations:

Although the greatest benefits in care integration and financial savings through efficiencies would come from a full integration of the three Departments, this would be a large undertaking that would be time consuming and disruptive of current activities. Instead, I propose the three Departments operate as an agency, with the current Director of Health Services serving as the Director of this new unified health department.

In this model, DPH and DMH would remain as distinct individual divisions with separate finance structures, just as each of the hospitals within the current DHS operates as its own division with its own financial reporting. The Directors of DPH and DMH would report to the Director of Health Services and would serve on the Health Services Executive Team. If the new permanent Director of Public health is a physician she or he will be the County Health Officer. The Director of Mental Health will remain the County Mental Health Director.

The permanent Director of Public Health would be selected by the Board of Supervisors in consultation with the Director of Health Services, or by the Director of Health Services in consultation with the Board of Supervisors, as preferred by the Board.

Over time, as potential synergies are identified, administrative and back-office functions (e.g., finance, contracting, procurement) currently residing within each Department would be combined.

This proposal is consistent with the State of California's decision to transition the California Department of Mental Health into the California Department of Health Care Services in 2011, as well as how most counties organize their county physical and mental health services and public health activities. Although it is worth checking with County Counsel, this organization is the same as that of the majority of counties in California, including San Francisco, where I was the Director of a combined department for 13 years. Our Department included a traditional public health department with restaurant inspections, categorical STD and TB clinics, a clinical laboratory, and broad population health activities, two hospitals and an ambulatory care division, and a county mental health and substance abuse division which were combined into Behavioral Health.

If the Board wishes to go forward, the next steps would be:

– Private discussion with Interim CEO and the leadership of DPH and DMH to assure them that this consolidation is being done to enhance our joint missions, not to weaken the individual programs, and to be open to feedback on how best to accomplish this goal.

– Motion by the Board consolidating the Departments of Health, Public Health, and Mental Health into a single Department under the Director of Health Services with maintenance of separate financial accounting of the three Departments.

If you have any questions or need additional information, please contact me at (213) 240-8101.

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c: Sachi A. Hamai, Interim Chief Executive Officer