



## **UPDATE TO THE LEGISLATURE**

# **Transfer of the Drug Medi-Cal Treatment Program to the Department of Health Care Services**

**April 1, 2013 through June 30, 2014**

Submitted by the Department of Health Care Services in fulfillment of requirements of Senate Bill 1014 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2012), Welfare and Institutions Code Section 14021.30(d), which required reporting through June 30, 2014

# DRUG MEDI-CAL (DMC) TREATMENT PROGRAM TRANSFER UPDATE TO THE LEGISLATURE

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## **I. Background**

The Department of Health Care Services (DHCS) is the single state agency for the administration of the Medicaid program, called Medi-Cal in California; however, California has historically delegated the administration of several components of the Medi-Cal program to other departments. Along with its administration of various substance use disorder (SUD) programs, the former Department of Alcohol and Drug Programs (DADP) administered the Drug Medi-Cal (DMC) Treatment Program. As part of the Fiscal Year (FY) 2011-12 budget process, Governor Brown signed Assembly Bill (AB) 106 (Committee on Budget, Chapter 32, Statutes of 2011), which enacted law to transfer the administration of the DMC Treatment Program from DADP to DHCS, effective July 1, 2012. In compliance with the law, DHCS submitted an administrative and programmatic transition plan to the fiscal and applicable policy committees of the Legislature. As part of the FY 2013-14 budget process, Governor Brown signed AB 75 (Committee on Budget, Chapter 22, Statutes of 2013, Section 20), which enacted law to transfer all remaining administrative and programmatic functions from DADP to DHCS, with the exception of the Office of Problem Gambling, which transferred to the California Department of Public Health.

## **II. Purpose of the Update**

Senate Bill (SB) 1014 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2012), directed DHCS to provide quarterly updates to the Legislature, stakeholders, and the public on the transfer of the DMC Treatment Program through June 30, 2014. The update provides an assessment of the successes and challenges DHCS currently faces in administering the DMC Treatment Program. This update provides information from April 1, 2013 through June 30, 2014 and is the final update. The three prior legislative reports that cover three separate quarters (July 1, 2012 – March 31, 2013) have been published.

## **III. Program Integrity**

Significant issues with program integrity were uncovered in the DMC Treatment Program during the reporting period. DHCS has taken action to address the problems, including an ongoing enforcement sweep that has, to date, suspended payments to 74 providers operating 235 SUD treatment sites. All cases have been referred to the California Department of Justice for criminal prosecution based on credible allegations of fraud uncovered by DHCS's Audits and Investigations Division.

DHCS is also requiring all Drug Medi-Cal providers that are actively billing to submit to a recertification process. Providers that have not billed the DMC Treatment Program in the last 12 months will be deactivated. These certification activities are described below in Section X, DMC Certification and Provider Information.

## **IV. Limited Scope Review**

In November 2013, DHCS completed a review of internal operations to improve oversight and monitoring of the DMC Treatment Program. As a continuation of the internal Business Process Reengineering efforts that began in early 2012 to ensure a smooth transition of SUD programs from DADP to DHCS, DHCS's Audits and Investigations Division worked collaboratively with management and staff from the two SUD divisions to perform a limited scope review and gap analysis of the DMC Treatment Program.

The limited scope review resulted in 32 recommendations and the development of an Implementation Plan for DMC Treatment Program Limited Scope Review that identifies action steps to address issues and improve the integrity of the DMC Treatment Program.

Documents related to the Limited Scope Review are available on the DHCS website at the following web address:

<http://www.dhcs.ca.gov/dataandstats/reports/Pages/DrugMedi-CalProgramLimitedScopeReview.aspx>

## **V. Continuity of Care and Access for Beneficiaries**

There have been no lapses in treatment or access issues reported to DHCS due to the transfer of administration of the DMC Treatment Program. Eligible beneficiaries have continued to receive services through the existing network of providers located throughout the State. Nearly all providers contract directly with the counties to provide DMC Treatment Program services. The State also contracts directly with providers when the county does not contract for DMC services with the State, or when the county has declined to contract with a particular service type, as authorized by Welfare and Institutions Code Section 14124.21.

## **VI. Stakeholder Engagement**

DHCS continues to use existing forums such as County Alcohol and Drug Program Administrators' Association of California (CADPAAC) meetings, monthly CADPAAC Executive Committee meetings, and other forums to solicit and discuss stakeholder recommendations and concerns about the DMC Treatment Program. DHCS is also participating in DMC Treatment Program issues with the California State Association of Counties and the California Mental Health Directors Association (CMHDA). DHCS has also met with provider groups and associations and has regular check-in meetings to facilitate ongoing communication.

Senate Bill X1 1 (Hernandez, Chapter 4, Statutes of 2013, First Extraordinary Session) authorizes the expansion of available services under the DMC Treatment Program to include residential and intensive outpatient treatment services commencing on January

1, 2014. This expansion represents a significant change in available services for current and optional expansion Medi-Cal populations. In response to the legislation, DHCS held DMC Treatment Program Expansion meetings with representatives from CADPAAC and several county SUD program administrators in August and September 2013. The meetings focused on determining specific tasks and timelines for seeking federal approval from the Centers for Medicare & Medicaid Services (CMS) to expand services and meet the January 1, 2014, effective date for these benefits. Participants identified key areas for focus, including development of the State Plan Amendment (SPA) for CMS, reimbursement rates for the expanded benefits, impact to service delivery and the Short-Doyle Medi-Cal (SDMC) systems, and outreach to beneficiaries, providers and partners. Workgroups for each focus area were established and met several times via teleconference between August and December 2013. Each workgroup continues to meet, providing DHCS with valuable input on the many tasks associated with the expansion. DHCS staff participates in all workgroup meetings.

DHCS held several teleconferences with SUD stakeholders in September 2013 through March 2014. The teleconferences provided an opportunity for stakeholders to ask questions and/or provide comments. DHCS will continue to provide updates to stakeholders on the activities related to the expansion of the DMC Treatment Program during meetings of the newly created DHCS Behavioral Health Forum.

On March 24, 2014, DHCS introduced the DHCS Behavioral Health Forum to Mental Health and SUD Services stakeholders. The forum was created to provide an organized and structured process for active behavioral health stakeholder engagement.

The Department is seeking an 1115 Demonstration Waiver amendment for the DMC Treatment Program. The overall purpose of the waiver amendment is to create a model that will provide an organized delivery system of SUD services. The waiver amendment development process is a stakeholder involved and transparent process DHCS is using to gather input from all impacted parties including other State departments, consumers, associations, counties and providers.

In January 2014, DHCS began holding Waiver Advisory Group meetings with stakeholders to discuss the waiver amendment. This group met several times providing DHCS with valuable input and recommendations for the waiver. DHCS compiled the input and ideas from stakeholders brought forward from the Waiver Advisory Group and drafted the Standard Terms and Conditions (STC's) of the Waiver. Additional information regarding the 1115 Demonstration Waiver amendment development is located on the [DHCS website](http://www.dhcs.ca.gov/provgovpart/Pages/MH-SUD-PreviousMeetings.aspx) at the following web address:  
<http://www.dhcs.ca.gov/provgovpart/Pages/MH-SUD-PreviousMeetings.aspx>

## **VII. Contracts**

DHCS, in cooperation with the former DADP, issued amendments to create three-party contracts between DHCS, DADP, and counties or direct-service providers for FY 2012-13. The State issued three-party amendments to multi-year contracts on June 12,

2012, and all county and direct-provider contracts. These amendments were fully executed and processed in 2012.

As the July 1, 2013, date approached to transfer the remaining DADP programs and funding sources to DHCS, DHCS issued amendments to the State-county contracts and DMC Treatment Program direct service provider contracts to extend the contracts for one additional year, through June 30, 2014. These contracts cover the DMC Treatment Program, as well as other programs, including the Substance Abuse Prevention and Treatment Block Grant, and Parolee Services Network funds. Extending all contracts an additional year eased the transition and avoided greater disruption of payments to counties. Amendments from all counties and all DMC Treatment Program direct contract providers were received as of December 2013.

January 1, 2014, began the expansion of the DMC Treatment Program benefits and expansion of Medi-Cal eligibility creating the need for an additional amendment to the State-county and DMC Treatment Program direct-service provider contracts to reflect the expansion of services and to additional eligible populations. DHCS prepared draft contract language that is currently with CBHDA for review. Following their review and feedback/comments, it will be submitted to DHCS Office of Legal Services (OLS) for review and approval.

## **VIII. Claims & Payments**

In June 2013, the DHCS DMC Treatment Program began an annual update to the claims and payments systems to reflect changes and system maintenance. The DMC Treatment Program made changes in previous years to prepare for the upcoming fiscal year. The changes to the systems were completed in early September 2013 and approved claims data have flowed into the payment system. The DHCS Accounting Office uses the data in the payment system to schedule payments with the State Controller's Office for release. The DHCS Accounting Office has now scheduled payments for all active DMC Treatment Program direct contract providers and counties. Payments are released by the State Controller's Office within ten to 15 days after receipt of payment schedule.

The DMC Treatment Program and DHCS Information Technology Services Division (ITSD) have worked diligently to address problems in the Short-Doyle Medi-Cal (SDMC) claims payment system. Specifically, the SDMC claims payment system was not issuing Health Care Payment and Remittance Advice (Remittance Advice also known as an 835) in specific circumstances. A Remittance Advice helps counties reconcile the payments they receive from the State with the claims they submitted to the State. Failure to receive Remittance Advice can cause problems for counties and direct-service providers, as they are then unable to access the claim status and make needed corrections. This can result in inaccurate payments.

There are two problem areas with generating the Remittance Advice. First, there are missing Remittance Advice files that were generated in the Short-Doyle Medi-Cal system but not issued due to specific problems within the claim payment file. Second,

the Short-Doyle Medi-Cal Application Remediation Technology (SMART) system is not able to generate the Remittance Advice in those circumstances when a warrant is not generated (i.e. no payment is owed). DHCS's ITSD and DMC Fiscal Management and Accountability Branch (FMAB) staff have resolved most of the issues related to the missing Remittance Advices. Additionally, ITSD and FMAB continue to work together analyzing data and looking for solutions that will result in the issuance of all Remittance Advices in those circumstances when the system will not generate a warrant.

DHCS ITSD resolved the known issues preventing generation of Remittance Advices for newly submitted claims. Likewise, the SMART system was updated to generate both Minor Consent Claim Remittance Advice Notices as well as those that were unable to be processed due to discrepancies between the SDMC and the SMART systems. Currently, there are missing Remittance Advices that need to be generated due to clean-up of Remittance Advices that were issued prior to the updated Remittance Advice generation code. DHCS ITSD is working on this cleanup but efforts have been delayed due to current program changes needed for the DMC Treatment Program expansion. Cleanup began in February 2014 and is ongoing.

DHCS has several direct-service provider contracts for which it pays direct reimbursement and then invoices the county for the non-federal share. DHCS continues to recoup invoiced dollars from counties for DMC Treatment Program services.

## **IX. Cost Reports**

Counties use the Paradox application to submit cost data that DHCS uses to settle cost reports. This system supports the DMC Treatment Program and non-DMC SUD programs now administered by DHCS. Paradox system migration was completed in April 2013.

### FY 2010-11 Cost Reports

DHCS and former DADP staff conducted all cost report activities as part of a mutual agreement between the departments. DHCS has supported these joint efforts by redirecting current designated DHCS employees to assist with processing final FY 2010-11 cost reports. The result of these joint efforts is the settlement of all FY 2010-11 county cost reports and all FY 2010-11 direct-service provider contracts cost reports as of June 2013.

### FY 2011-12 Cost Reports

DHCS has received all county and direct-service provider FY 2011-12 cost reports. DHCS has begun work on the next phase of FY 2011-12 cost report settlement focusing on the DMC Treatment Program portion of the reports. DHCS expects to complete this portion by July 1, 2014. There is one county that has not finalized the FY 2011-12 cost report due to errors in billing. They are waiting for their vendor to make corrections

before they can replace the claims in our system. Once this is complete, we will finalize the cost report immediately.

### FY 2012-13 Cost Reports

DHCS instructed counties and direct-service providers to submit FY 2012-13 cost reports by December 1, 2013. Some counties and direct-service providers experienced difficulties with submission of cost reports due to system problems. DHCS resolved all system issues and as of June 18, 2014, has received almost all FY 2012-13 cost reports. DHCS is waiting for a cost report from one county that is submitting late due to staff resource issues.

## **X. DMC Certification and Provider Information**

The DMC Treatment Program certification process includes application review, tracking, site visit, approval or denial, and issuance of DMC Treatment Program certification documents to approved providers and their satellite operations.

DHCS utilizes the Provider Registry Information Management Enterprise (PRIME) system for tracking DMC Treatment Program providers. The system transferred without incident and DHCS continues to maintain the system.

### Continued Certification

DHCS requires DMC Treatment Program certified clinics that were eligible to bill in FY 2012-13 to undergo a continued certification review. DHCS initially identified 1,063 locations impacted and began the continued certification process in July 2013. DHCS's continued certification process requires completion of the DMC Treatment Program Certification application, the Medi-Cal Disclosure Statement, current verifications, thorough review of ongoing compliance with program standards and participation requirements, and an onsite visit.

The DHCS SUD Compliance Division conducted webinars in November 2013 to assist providers, including county staff, in the certification application process. Additionally, DHCS's Provider Enrollment Division (PED) developed a video training on how to complete the DMC application. On February 24, 2014, PED held a provider training webinar on how to complete the DMC application; shared the training video and held a question and answer session. [Frequently asked questions \(FAQ's\)](#) are posted to the PED webpage on the DHCS website. The [DMC Treatment Program Provider Training](#) video is posted to the DHCS website for ongoing use.

DHCS will conduct the re-certification process at least once every five years, in accordance with the requirements of the federal Affordable Care Act.

## Provider Deactivation

In December 2013, DHCS initiated the process to deactivate DMC Treatment Program providers that have not billed the program for over 12 months. As a result, 321 provider sites that are not participating in the program were deactivated.

## New Provider Certification

As of January 1, 2014, the responsibility to review and approve new DMC Treatment Program certifications transferred from the Substance Use Disorder Compliance Division to PED. As of June 10, 2014, PED has received 163 new DMC Treatment Program certification applications. Additionally, in April 2014, the SUD Compliance Division transferred 118 applications received prior to January 1, 2014, to PED for review and processing.

## **XI. Post-Service Post-Payment**

The Post-Service Post-Payment (PSPP) Unit is responsible for conducting PSPP utilization reviews of DMC Treatment Program services. Reviews include verification that beneficiaries meet admission criteria and that services are rendered in accordance with the regulatory requirements of the program. The PSPP Unit also provides technical assistance and training to DMC Treatment Program providers and county staff.

The PSPP unit provided training to counties on DMC Narcotic Treatment Program service requirements on September 10, 2013. The training increased county and provider knowledge of program requirements to reduce and avoid deficiencies and help assure the provision of quality care.

The PSPP Unit hired a Nurse Evaluator II (NE II) in May 2013, to provide a clinical perspective in reviews, with an emphasis on providing technical assistance to staff and providers, and is in the process of hiring two additional NE IIs to further increase the Unit's clinical capacity. The PSPP unit has developed training for county oversight staff and service providers that focuses on ensuring that client records reflect a medical need for services and that the appropriate level of care is being delivered. DHCS provided the training to counties in October 2013, March 2014, and as a statewide webinar in May 2014.

## **XII. State Plan Amendment**

In 2009, DHCS submitted a SPA to reflect changes enacted in the 2009 Budget Act (AB4X 4, Evans, Chapter 4, Statutes of 2009, Fourth Extraordinary Session) concerning the DMC Treatment Program. The 2009 Budget Act made changes to the method that sets DMC rates, determining each service rate to the lower of either: 1) the FY 2009-10 approved rates with the Cumulative Implicit Price Deflator, or 2) the developed rate. CMS issued formal questions concerning the rate setting methodology. While

developing the response, DHCS identified additional changes to the fiscal processes due to the realignment of the DMC Treatment Program. All of these changes were added to the SPA.

Beginning in FY 2011-12, counties received 2011 Realignment funding and the responsibility for DMC Treatment Program services. Counties must now submit certified public expenditures for all DMC Treatment Program service claims upon which DHCS can claim and provide federal financial participation for approved claims. However, the rates and the claims do not separate the direct medical services from county administrative costs to operate the services as required by CMS. DHCS is working with county representatives to update the State Plan and administrative documents to reflect this change. DMC Treatment Program staff continue to work with CMS to provide clarification and respond to requests for additional information. DHCS has informed counties of the need to revise the process to claim county administration and is working with counties and CMS in this effort.

### **XIII. Healthy Families Program Transition**

As part of the enacted FY 2012-13 Budget, Healthy Families Program (HFP) subscribers were transitioned to the Medi-Cal program over calendar year 2013.<sup>[1]</sup> On December 31, 2012, DHCS received CMS approval of this transition via an amendment to the 1115 Bridge to Reform Waiver. The Administration began the four-phase transition on January 1, 2013, and completed the transition in November 2013. Children in HFP transitioned into Medi-Cal's new Optional Targeted Low Income Children's Program covering children with incomes up to and including 250 percent of the Federal Poverty Level. Of the approximately 750,000 transitioned HFP subscribers, 3,065 individuals who transitioned from the HFP to Medi-Cal have received DMC Treatment Program services.

The DMC Treatment Program has closely monitored each phase of the HFP transitions to ensure that beneficiaries maintained continuity of SUD treatment service. Moreover, to date, DMC staff continue to monitor this populations' access, continuity of care and consumer satisfaction. During the transition, DHCS did not receive any beneficiary complaints or reports of disruption in SUD services.

#### HFP Stakeholder Engagement

Beginning in January 2013, and ending in June 2014, the DMC Treatment Program facilitated weekly calls with County Alcohol and Drug Program Administrators and/or their representatives from counties transitioning HFP clients to Medi-Cal. These calls provided opportunity to identify areas of concern or potential barriers to service for the transitioned population. To date, and during all phases of the transition, stakeholders had no reports of inadequate services, lack of access, or complaints regarding SUD services.

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<sup>[1]</sup> Assembly Bill (AB) 1494, (Committee on Budget, Chapter 28, Statutes of 2012)

DHCS hosted stakeholder webinar meetings in April and November 2013, that covered topics related to the overall HFP transition, including monitoring activities and risk mitigation strategies. DMC Treatment Program providers, county administrators, SUD stakeholders, and CMS participated in these meetings.

Staff from key divisions at DHCS continue to convene monthly calls with CMS. These calls are convened in accordance with the STC's of the 1115 Bridge to Reform Waiver.

Additional information on the HFP Transition is available on the DHCS website at: <http://www.dhcs.ca.gov/services/Pages/HealthyFamiliesTransition.aspx>

#### **XIV. Conclusion**

As part of the Fiscal Year 2011-12 Budget process, Governor Brown signed Assembly Bill (AB) 106 (Chapter 32, Statutes of 2011), which enacted law to transfer the administration of the DMC Treatment Program and applicable federal Medicaid functions from the DADP to DHCS, effective July 1, 2012. The law required DHCS to submit a written transition plan to the fiscal and applicable policy committees of the Legislature no later than October 1, 2011, and permitted DHCS to update the Legislature during budget subcommittee hearings after that date, if necessary. The [DMC Treatment Program Transition Plan](#), and subsequent updates, were submitted and can be found on the DHCS website at: <http://www.dhcs.ca.gov/services/medical/Pages/DrugMedi-CalProgram.aspx>

The law directed DHCS to coordinate with DADP and convene a series of stakeholder meetings to obtain input to guide the development of the transition plan. Stakeholders included clients, their families, providers, counties and representatives of the Legislature. In addition to incorporating stakeholder input, DHCS and DADP were directed to transfer functions in a manner that resulted in no unintended interruptions in service delivery to clients and families. The transfer of the DMC Treatment Program resulted in no reported interruptions in service delivery.

Upon Governor Brown signing AB 106, DHCS immediately began collaborating with DADP. The departments met regularly and convened stakeholders to discuss the transfer of the DMC Treatment Program and identified challenges, risks, and objectives. An interdepartmental Transition Team, comprising executive and senior management staff from both departments, was created to oversee the review of internal processes, procedures, and program functions currently in place for the DMC Treatment Program and to determine how best to transfer and integrate this new workload and staff into the current DHCS structure. DADP and DHCS each assigned a project manager to oversee the administrative transfer. The Transition Team ensured that the DMC Treatment Program and staff transferred as seamlessly as possible and maintained prominence during and after the transfer.

During the transition year of FY 2011-12, DHCS assessed the major categories of the functions and services coming from DADP to determine issues that required immediate action, as well as those that required additional time to properly review. DHCS also used the transition plan and all pertinent documents it gathered during the stakeholder process and packaged them as a resource tool for the newly created Deputy Director of Mental Health and Substance Use Disorder Services position in DHCS and DHCS executive staff.

The coordinated planning of both DHCS and DADP staff contributed to a successful transfer of the DMC Treatment Program. Despite some challenges highlighted in this, and past updates, the transfer of the DMC Treatment Program resulted in no reported interruptions in service delivery.

## **XV. Contact**

<http://www.dhcs.ca.gov/provgovpart/Pages/SUD-ProvPartners.aspx>