Subject: California Advancing and Innovating Medi-Cal (CalAIM): Behavioral Health Proposals

The purpose of this memo is to summarize the behavioral health proposals included in California Advancing and Innovating Medi-Cal (CalAIM), a multi-year initiative for California's Medi-Cal program, sponsored by the California Department of Health Care Services (DHCS). For more information and to review the Department’s original documents, visit: https://www.dhcs.ca.gov/calaim.

Introduction

The primary goals of CalAIM are to:

1. Identify and manage member risk and need through Whole Person Care approaches and addressing Social Determinants of Health;
2. Move Medi-Cal to a more consistent and seamless system by reducing complexity and increasing flexibility; and
3. Improve quality outcomes and drive delivery system transformation through value-based initiatives, modernization of systems and payment reform.

On October 29, 2019, DHCS released its initial CalAIM proposal, which was presented to the DHCS Stakeholder Advisory Committee (SAC) and Behavioral Health Stakeholder Advisory Committee (BH-SAC). DHCS intends to conduct extensive stakeholder engagement for both CalAIM and the renewal of the California’s Section 1115 and 1915(b) waivers.

According to DHCS, the CalAIM behavioral health proposals are intended to invest in and improve access to mental health (MH) and substance use disorder (SUD) services for Medi-Cal beneficiaries, as well as improve health outcomes and coordination across delivery systems. DHCS is exploring four (4) key behavioral health proposals as part of the CalAIM initiative, which are further summarized below.

Behavioral Health Proposals

Payment Reform: Eliminate Cost-Based Reimbursement

According to the DHCS CalAIM proposal, “The state, in partnership with counties, must take serious steps forward to invest in and improve access to mental health and substance use disorder services for Medi-Cal beneficiaries. Behavioral health transformation is a critical priority for the Governor, the California Health and Human Services Agency, and for DHCS, and we recognize that the full needs of the Medi-Cal population are not being met, particularly with respect to improving services and access for children and other vulnerable populations.”
DHCS proposes that a first step toward reform is to transition counties from a cost-based reimbursement methodology to a structure more consistent with incentivizing outcomes and quality over volume and cost (e.g., value-based payment arrangements with their health plan partners). The DHCS proposal would move reimbursement for all inpatient and outpatient specialty mental health and substance use disorder services from Certified Public Expenditure-based methodologies to other rate-based/value-based structures that instead utilized intergovernmental transfers to fund the county non-federal share.

Additionally, DHCS proposes to shift from “HCPCS Level II” coding to “HCPCS Level I” to allow for “more granular claiming and reporting of services provided,” which would facilitate creating the opportunity for more accurate reimbursement to counties/providers.

Revisions to Medical Necessity Criteria for Specialty Mental Health Services

DHCS is also proposing to make changes to the medical necessity criteria for specialty mental health services to clarify beneficiary eligibility, service intervention requirements, and to streamline treatment planning and documentation. Specifically, CHS proposes to:

- **Separate** the concept of who is eligible to receive specialty mental health or substance use disorder services from the county, from what is considered a medically necessary behavioral health services.

- Identify an existing or develop a new statewide, standardized level of care assessment tool – one for beneficiaries 21 and under and one for beneficiaries over 21 – that would be used by counties, Medi-Cal managed care plans, and providers to determine a beneficiary’s need for mental health services, if any, and which delivery system is most appropriate to cover and provide treatment.

- Revise the existing intervention criteria to clarify that specialty mental health services are to be provided to beneficiaries who meet the eligibility criteria for specialty mental health. Services would be reimbursable when they are medically necessary and provided in accordance with the Medi-Cal State Plan -- instead of based on existing State service criteria.

- Align with federal requirements by allowing a physician’s certification/recertification to document a beneficiary’s need for acute psychiatric hospital services.

In summary, “DHCS is proposing that eligibility criteria, being largely driven by level of impairment as well as diagnosis or a set of factors across the bio-psycho-social continuum, should be the driving factor for determining the delivery system in which someone should receive services; either Medi-Cal managed care plans for mild to moderate mental health services or through the mental health managed care plans for specialty mental health services. Each delivery system should then provide services in accordance
with an individualized beneficiary plan, as recommended by a physician or other licensed mental health professional."

**County-Level Integration**

Currently, DHCS provides Medi-Cal covered MH and SUD services through two separate county-operated delivery systems (county mental health plans and Drug Medi-Cal), which have separate contracts between counties and DHCS. DHCS proposes to **establish one behavioral health managed care program**. The result would be a single prepaid inpatient health plan in each county or region responsible for providing, or arranging for the provision of, specialty mental health and substance use disorder treatment services for all Medi-Cal beneficiaries in that county or region. Specific administrative requirements are described as well, with the goal of integrating them (e.g., compliance reviews, quality improvement, network adequacy).

Additionally, DHCS proposes integration among Medi-Cal specialty mental health and Drug Medi-Cal occur at the clinical level, including with:

- Access phone lines
- Intake/screening/referrals
- Assessments
- Treatment planning
- Beneficiary informing materials

**Regional contracting**

DHCS is **encouraging counties to develop regional approaches** to administer and deliver specialty mental health and substance use disorder services to Medi-Cal beneficiaries. Options could include a Joint Powers Authority to operate such services for a multi-county region (e.g., Sutter/Yuba) or pooling resources to contract with an administrative services organization/third-party administrator or other entity.

**Substance use disorder managed care program renewal and policy improvements**

DHCS proposes to **incorporate the Drug Medi-Cal Organized Delivery System (DMC-ODS) into a comprehensive Section 1915(b) waiver** that would include the Medi-Cal managed care plans, mental health managed care plans, and substance use disorder managed care plans. Currently, DMC-ODS is authorized under California’s Section 1115 waiver. DHCS also intends to provide counties with another opportunity to opt-in to participate in what they are now calling DMC-ODS, “the substance use disorder managed care program.”

Specific reforms DHCS proposes to make to Drug Medi-Cal benefits including expansions and updates to residential treatment, recovery services, Medication Assisted Treatment.
Institutions for Mental Disease (IMD) 1115 Waiver Opportunity

As you know, the federal government has recently announced the option for states to seek the ability to receive federal funding for services provided in IMDs. DHCS plans to extensively engage stakeholders to assess state and county interest in and readiness to pursue the IMD expenditure waiver. DHCS has indicated the proposal must be “budget neutral” to the state and voluntary for counties to “opt in.” If the opt in, counties must build “a robust continuum so individuals who begin at a higher level of institutional care can be stepped down to a less restrictive, community-based, residential setting.”

Key elements would include:

- Ensuring quality of care in psychiatric hospitals and residential settings, including required audits;
- Improving care coordination and transitions to community based care;
- Increasing access to a full continuum of care including crisis stabilization and other clinically enriched forms of housing in the community with robust support services; and
- Earlier identification and engagement in treatment including through increased integration.

DHCS has identified a number of potential federal requirements that may pose “feasibility challenges,” including that the State would be required to achieve a statewide average length of stay of no more than 30 days for beneficiaries residing in institutions for mental disease, data collection, health information technology, and staffing issues.

Additional Proposals of Interest

The CalAIM proposal includes other areas that focus on individuals with behavioral health needs, which are summarized below.

Enhanced Care Management

DHCS proposes to establish a new, statewide enhanced care management benefit in Medi-Cal to provide a “whole-person approach” for “high-need Medi-Cal beneficiaries.” This would build on the current Health Homes Program and Whole Person Care pilot, which would transition to this new statewide benefit. Target populations include, but are not limited to individuals that:

- Have frequent hospital or emergency room visits/admissions;
- Are at risk for institutionalization with Serious Mental Illness, children with Serious Emotional Disturbance or Substance Use Disorder with co-occurring chronic health conditions;
- Are at risk for institutionalization, eligible for long-term care;
- Are nursing facility residents who want to transition to the community;
- Are children or youth with complex physical, behavioral, developmental and oral health needs (i.e. California Children Services, foster care, youth with Clinical High Risk syndrome or first episode of psychosis);
- Are transitioning from incarceration; and
- Are experiencing chronic homelessness or are at risk of becoming homeless.

**Mandatory Medi-Cal Application Process upon Release from Jail**

DHCS is proposing that California mandate the **county jail inmate pre-release Medi-Cal application process by January 2022**. Additionally, DHCS is proposing to **mandate all counties implement warm-handoffs** from county jail release to county behavioral health departments when the inmate was receiving behavioral health services while incarcerated. County examples are provided in the CalAIM proposal to help illustrate how this could be accomplished.

**Full Integration Plans**

Currently, primary health care and mild/moderate mental health care for Medi-Cal beneficiaries are provided by managed care plans, while Drug Medi-Cal and Specialty Mental Health are provided by counties. Additionally, dental benefits ("Denti-Cal") are carved out of both of these systems. In order to test the effectiveness of delivering physical health, behavioral health, and oral health **under one contracted entity**, DHCS intends to conduct extensive stakeholder engagement on a variety of complex issues, including financial considerations due to 2011 Realignment and Prop. 30 implications for county Medi-Cal financing.

**In Lieu of Services**

Under federal Medicaid requirements, “in lieu of services” are medically appropriate and cost-effective alternatives to services that can be covered under the State Plan. DHCS is proposing that Medi-Cal managed care plans provide the following thirteen (13) distinct services as “in lieu of service” under Medi-Cal managed care.

- Housing Deposits
- Housing Tenancy and Sustaining Services
- Short-Term Post-Hospitalization Housing
- Recuperative Care (Medical Respite)
- Respite
- Day Habilitation Programs
- Nursing Facility Transition/Diversion to Assisted Living Facilities
- Nursing Facility Transition to a Home
- Personal Care (beyond In-Home Supportive Services) and Homemaker Services
- Environmental Accessibility Adaptations (Home Modifications)
- Meals/Medically Tailored Meals
• Sobering Centers