# CalAIM:
# Behavioral Health Payment Reform

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## Agenda

Background
- Realignment Overview

Proposed BH Payment Reform
- Overview
- Phase 1 & Phase 2
- Implementation

# Background

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# County Financing

- Prior to 1978, counties used local revenue to support their share of costs for state and local health, mental health, and social services program.
  - ✓ Prior to 1978, real property was appraised cyclically, with no more than a five-year interval between reassessments
- Then came Prop 13 (1978)—which dramatically reduced county revenues/responsibilities.
- However, as we've seen during major budget recessions, the state has implemented two significant "Realignments" where the state shifted revenue/responsibilities back to the counties (1991, 2011).

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# County Financing (cont.)

***What Is Realignment?***

- ***1991 realignment*** increased counties' fiscal responsibility for a wide range of programs and services including IHSS, child welfare, California Work Opportunity and Responsibility to Kids (CalWORKs), low-income health care, and ***low-income mental health services (community based mental health services)***.

- ***2011 realignment*** shifted many public safety and health and human services to the counties. Among these realigned programs are ***Medi-Cal Specialty Mental Health Services (SMHS)*** and substance use treatment services (Drug Medi-Cal).

- This is why the counties have the responsibility for SMHS

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# CalAIM—Behavioral Health Payment Reform

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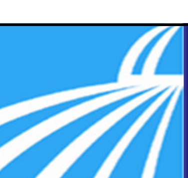
## CalAIM—BH Payment Reform

- Today, Medi-Cal Specialty Mental Health Services (SMHS) are provided through County Mental Health Plans (MHP) under contract with the State Department of Health Care Services
- County MHPs are reimbursed a percentage of their actual expenditures (***Certified Public Expenditures-CPE***) based on the Federal Medical Assistance Percentage (FMAP)
- County MHPs are reimbursed an interim amount throughout the fiscal year based on approved Medi-Cal services and interim billing rates







## CalAIM—BH Payment Reform (cont.)

- County MHPs and DHCS reconcile the interim amounts to actual expenditures through the year end cost report settlement process ***(within 24 months)***
- DHCS audits the cost reports to determine final Medi-Cal entitlement ***(within 36 months after interim)***
- This creates a situation where DHCS audit of the cost reports can often take ***more than six years*** for reimbursements to be finalized

## CalAIM—BH Payment Reform (cont.)

- Under CalAIM, DHCS seeks to transition counties from a cost-based approach to a more streamlined process.
- Reform to behavioral health reimbursement will be a multi-phased approach with the ***goal of increasing reimbursement to counties for services provided and incentivizing quality.***
- Reimbursement for all ***inpatient*** and ***outpatient*** SMHS and substance use disorder services will shift from CPEs to a rate schedule utilizing intergovernmental transfers (IGT).

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## CalAIM—BH Payment Reform (cont.)

***<u>What is an Intergovernmental transfer (IGT)?</u>***
States are required to pay a share of cost of Medicaid services—referred to as the ***non-federal share.***

- Non-federal share may include state GF, provider taxes, or ***funds transferred from another public provider***

**<u>How will it work?</u>**
Counties will submit claims to DHCS; and DHCS will determine the non-federal amounts. The County then will IGT the non-federal share to DHCS, who will return the adjudicated claim (total funds) back to the county.

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## CalAIM—BH Payment Reform (cont.)

Currently, Medi-Cal covered SMHS are grouped into the following three modes of service:

- ***24-hour services*** (mode 05): adult residential treatment, crisis residential treatment, psychiatric health facility services, and psychiatric inpatient hospital services
- ***Day services*** (mode 10): day treatment intensive and day rehabilitation, and
- ***Outpatient services*** (mode 15): Mental Health Services, Crisis Intervention, Medication Support, and Targeted Case Management

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## CalAIM—BH Payment Reform (cont.)

**Under CalAIM:**

- DHCS is planning to continue using HCPCS codes for Mode 05: 24-hour services and Mode 10: day services
  - ✓ Mode 05 services are reimbursed a bundled rate for each day a beneficiary receives the service
  - ✓ Mode 10-day services are reimbursed bundled rates based upon the number of hours a beneficiary spent in the service
- DHCS is planning to continue reimbursing counties a bundled rate for these services

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## CalAIM—BH Payment Reform (cont.)

**Under CalAIM:**

- DHCS is planning to identify a mix of CPT and HCPCS codes for Mode 15 outpatient services
  - ✓ For the most part, CPT codes will be used for clinical services provided by licensed professionals providing services in their scope of practice
  - ✓ DHCS is planning to continue using HCPCS codes for non-clinical services (e.g., rehabilitation) and services provided by non-licensed staff

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## CalAIM—BH Payment Reform (cont.)

DHCS is proposing to implement these changes in two phases:

- DHCS proposes to transition SMHS and SUD services from existing HCPCS Level II coding to Level I coding, known as Current Procedural Terminology (CPT) coding
- Once the Level I coding has implemented, DHCS will then establish reimbursement rates for the updated codes with non-federal share being provided by counties via IGT
  - ✓ Rates will be set by peer grouping. Each peer group would be made up of counties with similar costs and updated annually

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# CalAIM—BH Payment Reform (cont.)

| Date | Implementation Activity |
|---|---|
| Dec. 2021 | Medi-Cal 2020 Waiver expires |
| Jan. 2022 | Many CalAIM proposals implement (*some included below*)<br>• ECM<br>• ILOS<br>• Regional Rates Phase 1<br>• Changes to BH Medical Necessity<br>• Standardization of benefits and non-dual enrollment |
| **July 2022** | **Behavioral Health Payment Reform (earliest state date)** |
| Jan. 2023 | Standardization of enrollment: duals |
| Jan. 2026 | • Full Integration Plans<br>• NCQA accredited |

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# Appendix

CalAIM References:

- Main Website: https://www.dhcs.ca.gov/calaim
- CalAIM Proposal: https://www.dhcs.ca.gov/provgovpart/Documents/CalAIM-Proposal-Updated-02172021.pdf
- CalAIM Exec. Summary & Changes: https://www.dhcs.ca.gov/provgovpart/Documents/CalAIM-Executive-Summary-02172021.pdf

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## Relevant Recordings Available

- CalAIM: The Future of Medi-Cal
- CalAIM: In Lieu of Services
- CalAIM: Medical Necessity Behavioral Health
- CalAIM: Enhanced Care Management
- CalAIM: Managed Care and Medi-Cal

*Visit: CHA Education, On-Demand Learning*

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## Thank You!

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