



Board Agenda Item 27

DATE: November 4, 2025

TO: Board of Supervisors

SUBMITTED BY: Susan L. Holt, Director, Department of Behavioral Health

SUBJECT: Retroactive Amendment No. 2 to Master Agreement for State Mandated Inpatient Psychiatric Hospital Services

RECOMMENDED ACTION(S):

- 1. Under Administrative Policy No. 34 for competitive bids or requests for proposals (AP 34), determine that an exception to the competitive bidding requirement under AP 34 is satisfied and a suspension of competition is warranted due to unusual or extraordinary circumstances due to the non-competitive/emergency nature of master agreements and inpatient psychiatric hospital referrals; and**
- 2. Approve and authorize the Chairman to execute retroactive Amendment No. 2 to Master Agreement No. 25-271, to add Bakersfield Behavioral Healthcare Hospital, LLC and Sacramento Behavioral Healthcare Hospital, LLC to the agreement effective July 1, 2025, with no change to the term of July 1, 2025, through June 30, 2030, or compensation maximum of \$140,000,000.**

There is no additional Net County Cost associated with the recommended actions. Approval of the recommended actions will allow the Department of Behavioral Health (DBH) to add two hospitals to the Master Agreement to provide inpatient psychiatric beds and care to individuals with high acuity mental health needs. The Department, in its role as the County Behavioral Health Plan (BHP), is obligated to provide and reimburse for inpatient psychiatric hospital services and approval of the recommended actions will ensure the Department remains in compliance with Department of Health Care Services (DHCS). This item is countywide.

ALTERNATIVE ACTION(S):

There are no viable alternative actions. Should your Board not approve the recommended actions, the Department will not be able to reimburse Inpatient Psychiatric Hospitals for mandated services for persons served in need of this level of care

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

It is requested that the County find under AP 34 that an exception to the competitive bidding requirement is satisfied, and a suspension of competition is warranted due to unusual or extraordinary circumstances due to Inpatient Psychiatric Hospital services being mandated by DHCS for counties to provide the services and pay hospitals for persons served with Medi-Cal. Additionally, the Department does not have control over the referral process to the hospitals by local emergency departments. The General Services Department - Purchasing concurs with the Department's assessment that this satisfies the exception to the competitive bidding process required by AP 34.

RETROACTIVE AGREEMENT:

The recommended amendment is retroactive to July 1, 2025 to add Bakersfield Behavioral Healthcare Hospital, LLC and Sacramento Behavioral Healthcare Hospital, LLC. Due to both hospital's negotiation and legal review to enter into the Master Agreement to allow for payment of mandatory services, the Department was unable to add Bakersfield Behavioral Healthcare Hospital, LLC and Sacramento Behavioral Healthcare Hospital, LLC when the Master Agreement was executed. The recommended amendment was brought to your board at the earliest possible date.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions. The maximum compensation of the Master Agreement (\$140,000,000) is funded with Mental Health Realignment. Sufficient appropriations and estimated revenues are included in DBH's Org 5630 FY 2025-26 Adopted Budget and will be included in future budget requests for the duration of the term. Actual costs will be determined by actual services provided.

DISCUSSION:

On October 11, 2022, the Board approved the California Department of Health Care Services (DHCS) Agreement No. 22-452 (State agreement #22-20101) to continue to operate the Fresno County Mental Health Plan (FCMHP) in accordance with all applicable Federal and State laws. The responsibilities include ensuring persons served have access to medically necessary mental health services within and/or outside of the County including inpatient psychiatric hospital services in accordance with Welfare and Institutions Code (WIC) Division 5, Title 42 Code of Federal Regulations, and Title 9 of California Code of Regulations (CCR) Chapter 11 commencing with Section 1810.100.

On January 7, 2025, your Board approved Agreement No. 25-008 (State agreement No. 24-40134) with DHCS, establishing the Department as the Behavioral Health Plan (BHP) for the County's Medi-Cal and Drug Medi-Cal Organized Delivery System persons served. This agreement continues the responsibilities discussed above for inpatient psychiatric hospital services.

Inpatient psychiatric hospital services include both acute inpatient psychiatric hospital services and administrative day services. All services are approved through a third party to ensure the services meet medical necessity, per 42 C.F.R., § 438.210(b)(1). BHPs are required to reimburse for these services for individuals between the ages of 22-65 in Institutions for Mental Disease (IMD) which includes these hospitals. These required services are not reimbursable from Medi-Cal/Medicaid for the persons in the age group of 21-64 due to the Medicaid IMD exclusion. The IMD exclusion is a long-standing policy under Medicaid that prohibits the federal government from providing federal Medicaid funds to states for services rendered to certain Medicaid-eligible individuals who are receiving services in IMDs (§1905(a)(30)(B) of the Social Security Act [SSA]).

On June 24, 2025, your Board approved Master Agreement No. 25-271 establishing a Master Agreement with the Inpatient Psychiatric Hospitals.

On July 8, 2025, your Board approved Amendment No. 1 to Master Agreement No. 25-271 (A-25-336), to add Aurora Behavioral Healthcare-Santa Rosa LLC.

The individuals served by Inpatient Psychiatric Hospitals have high acuity needs and require immediate inpatient services that are volatile. The Master Agreement is intended to provide a mechanism for timely payment processing, minimizing inpatient service wait times, and reliable availability of inpatient beds for county residents in need of inpatient psychiatric care.

For Bakersfield Healthcare Hospital, LLC, in Fiscal Year 2024-2025, a total of 197 persons served received

psychiatric inpatient services with a combined total of 1,231 days of stay.

For Sacramento Healthcare Hospital, LLC, in Fiscal Year 2024-2025, a total of 46 persons served received psychiatric inpatient services with a combined total of 400 days of stay.

Approval of the recommended actions will add Bakersfield Behavioral Healthcare Hospital, LLC and Sacramento Behavioral Healthcare Hospital, LLC to the Master Agreement. Bakersfield Behavioral Healthcare Hospital, LLC and Sacramento Behavioral Healthcare Hospital, LLC were not able to complete their legal reviews to meet the deadlines required to be included in the execution of the Master Agreement or Amendment No. 1 and therefore require an amendment to the Master Agreement to be added. As stated above, the Department does not have control over referrals to Inpatient Psychiatric Hospitals from Emergency Departments but is responsible for the payment of those services. Bakersfield Healthcare Hospital, LLC is currently serving Fresno County persons served and must be added to the Master Agreement to be able to reimburse for mandated services provided. Sacramento Healthcare Hospital, LLC may receive referrals of Fresno County persons served at any time by Emergency Departments and the recommended amendment will allow the Department to reimburse for services delivered.

The outstanding amount for invoices received for the time period of July 1, 2025 to present for Bakersfield Healthcare Hospital, LLC are \$544,893.

The outstanding amount for invoices received for the time period of July 1, 2025 to present for Sacramento Behavioral Healthcare Hospital, LLC are \$28,590.

OTHER REVIEWING AGENCIES:

The Behavioral Health Board will be notified of the Amendment during the October 2025 Behavioral Health Board meeting.

REFERENCE MATERIAL:

BAI #35, July 8, 2025
BAI #46, June 24, 2025

ATTACHMENTS INCLUDED AND/OR ON FILE:

Suspension of Competition Acquisition Request
On file with Clerk - Amendment No. 2 to Master Agreement

CAO ANALYST:

Ronald Alexander