

County of Santa Clara
Santa Clara Valley Health & Hospital
System
Mental Health Services



HHS07 060804

Prepared by: Donna Bertrand
Contracts Manager

Reviewed by: Nancy Fowler
Director, Property
Management

Submitted by: Nancy Pena, Ph.D
Director, Mental Health
Department

DATE: June 8, 2004

TO: Board of Supervisors

FROM:

A handwritten signature in black ink, appearing to read "R. Sillen".

Robert Sillen

Executive Director, Santa Clara Valley Health & Hospital System

SUBJECT:

Report Back on Starlight Community Treatment Facility and Request to Negotiate Lease Amendment with Starlight Adolescent Center for premises at 455 Silicon Valley Blvd., San Jose.

RECOMMENDED ACTION

Consider recommendations relating to the report back on Starlight Community Treatment Facility.

Possible action:

- a. Accept report in response to the Board of Supervisors referral from February 24, 2004 regarding the Starlight Community Treatment Facility.
- b. Approve delegation of authority to the Manager, GSA Facilities, Property Management to negotiate and execute a retroactive lease amendment with Starlight Adolescent Center for expanded program space at the County-owned property located at 455 Silicon Valley Blvd., San Jose, at a rate of \$1.00 square foot, subject to County Counsel review as to form and legality, and approval by the Office of the County Executive.

FISCAL IMPLICATIONS

The Agreement for Services, administered by the Mental Health Department (MHD), assumes, in its payment schedule, that rent will be paid by Starlight. Starlight, however, has requested that the existing Lease be amended so that the rent for the facility is \$1 per year, retroactive to July 1, 2003, and that all maintenance and repair services are provided by County forces, with that provision retroactive to July 1, 2002. The request was made in the context of the overall program being in a deficit situation, estimated by Starlight in December 2003 at \$581,000, and more recently at approximately \$800,000.

If the rental rate was modified as requested, retroactive to July 1, 2003, the General Fund would have a FY04 shortfall of the full rent amount of \$570,944. The estimated amount in FY05 would be \$582,000. These figures would be exclusive of the unpaid balances for building maintenance services, which total \$87,207 for FY03, and \$28,342 for FY04 to date.

Rather than the requested rate, it is recommended that the rent be reduced to \$1 sq.ft. retroactive to July 1, 2003 for the current space of 27,662 sq.ft. For FY05 that same rate would be applied to the expanded space needed for the approved program activities. The expanded space would total 29,364 sq.ft. These changes would result in reducing the projected revenue shortfall in FY04 to \$239,000 since Starlight must be in a position to pay the new rent amount since MHD will cover one-time program shortfall with redirected FY04 savings from the adult 24-hour programs. The amendment would also recognize and forgive unpaid building maintenance balances for FY03 and FY04.

The FY05 program will be restructured to insure program expenses, including the lease rent at the new rate, are within budget parameters, utilizing available county general fund and state and federal revenues. The FY05 Recommended Budget assumes rent revenue at the new rate, so action to amend the lease as discussed in this transmittal will have no negative impact on the General Fund in that year.

REASONS FOR RECOMMENDATION

At the request of Supervisor Beall, the Board directed Administration to "evaluate and

develop a plan regarding programmatic, treatment and fiscal issues relating to the Starlight Community Treatment Facility." The Mental Health Department has been meeting with the Starlight, GSA, Probation, and Social Services to address current issues and to plan for the ongoing stability of this program, which is utilized by Social Services (DFCS), Probation, and Mental Health to provide secured psychiatric residential treatment to a census of 22 of the most severely disturbed youth under the jurisdiction of the county. A significant financial shortfall has resulted from fewer than expected referrals from both in- and out-of-county referral agencies. A plan has been developed to address the problems, through one-time FY04 strategies, and FY05 program modifications to insure the ongoing fiscal viability of the program. Acceptance of this report will allow MHD to proceed with changes to address identified issues.

Authorization for GSA to negotiate a Lease Amendment with the Starlight provider will allow the MHD to implement aspects of the plan to address the Starlight financial and program issues. The amendment would reduce back rent due for FY04 by applying a retroactive rent of \$1 sq.ft., consistent with lower market rents in general and with circumstances outside Starlight's control that have led to a lower than anticipated utilization, and would expand the space that will be utilized by Starlight consistent with MHD program objectives and overall program security. The layout of and access to the newly defined space will allow a true "lockdown" to be in place. This is believed to be supportive of efforts to expand program utilization to additional agencies.

These changes are necessary to allow for program and budget changes that will insure continued operation of the Community Treatment Facility (CTF). Remaining FY04 budget problems can be addressed through one-time MHD adjustments. FY05 problems will be addressed through facility and program changes, increased access by other counties to this critical service, and by restructured agreements between Santa Clara and other counties.

BACKGROUND

The Board of Supervisors approved the development of a sub-acute residential treatment program for adolescents in the FY98/99 budget. The intent was to utilize a newly certified program model, the Community Treatment Facility (CTF), which had been in development at the state level for several years. This new program model is licensed by the State Department of Social Services (SDSS) as a group home; and is certified by the State Department of Mental Health (SDMH) as a community treatment program. CTF programs are the only secure residential treatment programs available for California youth, outside of state hospitals and the California Youth Authority.

MHD, in collaboration with the parent company of the current Starlight CTF, submitted a proposal to the State Department of Mental Health in response to a Request for Proposal (RFP) issued in May 1999 for the statewide selection of the new CTF programs. Because of Santa Clara County's need for the new services, we agreed to act as the host county for the new regional service. The State approved a total of 400 CTF beds statewide. Seventy-six (76) of those beds were allocated to the Greater Bay Area Region. The Santa Clara County proposal was for a total of thirty-six (36) beds, with twenty-six (26) of the beds to be dedicated to Santa Clara County and ten (10) beds to Alameda County.

On May 9, 2000, the Board of Supervisors approved the purchase of the building at 455 Silicon Valley Blvd., San Jose. This building, the former Charter Hospital, was purchased with the intent of securing a facility for the new CTF, and

other behavioral health programs for Santa Clara County youth. After extensive inter-departmental planning involving staff from the new CTF provider, Mental Health Department, Probation, DFCS, and GSA, the Starlight Adolescent Center opened in October 2000, as a 36-bed regional residential treatment program. Of the thirty-six (36) beds, twenty-four (24) were allocated for Santa Clara County youth, ten (10) to Alameda, and the remaining two (2) beds were allocated to Solano County.

The Starlight CTF program is funded through multiple sources including AFDC group home payments through Social Services, education funds for non-public schools, and through a Short-Doyle/Medi-Cal agreement with MHD, which includes Medi-Cal and State EPSDT matching funds, State CTF supplemental rate funds, and county general funds. All funding is available through various mechanisms based on client occupancy in the program. The program annual budget is based on an expected 90% occupancy, and all referrals to the program must be approved through the county interagency placement committee, Resources for Intensive Services Committee (RISC), consisting of DFCS, Probation, and Mental Health staff.

The program accepts the most severely disturbed youth referred by county departments and has proven to be a critical service, in particular for Probation and Social Services in addressing the needs of youth who previously were posing severe placement concerns and lengthy stays in Juvenile Hall and the Children's Shelter. Currently Probation has seven (7), DFCS nine (9), and Mental Health four (4) youth in the program. All three county departments have indicated that alternative placement options for these and similar youth are virtually non-existent, outside of Metropolitan State Hospital in Los Angeles, CYA, or out-of-state locked programs.

Existing Lease

The current Lease with Starlight is for 27,662 square feet of space in the County-owned building at 455 Silicon Valley Blvd., San Jose, sometimes referred to as the old Charter Hospital. The Lease expires on June 30, 2004, though a provision allows for annual extensions consistent with the term of the Contract for Services for a Community Treatment and Day Treatment program, administered by MHD. The rent for FY04 is \$47,578.64 per month, or \$570,943.68 per year. If the Lease is extended, the rent will increase on July 1, 2004, and in any future year, by the Consumer Price Index (CPI) for the San Jose area. In addition, Starlight is responsible for payment of 55% of the utilities in the building, based on its occupancy of the total. Maintenance is shared between the County and Starlight as defined in an exhibit to the Lease. The Agreement for Services, administered by MHD, assumes, in its payment schedule, that rent will be paid by Starlight.

Problems and Solutions – FY04 and FY05

In November and December 2003, Starlight informed MHD, GSA and the Board of Supervisors of financial problems resulting from a lower than expected census in the program, thus significantly decreasing revenues to Starlight. At the time, the year-end revenue loss was projected at \$500,000. In a February 2004 meeting with Starlight, attended by SSA, Probation, GSA, and Mental Health staff, the deficit projection was reported to be just over \$800,000, and Starlight indicated that their ability to continue providing this program was in serious jeopardy.

A series of meetings have occurred since the February meeting to review the program and financial issues that have created the current problems. The meetings have included input from Starlight, MHD program staff, SCVHHS Finance staff, Probation, DFCS, GSA, and County Counsel. Key issues were identified as responsible for the current situation and agreement was reached on a plan to address the problems in FY04 and FY05.

The most critical cause of the current fiscal problems is the low census and the resulting loss of revenue to the provider. Virtually all program expenses are covered by census-based revenue. The Starlight budget assumes a 90% program occupancy within the 36-bed program, allowing for some fluctuation in admissions and discharges. However, program costs have not fluctuated with the significantly low census (70%; average 25 beds) this fiscal year, resulting in a projected FY04 shortfall of \$1,010,000. The factors contributing to the low referrals by both in-county and out-of-county agencies are outlined below.

· Cost and Financial Risk to Counties – Because the funding streams that finance the CTF's are not within the control of counties (AFDC payments, Medi-Cal/EPSDT billings, State supplemental rates), many counties are not willing to enter into agreements with Santa Clara County, unless they are guaranteed a fee-for-service rate. While the estimated net county cost is relatively low compared to hospital and out of state placements (\$135/day), current funding structures require that counties assume the risk at reconciliation if any of the funding assumptions are not realized. In this economic climate, counties are not prepared to take that risk. In addition, those counties with commitments to Santa Clara County have not had the number of expected referrals from Social Services and Probation Departments. This is, in part, because some counties require the referring department to pay for the county share of the placement. This is also thought to contribute to lower than expected referrals. Within Santa Clara County, DFCS and Probation have each indicated a critical need of 10 beds each, while MHD requires 4, for a total Santa Clara County need of 24 beds.

Agreed Solutions–

1. Provider to immediately reduce program staffing to meet current census levels in order to save on expenses for the remainder of the fiscal year.
2. MHD to determine unavoidable FY04 Starlight shortfall and redirect one-time MHD funds to address current year deficit.
3. GSA to renegotiate FY04 and FY05 lease terms related to rates, maintenance, and space.
4. MHD to negotiate and restructure FY05 Starlight agreement to accommodate Santa Clara County (MHD, Probation, and DFCS) needs for 22 beds, within FY05 existing county resources; and will negotiate and restructure contracts with other counties to allow both dedicated and fee-for-service options. Program capacity will be established based on confirmed beds requested from other counties plus twenty-two (22) Santa Clara County beds.
5. Economies of scale resulting from of fee-for-service contracts will be shared among all program users. Santa Clara County to accept negotiated responsibilities such as service authorization, program certification, and facilities lease/management.

Facility Security and Lease

A second problem identified is a concern of placing agencies about the security of the CTF facility, given several AWOL's from the program this past year. It is thought that some referrals are not being made because of this problem. This is viewed by Starlight to be related to the fact that the Fire Marshall will only authorize certain areas of the facility to be locked and not the entire facility. This is because there are several non-CTF program components co-located at the facility, which by law must have immediate egress from the facility in the event of a fire. Consequently, several youth have eloped while moving between locked and unlocked parts of the building.

Agreed Solutions--

6. GSA to renegotiate lease and allow Starlight sole occupancy of the facility in order to obtain Fire Marshall Clearance to lock additional parts of the facility, thereby reducing elopement and increasing security.

Program Population and Referral Process

Because CTF's are locked programs, there has been a significant amount of attention dedicated at the state and local levels to assuring that the population of youth referred to CTF's require locked settings, and that appropriate voluntary and involuntary processes are in place. CTF providers have indicated that by allowing structured aftercare services, in the form of wraparound and intensive in-home treatment, the success of these programs can be enhanced and residential stays may be reduced. In addition, CTF providers suggest that hospitalizations and placement failures can be reduced by considering youth with severe psychiatric problems who may not have extensive placement failures, but who would benefit from short-term intensive treatment rather than incarceration or placement in lower level group homes. This issue has been raised with respect to the number of severely disturbed youth that are appearing in the juvenile justice system, who may be better served by the CTF program than other limited options available to them. An examination of the potential for the CTF to be utilized for juvenile justice youth who are currently waiting placement in juvenile hall, or who might otherwise benefit from this level of care, to better address severe mental health needs is warranted.

Agreed Solutions--

7. DFCS makes the group home payments to Starlight on behalf of DFCS, the Mental Health and Probation departments. MHD, DFCS and Probation are working collaboratively to establish a guaranteed portion of the group home payment to Starlight as a means of maintaining Starlight's fiscal sustainability.

8. MHD's FY05 agreement to include more extensive aftercare services for the CTF clients, utilizing Medi-Cal and EPSDT resources in order to extend treatment through transition to community based care. MHD will explore with DFCS, the possible utilization of wraparound resource for up to 90 days of intensive transition services.

9. County Departments (Probation, DFCS, MHD) with Starlight to review client admission criteria and processes to determine whether additional county youth might benefit from a shorter term program within CTF regulations and requirements.

Summary

The CTF level of care is seen as a vital, yet limited resource needed by Santa Clara County departments responsible for placement of youth wards, dependents, and mental health clients. To date, only five of the fourteen CTF programs originally approved by the State Department of Mental Health are operational. The problems facing Starlight are similar to those being faced by other programs, according to a recent survey of providers. All providers cite program expense and funding uncertainty as critical issues. The options proposed here will address those issues most critical to Starlight and will insure this level of care continues to be available to county youth.

It is requested that the Board approve the above plan and authorize GSA to proceed with lease negotiations. It is also proposed that MHD utilize one-time savings in the 24-hour programs to address any budget shortfall this fiscal year, which is expected to be less than \$500,000. Additionally, MHD has sought and obtained State approval to allow Starlight to market vacant beds to counties statewide. . This will limit county fiscal responsibility to only those beds

dedicated to Santa Clara County placements. These modifications are expected to address current and future issues. In the event that utilization by other counties does not increase, the county would negotiate a reduced program with the provider to a capacity of approximately 28 beds.

ATTACHMENTS

- (Transmittal submitted on May 26, 2004 7:50:40 AM – PDF Version)