



# Oregon

Theodore R. Kulongoski, Governor

**Department of Human Services**  
*Addictions and Mental Health Division*  
500 Summer Street NE E86  
Salem, OR 97301-1118  
Voice 503-945-5763  
Fax 503-378-8467

October 20, 2009

Scott Johnson  
Robin Henderson  
Central Oregon Integration Project  
2577 NE Courtney Drive  
Bend, OR 97701

Dear Mr. Johnson and Ms. Henderson;

The Legislature directed Department of Human Services (DHS) to establish demonstration projects with willing local partners to develop an integrated management and service delivery system that includes physical health, addictions and mental health services. We know that the task in front of us and our local partners can seem daunting. The legislative intent includes using all existing funding to improve services, developing a single point of accountability for the delivery of services, reducing the use of emergency department, residential and hospital services and managing and evaluating contracts on outcomes.

We appreciate what the Central Oregon Integration Project (COIP) members have already accomplished in developing a possible demonstration project. The discussions between local partners and key members of the Addictions and Mental Health Division (AMH) have been very productive. We especially appreciate the time COIP members took to brief Richard Harris and Len Ray from AMH.

We are offering COIP the opportunity to be a Demonstration Project site. Upon acceptance by all COIP members additional details will be negotiated in a Memorandum of Understanding (MOU) and contract language and as needed.


DHS understands that local communities may not be able to accomplish the full mandate at the beginning of the project. Local projects may propose demonstrations that incrementally approach the different components of the demonstration that meet the legislative intent. This includes the four basic components of the demonstration projects:

1. Creation of a single point of accountability;
2. Financial integration;

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3. Service integration; and
4. Agreed upon outcome measurements.

DHS supports the essential role of the three counties, as Local Mental Health and Public Health Authorities in this effort. We understand that local accountability and ownership, including leadership from the counties, greatly increases the opportunity for success of this project. The single point of accountability should be designed by the local demonstration project in close consultation with the Local Mental Health Authority (LMHA).

Ultimately, we see a single point of accountability as one entity managing the financing, governance, provision of services and local planning. It would include physical health, mental health, and addiction services. We have no preconceived entity in mind but firmly believe that the entity must have the necessary expertise in all areas of service delivery and management. This could be an administrative services organization serving as an umbrella organization, a limited partnership, a Medicaid managed care entity that will take on broader responsibilities, or some new concept that we have not developed. Please let us be clear, that we are interested in seeing your proposal on the concept. Your proposal will help guide discussions.

We see the demonstrations as collaborative projects with local communities and look forward to working with local projects to finalize details. This includes negotiations regarding financial support, use of different financial resources, timing, outcomes and governance structures. You will have the opportunity to take on the responsibility for managing long-term care and services for residents of the demonstration region, even if you are not ready to do so initially.

Proposed demonstration projects should submit business plans including proposed populations, timelines, and governance structures. The plans should discuss movement toward consolidation of administration and financing. DHS will provide additional clarity around the four components and additional guidance to help proposed demonstration sites complete the business plan.

DHS also knows that developing new systems across funding streams, providers and populations can appear to be risky. DHS will work closely with local projects to minimize potential risks, especially related to Medicaid funding and will work

internally and with the federal government to remove barriers and reduce potential negative outcomes. We will actively engage other divisions within the department and other state agencies to help support access to other social services and supports.

DHS is not asking local communities to shoulder the entire responsibility for the demonstration. DHS will work closely with the demonstration sites to:

- Provide \$150,000 this biennium to support Demonstration efforts. Future funding for the project will be negotiated during the budget and contract development process and of course will be contingent on legislative approval.
- Provide access to a new data system that will allow local systems and providers access to real time data.
- Contract for an external evaluator similar to the Children's System Change Initiative evaluation process. The intent is to limit any additional burden on the demonstration partners but to clearly show key leaders, including the Legislature, the progress being made.
- Actively partner on federal and foundation grant applications that support the demonstration's goals and objectives including researching available opportunities, applying for state-only funding opportunities, and supporting local grant applications.
- Support local efforts with a DHS team to resolve problems and negotiate barriers.
- Provide flexibility, where possible, regarding financing and administrative requirements.
- Provide COIP partners current biennial details regarding state and federal funding to show a baseline of the resources that are provided to the region for physical health care, mental health services and addiction services.
- Work with the LMHAs to consolidate all state funding in the state/county behavioral health Financial Assistance Agreement to each county to increase flexibility and reduce silo thinking, as long as state and federal mandated and core services are available to all prioritized citizens.

You have requested that DHS provide the COIP team the “Kessler formula using prospective population estimates for 2009-2011, to determine the relative state mental health and addiction investment in each county.” The Kessler formula is a methodology to distribute funds with a much broader context than the demonstration projects. AMH will work with AOCMHP to work on the formula issue in a stand alone process. We do not see the demonstration projects tied to the issue of formula allocations and are not making any changes at this time. However, we will provide COIP both the current contracted amounts and the impact of the Kessler formula on the region and the state as an example at your request.

We also understand that state’s financial situation may change causing program and service cuts. Additionally, local budgetary situations may also change. If these situations do occur, the entire demonstration project agreement would be open for discussion at that time.

DHS developed specific examples of measurable outcomes for individuals receiving services in the demonstration projects. However, final measurable outcomes will be developed between the site and DHS. We will provide information to the Legislature explaining the agreed upon outcomes. We believe increasing access is a vital component. One way we believe this will happen is through savings resulting from reduced utilization of high cost services back to the local community. However, we also understand that increased access is contingent on stable funding and may not be realized if funding scenarios change.

We also want to assure local communities that we are committed to the success of these projects and have no preconceived end-date. We believe that moving in this direction provides better accountability, higher quality of care and better access to those in need. DHS will support the Demonstration through 2013-2015 biennium providing it doesn’t conflict with legislative direction and measurable progress is being made on agreed upon outcomes.

We believe that the demonstration projects will continue to change and adapt to new information and to the experience in the demonstration as we progress. Also, DHS and local partners should have the option to terminate the demonstration if the project is not meeting expectations or if there is irreconcilable differences.

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We look forward to working with the COIP to finalize a formal agreement including negotiated outcomes by December 1, 2009. This agreement will describe the partnership between DHS and local partners and expectations on both sides. If you have questions, please feel free to call Jane-ellen Weidanz, DHS Integration Demonstration Project Manager at 503-945-9725 or e-mail her at [jane-ellen.weidanz@state.or.us](mailto:jane-ellen.weidanz@state.or.us).

Sincerely,



Richard L. Harris  
Assistant Director  
Addictions and Mental Health Division



Judy Mohr Peterson  
Assistant Director  
Division of Medical Assistance Programs