



# WASHOE COUNTY

Integrity Communication Service

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## STAFF REPORT

BOARD MEETING DATE: August 22, 2023

**DATE:** August 1, 2023

**TO:** Board of County Commissioners

**FROM:** David Solaro, Assistant County Manager, [dsolaro@washoecounty.gov](mailto:dsolaro@washoecounty.gov)

**THROUGH:** Eric Brown, County Manager

**SUBJECT:** Recommendation and possible action to: (1) Approve the purchase and sale between Washoe County and BHC Health Services of Nevada, Inc. a Nevada Corporation for the property commonly known as the West Hills Hospital located at 1240 East 9<sup>th</sup> Street, Reno, Nevada (APN 008-171-38) (an approximate 3.43 acres portion of the overall 4.69 acre site) as authorized in Nevada Revised Statutes (NRS) 244.275 for \$4,800,000.00; and (2) authorize the County Manager to execute any and all required documents necessary for the property purchase. (Commission District 3.)

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### SUMMARY

On December 20, 2022, the Board of County Commissioners (Board) allocated State and Local Fiscal Recovery Funds (SLFRF) in the amount of \$4.8M for the possible purchase of the West Hills Hospital property. This is a request to approve the purchase and sale between Washoe County and BHC Health Services of Nevada for a portion of a 4.69 acre site and allow the County Manager to execute the required documentation through the purchase process.

The Washoe County Board of Commissioners is being asked to consider purchasing a mental health inpatient facility to address the pressing need for increased acute, long-term, and stabilization care for mental health services in the community. The shortage of mental health providers, coupled with the inadequate Medicaid reimbursement rate in Nevada, has created a significant gap in accessible mental health services, which has increased in severity over the past 24 months. The closure of the 95-bed West Hills Behavioral Health Hospital was a significant loss to the region and greatly reduced the availability of behavioral health beds. By securing this facility and partnering with a provider, Washoe County can create a model that allows for Medicaid reimbursement and subsidies for facility costs, thereby improving mental health services coverage and reducing future burdens on County services.

Additionally, the property is large enough to house the Washoe County Health District Tuberculosis and Community Health Clinic as a compatible use. This will allow the Board to determine next steps in relation to future status of the property located at 10 Kirman Avenue where the Clinic is currently located.

Strategic Objective supported by this item: Vulnerable Populations.

AGENDA ITEM # \_\_\_\_\_

## **PREVIOUS ACTION**

On December 20, 2022, the Board approved funding for the purchase of the Real Property at 1240 E. 9<sup>th</sup> Street, Reno, Nevada in the amount of \$4,800,000.00 for the purpose of providing behavioral health services.

## **BACKGROUND**

The Washoe County Board of County Commissioners is being asked to consider the purchase of an inpatient mental health facility to address the pressing need for increased acute, long-term, and stabilization care for mental health services. The shortage of mental health providers, coupled with the inadequate Medicaid reimbursement rate in Nevada, has created a significant gap in accessible mental health services, which has become more severe over the past 24 months. Owning a facility in partnership with a provider would allow Washoe County to create a model that allows for Medicaid reimbursement and subsidies for facility costs. This facility will improve mental health services coverage and reduce future burdens on other County services.

Washoe County faces a critical shortage of mental health providers, particularly for children and adolescents. This has led to a lack of available services and limited access to appropriate care which can have severe long-term consequences for individuals and place increased pressure on County resources. Most recently, the County has been forced to utilize emergency beds and other temporary emergency foster placements. To mitigate this crisis, the County should invest in a dedicated mental health facility to bridge the gap in services and ensure better outcomes for the community's youth.

### **Current Challenges:**

- a. **Insufficient Mental Health Providers:** Washoe County lacks an adequate number of mental health providers, especially for children and adolescents, which limits accessibility to services. Washoe County has zero beds for the acute mental health pediatric population, which results in a lack of stabilization offerings in the community. This population either has to travel out of the area or visit the local emergency room which does not provide the appropriate level of care for this population.
  
- b. **Inadequate Medicaid Reimbursement:** The State of Nevada's Medicaid reimbursement system does not adequately cover the costs of mental health services; this causes providers to limit and even refuse to offer services. As a result of the inadequate reimbursement rates, providers have ceased accepting Medicaid children (all Child Welfare children are enrolled in Medicaid) or greatly reduced their numbers. Several former providers have decreased or eliminated their mental health offerings in the Washoe County area. Washoe County staff continues to work on this serious issue to ensure future investment in mental health facilities and adequate provider participation in our region.

### **Proposed Solution:**

By purchasing an inpatient mental health facility, Washoe County can establish a collaborative model with a contracted provider to address the service gaps and financial challenges. This solution will enable the provider to offer services by leveraging Medicaid reimbursement and subsidies for facility costs and overhead provided by Washoe County.

**Benefits:**

a. **Improved Access to Mental Health Services:** An inpatient, stabilization, or mental health facility, will permit Washoe County to increase the availability of acute and mental health care services for children and adolescents as well as potential for in custody patients of the Detention Facility. This would help meet the community's pressing needs.

b. **Sustainable Funding Model:** Acting as the safety net by providing facility costs and overhead would allow Washoe County to assist the contracted provider to increase the financial stability necessary to offer services with Medicaid reimbursement. This funding model mitigates some of the financial barriers currently faced by providers, ensuring the availability of essential mental health services.

c. **Prevention of Future Burdens:** Investing in mental health services now will help prevent future crises and alleviate the burden on other County services, such as law enforcement, courts, probation, and both prosecuting and defense attorneys. Early intervention and effective treatment can reduce the long-term consequences of mental health issues, which leads to improved overall community well-being and lower reliance on County resources.

**Financial Analysis:**

a. **Initial Investment:** The purchase of a mental health inpatient facility will require an initial capital investment. Funding for the initial purchase of the facility has been approved by the Board utilizing State and Local Recovery Funds (SLRF). Upgrades to the facility will be required and funding sources are being identified that will be brought to the Board for future consideration.

b. **Cost Recovery:** The facility's costs and overhead will be partially recovered through Medicaid reimbursement, reducing the financial burden to Washoe County. The contracted provider's services will generate revenue through the Medicaid program, ensuring sustainability.

c. **Long-Term Cost Savings:** By addressing mental health needs proactively, Washoe County can potentially reduce the strain on emergency services, law enforcement, and other County resources, leading to long-term cost savings in other areas.

**Implementation Plan:**

a. **Facility Acquisition:** Washoe County has identified a facility that meets the needs of the outlined program. The first step is to determine whether the Board approves the purchase of the facility, and by extension the above-proposed program as a benefit to Washoe County.

b. **Provider Partnership:** Next steps will be to establish a contract through a Request for Proposals procurement process with a reputable mental health service provider to operate the facility, ensuring they have the necessary expertise and capacity to deliver high-quality care. This step will also include working with the provider to renovate the facility to meet the needs of services to be provided.

- c. **Funding and Reimbursement:** Staff proposes to work with relevant stakeholders, including Medicaid authorities and state agencies, to explore options for maximizing Medicaid reimbursement and securing subsidies for facility costs and overhead.
- d. **Facility Upgrades:** If necessary, staff proposes to allocate funds to renovate or upgrade the facility to meet the specific needs of mental health care for children and adolescents. This step includes identification of funding sources outside of Washoe County General funds to accomplish the required renovations.
- e. **Staffing and Training:** Collaborate with the contracted provider to recruit and train qualified mental health professionals and support staff who specialize in child and adolescent mental health care.
- f. **Program Development:** Work closely with the contracted provider to develop comprehensive mental health programs that address the specific needs of the community and align with evidence-based practices.
- g. **Outreach and Collaboration:** Staff will establish partnerships with community organizations, schools, and other stakeholders to promote awareness of the mental health services offered at the facility and facilitate a coordinated approach to mental health care in the community.
- h. **Monitoring and Evaluation:** Implement a robust monitoring and evaluation system to track the effectiveness of the facility's services, patient outcomes, and overall community impact. Use this data to make continuous improvements and ensure accountability.

Investing in a mental health facility for Washoe County is a strategic and long-term solution that addresses the critical shortage of mental health providers and related challenges posed by inadequate Medicaid reimbursement. Owning a facility and contracting with a provider would enable Washoe County to create a model to increase the availability of mental health services and care for children and adolescents in our community. This investment will yield multiple benefits, including improved access to services, a funding model, and a reduction in future burdens on other County services.

Staff has worked with the facility owner as part of the County's agreed upon first right of refusal when the West Hills facility closed on December 20, 2021. Washoe County initiated an appraisal of the facility in its current state in the fall of 2022. The estimated market value as appraised by Anthony Wren on August 14, 2022, is \$5.5 million. After discussion, a letter of interest was provided to the property owner, pending Board approval, for a sales price of \$4.8 million. This price was determined to be fair and reasonable by the property owner. Staff proffered the price reduction between the appraised value and the offer value due to work necessary for Washoe County to complete in the purchase and sale agreement for due diligence work, including subdivision of the property to create the 3.43 acre parcel. It is notable that the property owner has requested an extensive deed restriction limiting the use of the property to keep from competing against the other interests of the seller in the Reno/Sparks area. The restrictions are detailed in the attached Purchase and Sale agreement, but generally limit the use of the property for use as a hospital use type. Staff has negotiated exceptions for

the restrictions that allow Washoe County and the Washoe County Health District to operate the facility as described in this report.

Initial review of the facility by Washoe County staff also prepared a facility assessment on the property that outlines an estimated renovation and upgrade cost at the facility of approximately \$9 million. Staff continues to seek funding for facility upgrades which include grants, State funding, or donations. Recommendations on those funds will be brought to the Board at a future date as the operator and Washoe County agree on the full scope of renovations necessary.

Operational costs for Washoe County's operation of the facility, including electrical, water, gas, sewer, supplies, landscape maintenance, and facilities personnel are expected to be approximately \$430,000 per year. It is anticipated that operational costs will begin in Fiscal Year 2025 as implementing this plan will take several months. If this purchase is approved, staff will include an ongoing operational budget proposal for the Fiscal Year 2025 budget.

### **FISCAL IMPACT**

On December 20, 2022, the Board approved an allocation of American Rescue Plan Act (ARPA) funds through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) for the purchase of the Real Property at 1240 E. 9<sup>th</sup> Street, Reno, Nevada in the amount of \$4.8 million for the purpose of Washoe County use to provide behavioral health services. Funding is available in the FY24 budget in the Capital Improvement Fund (402) 1240 E 9<sup>th</sup> St. Building Project (PW920602).

Initial review of the facility by Washoe County staff has identified an estimated renovation and upgrade cost of \$9 million. Staff continues to seek funding for facility upgrades and decisions on those funds will be brought to the Board at a future date.

Washoe County's anticipated operation of the facility, including electrical, water, gas, sewer, supplies, landscape maintenance, and facilities personnel are expected to be approximately \$430,000.00 per year. It is anticipated that operational costs will not begin until Fiscal Year 2025 as implementing this plan will take several months. Staff will ensure the additional resources, as needed, are submitted for prioritization for the Fiscal Year 2025 budget.

The cost for utilities, including electricity, natural gas, water, sewer and fire control services will become the responsibility of the County upon close of escrow. Staff estimates 9 months of utilities in FY24, assuming the building is unoccupied, at approximately \$55,000. Utilities costs will be paid from the General Fund cost center C105305 until future funding sources are brought to the Board for approval.

### **RECOMMENDATION**

It is recommended the Board of County Commissioners: (1) approve the purchase and sale between Washoe County and BHC Health Services of Nevada, Inc. a Nevada Corporation for the property commonly known as the West Hills Hospital located at 1240 East 9<sup>th</sup> Street, Reno, Nevada (APN 008-171-38) (an approximate 3.43 acres portion of the overall 4.69 acre site) as authorized in Nevada Revised Statutes (NRS) 244.275 for

\$4,800,000.00; and (2) authorize the County Manager to execute any and all required documents necessary for the property purchase.

**POSSIBLE MOTION**

Should the Board agree with the staff recommendation, a possible motion would be, “Move to: (1) Approve the purchase and sale between Washoe County and BHC Health Services of Nevada, Inc. a Nevada Corporation for the property commonly known as the West Hills Hospital located at 1240 East 9<sup>th</sup> Street, Reno, Nevada (APN 008-171-38) (an approximate 3.43 acres portion of the overall 4.69 acre site) as authorized in Nevada Revised Statutes (NRS) 244.275 for \$4,800,000.00; and (2) authorize the County Manager to execute any and all required documents necessary for the property purchase.”