

**County of Santa Clara**  
**Santa Clara Valley Health & Hospital System**  
Alcohol & Drug Services  
Administration




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HHS13 062409

Submitted by: Robert Garner  
Director, Department of Alcohol and  
Drug Services

DATE: June 24, 2009

TO: Board of Supervisors

FROM:   
Kim Roberts  
SCVHHS - Chief Executive Officer

SUBJECT: Re-bid of Contract Drug and Alcohol Treatment Services

**RECOMMENDED ACTION**

Accept report on the status of the re-bid of contract drug and alcohol treatment services of the Department of Alcohol and Drug Services.

Possible action:

Approve the process for the selection of contract drug and alcohol treatment services.

**FISCAL IMPLICATIONS**

There is no impact on the County General Fund as a result of this action. This report provides information on the re-bidding of the adult contract treatment system.

**CONTRACT HISTORY**

The Request For Proposals (RFP) process has been used extensively to determine the allocation of new funding, providing an open, competitive process among both current and potentially new provider agencies. Since the Department uses a performance-based contracting system, regular rebidding is not used. Several years ago, when the

Department was facing a reduction target of \$9 million, a plan was developed to rebid the entire system as the best method for deciding which agencies would remain after the reduction. When the money was added back to the budget, this plan was not implemented.

For FY10, the economic environment is much more severe. Although the initial reduction target of \$9 million was reduced in the recommended budget to \$6.7 million, that is still a substantial reduction amount. The Department considered across the board reductions to maintain all of the provider organizations, but this was not a viable option. Residential providers in particular have fixed overheads, and being at less than full capacity is not cost effective. Transitional Housing Unit (THU) houses in particular are small and need to be at capacity to be viable.

The decision to rebid the entire system seemed to provide the most open and fair process to allocate the substantial reduction in funding. This allowed all providers to compete equally, and it gave the Department the opportunity for an independent review of all proposals and to incorporate all of the data available on performance of each provider in the system when selecting the providers to fund. The Department used the standard process for issuing an RFP, as approved by County Counsel.

## **REASONS FOR RECOMMENDATION**

The budget reductions in the Department of Alcohol and Drug Services approved by the Board of Supervisors on June 19, 2009 requires the Department to make substantial changes in the adult treatment system. Planning for these reductions began early in calendar year 2009 and will accelerate in the first two months of Fiscal Year 2010 in order to complete the reduction of services within a two month transition period. Since much of the reduction in treatment capacity requires a re-bidding of the contract treatment system that will occur while the Board is in recess during the month of July, this report provides a description of the process used for the contract re-bidding, and the status and timeline to complete the service reduction approved by the Board. The transition is expected to be completed by September 1, 2009.

## **BACKGROUND**

The following report describes the process used to solicit, evaluate and select proposals, and the timeline and current status of implementation of the new and reduced treatment system.

### **Purpose**

The Department's initial budget reduction target of \$9 million was subsequently reduced to \$6.7 million in the Recommended Budget. Significant changes in the adult treatment system of care are required to address the budget reduction. Specifically, a reduction in contract outpatient services of 39%, residential treatment of 32%, and THU services of 19% were required. Reductions of that magnitude made equal with across-the-board cuts was not viable because of the fixed costs in most programs and the inefficiency of operating very small programs. Residential programs in particular could not operate with significant empty and unfunded capacity. Accordingly, the Department decided to re-bid the entire contract system through a Request for Proposals (RFP) process. This process allowed contractors to bid for any part of the contract system. Potential providers were encouraged to look at economies of scale and to seek partnerships and mergers with other providers.

## Process

An RFP covering outpatient, residential and THU services was developed by the Department and issued on March 27, 2009. (A copy of this RFP and a modification of that document are attached). Due to the enormity and complexity of this task, the Department wanted to provide the maximum amount of time possible for providers to prepare proposals. At the same time, the Department didn't want to act until the final budget decisions and approvals were made by the Board on June 19, 2009. In addition, clients currently in treatment needed to be protected during the transition process. The approved budget includes an allocation of bridge funding to provide a two month transition period before implementation of the new and reduced contract system. This timeline is reflected in the RFP document.

Following the release of the RFP, an educational workshop and bidder's conference was scheduled for April 3, 2009. Questions raised in that conference were to be answered in writing. Proposals were due on May 15, 2009 and reviewed by independent panels of experts between May 18 and June 8, 2009. Notification of applicants will take place the week of June 22<sup>nd</sup>. One week would be provided for appeals to be resolved and the contract negotiations will take place between July 7 and August 14, 2009. The effective date of the new contracts will be September 1, 2009.

## Status

The RFP was released on March 27, 2009 and the educational workshop and bidder's conference was held April 3, 2009. The conference was attended by 41 provider representatives. Questions were asked across a wide range of issues and the Department's official responses were put in writing and distributed to all potential providers. A copy of the responses is attached.

A total of 37 proposals were submitted as follows: 9 outpatient proposals, 11 THU proposals, and 17 combined residential and residential detoxification proposals. Several providers submitted multiple proposals and combinations of proposals, for consideration. No submissions were rejected for being incomplete.

Three review panels were convened to review proposals in the three categories. Membership included representatives from the State Department of Alcohol and Drug Programs, the Probation Department, the Social Services Agency, the Mental Health Department, the District Attorney, and two community providers not involved in submitting a proposal. Those panels have completed their work and submitted the scores for each proposal.

The Director of DADS, with senior program managers responsible for each program area, conducted the first internal review of the proposals on June 18, 2009, and that review process is expected to be completed the week of June 22<sup>nd</sup>. As outlined in the RFP, this final review allows the Department to consider, in addition to the scores given each proposal, such additional factors as the County's overall needs, the geographic location of services, past capacity utilization of the provider, contract performance history, provider references, and any other information available to the Department.

The selection of providers will be announced the week of June 22<sup>nd</sup>, and those not selected will have one week to appeal their rejection. As described in the RFP, the appeal must clearly state the regulatory, legal or review process violation that is grounds for appeal. The Department will issue a written response no later than one week following the appeal.

## Transition

Two major tasks will take place during the two month transition period following the selection process. First, for those providers who will be awarded contracts for FY10 the contract development process will be completed. Second, for those providers who are not awarded contracts for FY10, their programs will need to be phased out over the two month period. The top priority will be to protect clients currently in treatment. Concurrently with this transition in contract services, the two county outpatient clinics will be closed, the East Valley Methadone Clinic will be closed and the clients

and some staff consolidated at the Central Valley Clinic site, and the Gateway Assessment Center will be restructured. A brief overview of these tasks follows.

The first task, the development of new contracts for those providers selected by the RFP process, will be straight forward. The contracting process is an annual process and the guidelines and requirements are clearly defined. There should not be any problem having the new contracts in place before the end of the two month transition period.

The second task, closure of programs not selected to continue, will be more difficult. Beginning July 1<sup>st</sup> all new intakes for residential and contract outpatient services will stop. This will be necessary to transfer clients from those programs being phased out to those remaining, at the same time accommodating the reduction in overall capacity in the system. Client intakes will continue for the perinatal providers, House on the Hill residential program for women and young children, methadone and detoxification. In addition, the length of stay at the THU facilities will be reduced to 60 days during the transition period. The goal is to have all clients in provider sites being phased out moved to new provider sites by August 14<sup>th</sup>. The transfer of clients to new THU providers is scheduled for August 21<sup>st</sup>. By the end of August, no clients will remain at those provider sites being discontinued. During this same time frame, the Department's Quality Improvement Division (QI) will be monitoring and expediting client transfers and client files and other County property will be secured as part of the closure of provider sites.

While on paper this process is clear, the reality may not be so neat. As programs prepare to close, it is likely that staff in those programs will leave to seek employment elsewhere. Transfer of clients may have to be accelerated accordingly. Those programs closing may have to terminate leases before the full transition period has expired, and this will also accelerate the transfer of clients as well as the securing of client files and County property. These and other similar problems have been encountered when the Department has had to close single programs and the magnitude of this transition may create even more such problems. However, the QI Division is experienced in this type of work and the staff will be fully committed to the transition process during the two month period.

#### Consolidation of two methadone treatment clinics --

The closure of the East Valley Clinic (EVC) and transfer of clients and some staff to the Central Valley Clinic (CVC) is expected to be completed by July 1<sup>st</sup>. Because client dosing occurs daily for many clients, EVC clients are beginning to be dosed at CVC. Counselors transferring to CVC are being scheduled to begin work at CVC by July 1<sup>st</sup>. Movers are slated to begin the physical move by June 26<sup>th</sup>, both to move the EVC equipment to CVC and to move the Puentes Clinic equipment from CVC to EVC. Psychiatric staff at EVC will move to CVC by July 1<sup>st</sup>.

#### Closure of North County and East Valley Outpatient Clinics --

Planning for these closures is underway, pending final Board action on the FY10 budget. Placement of clients in those two clinics into other provider sites, including the Department's Central Treatment and Recovery Clinic, is underway. Services are continued to clients in those two areas through the contract outpatient system. The closure of the two clinics will be completed by July 1<sup>st</sup> and all clients still remaining in treatment will have been placed in other treatment sites by that date.

#### Restructuring of Gateway Assessment Center (GWAC) --

The Department has been planning the restructuring of the GWAC program for some time. In its current form, clients calling GWAC are provided a full assessment by clinical staff over the phone, and then given an appointment at the appropriate treatment provider. For many reasons, not limited to the budget reduction challenge, this system needed to be changed. It has become clear that the treatment assessment needs to take place at the provider site where the client will receive treatment. A phone assessment with someone the client will never meet or talk to may, in fact, interfere with the development of a therapeutic relationship so critical to treatment success. In addition, much of what is gathered

at the phone assessment has to be repeated at the treatment site. And finally, there was the need to reduce costs throughout the system and a restructured GWAC offered significant savings, while also providing improvements in efficiency.

The new system will be similar to that experienced by most people with health insurance. A call is made to an admitting clerk, a brief conversation determines eligibility and rules out any emergency requiring more immediate action, and results in an appointment with a treatment provider – in the case of medical care, a primary care physician. The new GWAC will utilize Health Services Representatives (HSR), the same type of staff used in the County's hospital and clinics. The appointment process will take significantly less time than in the current GWAC system. And the actual treatment assessment will take place at the treatment site, where it can be done by the primary counselor providing treatment and used directly to develop a treatment plan.

This restructuring requires creation of new HSR positions, and this will take place during the budget hearings. As soon as the positions are created recruitment will begin, followed by training provided both by the Health and Hospital System for all HSR staff, and by the Department for drug and alcohol specific information and requirements. During this transition period, some current GWAC clinical staff will continue to operate the phone system, providing the overlap required to have the new HSR staff in place September 1<sup>st</sup>.

## **ATTACHMENTS**

- Request for Proposal Document
- Addendum to RFP
- Questions and Answers from Bidders Conference