

## **Transition Plan**

Transfer of Medi-Cal Related Specialty Mental Health Services  
from the Department of Mental Health  
to the Department of Health Care Services, effective July 1, 2012.

Submitted by the Department of Health Care Services  
In Partial Fulfillment of Requirements of Assembly Bill 102,  
(Chapter 29, Statutes of 2011)

October 1, 2011



State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

To: All Stakeholders

Thank you to the many people who helped in the development of the October 1, 2011, transition plan for the transfer of Medi-Cal Specialty Mental Health Services from the Department of Mental Health (DMH) to the Department of Health Care Services (DHCS). We especially thank the clients, family members, providers, county representatives, legislative staffers, and others who provided compelling input that helped us create this transition plan.

This transfer touches services that we know are so critically important in many people's lives. For this reason, we will work hard to prevent gaps in services to clients and families during this transfer, and we hope this will be a seamless process for all people who use or provide these services.

Communication is critical during this transfer. This plan is an important milestone, and we commit to giving you updates every two months beginning November 15, 2011, and continuing through May, 2012. We will continue to invite clients, families, counties, and providers to help us make a successful transfer and identify ways to improve services over time. Your knowledge and experience is invaluable to us.

I encourage you to visit the DHCS website at [www.dhcs.ca.gov](http://www.dhcs.ca.gov) to find regular updates to the plan. With your help, we have a promising start.

Sincerely,

Toby Douglas  
Director

## TABLE OF CONTENTS

	<b>PAGE</b>
Executive Summary	1
Introduction	2
<b>PART A– Programmatic Transition</b>	<b>4</b>
Operational Steps, Timelines, and Key Milestones for Transfer	4
Planned or Proposed Changes or Efficiencies	10
Organization and Leadership	13
Engaging Stakeholders	16
<b>PART B– Administrative Transition</b>	<b>19</b>
Operational Steps, Timelines, and Key Milestones for Transfer and Planned or Proposed Changes or Efficiencies	
• Project Management	19
• Survey and Staff Meetings	20
• Additional Communications with Employees	20
• Information Technology Services	21
• Administration	23
• Audits and Investigations	25
<b>APPENDICES</b>	
• Appendix A	29
• Appendix B	34
• Appendix C	40
• Appendix D	42
• Appendix E	44
• Appendix F	46

## EXECUTIVE SUMMARY

As part of the Fiscal Year 2011-12 budget process, Governor Brown signed Assembly Bill (AB) 102 (Chapter 29, Statutes of 2011), which enacted law to transfer the administration of Medi-Cal specialty mental health services, the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, and applicable federal Medicaid functions from the Department of Mental Health (DMH) to the Department of Health Care Services (DHCS), effective July 1, 2012. The law requires DHCS to submit a written transition plan to the fiscal and applicable policy committees of the Legislature no later than October 1, 2011. DHCS may submit an updated transition plan no later than May 15, 2012.

The law directs DHCS to coordinate with DMH and convene a series of stakeholder meetings to obtain input that guides the development of the transition plan. Stakeholders include clients, their families, providers, counties and representatives of the Legislature. In addition to incorporating stakeholder input, DHCS and DMH must guide the transfer of functions in a manner that results in no unintended interruptions in service delivery to clients and families. This stakeholder process was complicated as DHCS sought input on this transfer at the same time that DMH sought stakeholder counsel on the future of the non-Medi-Cal mental health programs that it currently administers. Stakeholders also had high interest in how these changes fit with the coming realignment of mental health and alcohol and drug treatment programs in 2012 and health care reform in 2014. Despite these challenges, stakeholders were crucial in helping DHCS understand the complexity it faces in carrying out this transfer and the careful planning it requires.

This transition plan describes how the two departments conferred with stakeholders and the input they provided. The plan describes DHCS's organizational placement and leadership of the transferred functions, it outlines key operational steps that are necessary to carry out the transfer, and it includes suggested improvements of these functions during or upon DHCS's takeover of the programs and services. The plan also provides a background of the Medi-Cal program's delivery of mental health services in California and the roles that DMH and DHCS currently play in the administration the program.

The October 1, 2011 due date for submission of the plan and specific timing of stakeholder engagement presented a challenging timeline. Given the significant importance of this program's services in clients lives, the aggressive timeline, and the Administration's obligation to do this right, this October 1, 2011 transition plan will not be the final plan. DHCS will submit a bi-monthly update to the Legislature beginning November 15, 2011, and consistent with AB 102, DHCS will submit a final update by May 15, 2012. This will allow DHCS to develop and provide further detail on current and future transition activities, describe progress to date and continue stakeholder engagement as appropriate throughout this transition year and beyond. The plan will also serve as a tool for the new DHCS leadership that will oversee the administration of the program, lead the implementation of any program improvements, and prepare for health care reform.

## INTRODUCTION

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 delegated the administration of several components of the Medi-Cal program to other departments. Along with its administration of state hospitals and various community mental health programs, the Department of Mental Health (DMH) administers Medi-Cal specialty mental health services for adult beneficiaries with serious mental illnesses and children with serious emotional disturbances.<sup>1</sup>

Governor Brown signed AB 102 on June 28, 2011, thereby directing DHCS to collaborate with the Department of Mental Health (DMH) and the California Health and Human Services Agency (Agency) to create a transition plan that guides the transfer of Medi-Cal specialty mental health services, the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, and applicable functions related to federal Medicaid requirements, from DMH to DHCS, effective July 1, 2012.<sup>2</sup> The legislation requires DHCS to submit the written transition plan to the fiscal and applicable policy committees of the Legislature no later than October 1, 2011, and permits submission of an updated transition plan no later than May 15, 2012.

Ultimately, the transfer is intended to:

- Improve access to culturally appropriate community-based mental health services, including a focus on client recovery, social rehabilitation services, and peer support;
- Effectively integrate the financing of services, including the receipt of federal funds, to more effectively provide services;
- Improve state accountabilities and outcomes; and
- Provide focused, high-level leadership for behavioral health services within the state administrative structure.

AB 102 mandates the departments to convene a series of stakeholder meetings, beginning no later than July 15, 2011, to receive input from clients, family members, providers, counties, and representatives of the Legislature and this consultation shall inform the creation of the transition plan. DHCS, DMH and Agency must convene and consult with stakeholders at least twice following production of a draft transition plan, and before DHCS's submission of the plan to the Legislature on October 1, 2011.

---

<sup>1</sup> Appendix A provides an overview of Medi-Cal and mental health services in California, and Appendices B and C describe the respective responsibilities and functions of DMH and DHCS in administration of specialty mental health services.

<sup>2</sup> See Appendix D for the text of AB 102 that addresses this transfer.

The transfer must assure continued access and quality of service during and immediately after the transition and prevent any disruption of services to clients and family members, providers and counties and others affected by the transfer. The transition plan must include the following components:

- A detailed description of the state administrative functions that DMH currently performs regarding Medi-Cal specialty mental health and the EPSDT program;<sup>3</sup>
- Explanations of the operational steps, timelines, and key milestones for determining when and how the departments will transfer each function or program, including explanations for the transition of DMH positions and staff and how they will relate to, and align with, positions at DHCS;
- A list of any planned or proposed changes or efficiencies in how DHCS will perform the functions, including the anticipated fiscal and programmatic impacts of the changes;
- A detailed organization chart that reflects the planned staffing at DHCS and includes focused, high-level leadership for behavioral health issues<sup>4</sup>;
- A description of how the departments included stakeholders in the various phases of the planning process to formulate the transition plan, and a description of how DHCS will take their feedback into consideration after transition activities are underway.

AB 102 provides a specific timeline for how DHCS must plan and implement the administrative transfer of the Medi-Cal specialty mental health services, but the intent language within the legislation is more global in nature, and addresses the objectives for the final outcome. Some parties may hope or expect that DHCS will accomplish both a program transfer and a program renovation by July 1, 2012; however, change must be thoughtful, and success takes time. Several stakeholders acknowledged this and affirmed that they did not expect DHCS to evaluate, prioritize, and implement the numerous suggestions they provided prior to the transfer. However, they do hope to see as much specificity as possible in how DHCS will proceed.

To give the transfer of Medi-Cal specialty mental health services the consideration it deserves, DHCS must approach the transition and evaluation of changes to this program as a multi-step, multi-year process. The first and primary goal must be the successful transfer of the program and functions from DMH to DHCS by June 30, 2012. Since enactment of AB 102, DHCS has regularly met with DMH and convened stakeholders to discuss the transfer of specialty mental health services and identify challenges, risks, and objectives. DHCS has established several workgroups of staff from both departments to review the internal processes, procedures, and program

---

<sup>3</sup> See Appendix B

<sup>4</sup> See Appendix E1 for current DHCS organization chart and Appendix E2 for proposed DHCS organization chart

functions currently in place for the Medi-Cal's specialty mental health programs. The staff on these workgroups will help determine how best to transfer and integrate this new workload into the current DHCS structure, and also ensure that the specialty mental health program and services maintain prominence during and after the transfer. These internal workgroups have the charge to successfully transfer the program and functions, but that is only a first step in the process. There are also many opportunities to assess functions and services for change, and external stakeholders will be important for these next steps. Therefore, DHCS will establish ad hoc workgroups with external stakeholders and business partners to explore programmatic and administrative opportunities associated with the intent of AB 102.

In the transition year of FY 2011-12, DHCS will assess the major categories of the functions and services coming from DMH to determine issues that require immediate action, as well as those that will require additional time to properly review. DHCS will use the expertise of DMH staff transferring to DHCS and the numerous external stakeholders who will bring a vital perspective to the analysis. DHCS will also use this transition plan and all pertinent documents it has gathered during the stakeholder process and package them as a resource tool for the new Deputy Director of Mental Health and Substance Use Disorder Services, the new chief of the Mental Health Services Division/Office and DHCS executive staff.

The transition plan submitted as of October 1, 2011 represents the beginning of a complex yet timely process that provides DHCS the opportunity to evaluate and potentially restructure a long existing program. DHCS commits to bi-monthly updates to the appropriate committees of the Legislature and stakeholders during the transition year to report its progress on meeting the requirements and intent of the language in AB 102.

The reader should note that while this transition plan mentions a select grouping of stakeholder comments, DHCS has carefully reviewed all submitted comments and will give each suggestion consideration in the process of transferring Medi-Cal related specialty mental health services to DHCS and its administration thereafter.

## **PART A - PROGRAMMATIC TRANSITION**

### **OPERATIONAL STEPS, TIMELINES AND KEY MILESTONES FOR TRANSFER**

*AB 102 requirement: Explanations of the operational steps, timelines, and key milestones for determining when and how each function or program will be transferred.*

DHCS and DMH must ensure that they identify all key steps required to facilitate the program transfer. AB 102 affirms that all regulations and orders concerning Medi-Cal specialty mental health managed care and the EPSDT Program remain in effect and be fully enforceable unless and until readopted, amended, or repealed by DHCS, or until they expire. This language assures that client and provider stakeholders know how the program will operate and can rely upon existing guidelines until DHCS takes definitive

action. It also means that DHCS need not complete a major regulations or other policy overhaul to be ready for July 1, 2012.

DHCS and DMH engaged in discussions about the transfer of the specialty mental health services immediately upon the Governor's signing of AB 102. The departments established internal workgroups comprised of subject-matter experts in the areas of administration (budgets, accounting, contracts, and human resources), Information Technology, Audits and Investigations, and program oversight. These workgroups are reviewing all aspects of the DMH administered Medi-Cal mental health services to ensure that DHCS is appropriately informed prior to the transfer in June 2012. The Administration is committed to making sure that the program is first transferred successfully and then with stakeholder input, examining possibilities of program refinements, improvements, and efficiencies.

Stakeholder input has already shown to be an invaluable part of this process, as it is bringing to light issues that are worthy of examination. While DHCS has not included all stakeholder comments and recommendations in this document, it has placed all of them on the DHCS website at: <http://www.dhcs.ca.gov/services/medical/Pages/MentalHealthTransitionStakeholderCommentsandSuggestions.aspx>. The DHCS workgroups have received all stakeholder comments for review, consideration and as applicable, action. DHCS and DMH will continue to collaborate on all issues related to the transfer of the Medi-Cal specialty mental health services.

The merging of the two departments' staff, processes, procedures and policies is a challenging task. While DHCS will identify certain administrative and programmatic efficiencies during months-long conversations with DMH, it anticipates that a notable number of issues will also come to light following the transition, when DHCS is fully responsible for the program administration.

DHCS will assume full supervisory and operational responsibility for all transferred functions and personnel between September 1, 2011 and July 1, 2012; however, as of the date of this report, the departments have not yet determined which functions and staff are candidates for earlier transfer than others. Therefore, although DMH "Medi-Cal" staff have transferred on paper to DHCS as of September 1, 2011, DMH will retain current legal authority and management structure for day-to-day operations and supervisory responsibilities until the functions and staff transfer fully to DHCS. During this period, DMH will regularly consult with DHCS counterparts and apprise them of significant policy and program issues.

The transfer must occur by July 1, 2012; therefore the departments must complete all operational steps and meet many of the key milestones prior to that date. The two departments will also embark on activities that may not be needed to transfer the program to DHCS but will facilitate later opportunities for program or administrative improvement. In all cases, interdepartmental collaboration of staff is necessary to identify target dates of key milestones and complete the tasks. DHCS's ability to meet the milestones is also contingent on being able to transfer the DMH staff, maintain the program's institutional knowledge, and obtain federal approval of any changes to the

State Plan or Specialty Mental Health Services Waiver. Any barriers to DHCS meeting these critical needs will delay completion of the tasks.

**Key Milestones** (This list is not in order of priority.)

1. Develop and maintain stakeholder distribution list
  - DHCS will collaborate with DMH to develop a distribution list of Medi-Cal mental health program stakeholders that includes representatives of clients and families, client advocates, providers, and counties. (Completed July 2011)
  - DHCS shall continue to augment the stakeholder list as it receives new contact information. (Ongoing)
2. Plan and conduct stakeholder meetings with Clients/Families/Client Advocates; Providers/Provider Representatives; and Counties/County Representatives, as required by Assembly Bill 102. (Completed September 2011)
  - DHCS and DMH convened meetings on July 12, 26, 27; August 22; and September 19, 2011.
3. Ensure stakeholder engagement
  - During the transition period:
    - By November 2011, identify those transition activities that require stakeholder input and identify appropriate stakeholders
    - By December 2011, determine how the stakeholder process(es) will continue to inform and guide the transition during various stages
  - Ongoing:
    - By January 2012, identify all current DMH stakeholder groups, purpose, meeting frequency and associated mandates
    - By March 2012, determine the vehicles for ongoing (i.e. post-transition) appropriate stakeholder engagement.
4. By November 2011, develop a stakeholder communication plan to ensure regular communications during the transfer and inform stakeholders of upcoming transfers of major functions.
5. Recruit and hire the Deputy Director and Division/Office Chief
  - By September 2011, develop a duty statement and begin recruitment. (Completed) DHCS will have the new Deputy Director in place before July 1, 2012, to provide critical leadership during the transition of staff and programming.
  - Within 30 days of appointment, the Deputy Director will oversee the recruitment of the Chief for the Mental Health Services Division/Office.
  - By March 2012, DHCS will collaborate with DMH to identify appropriate national organizations and will enroll the Deputy Director in such organizations to ensure that California has appropriate representation.

6. Stakeholder Recommendations
  - Analyze, categorize and prioritize stakeholder recommendations from the July-September 2011 process.
    - By November 2011, begin assessment of the recommendations for feasibility and to determine priority
    - By February 2012, develop work plans to implement short items
    - By April 2012, develop work plans to implement long term items.
7. By November 2011, meet with staff of each major operational and program area coming to DHCS to identify major issues and risks to consider and address during the transfer.
8. By December 2011, list each function to transfer and identify the key associated processes for flow charting and process improvement. Examples include, but are not limited to:
  - Claims processing
  - Cost settlements
  - Fiscal Audit processes and overlaps
  - Chart audits (EPSDT, adult and inpatient) and appeals
  - System review program protocols and program audits
  - Annual EQRO reviews
  - Creation of Estimates and Related Budget
  - Ombudsman Processes
  - County Technical Assistance Processes
  - Specialty mental health data management and support
  - Assessment and referral of Questionable Medi-Cal billings
  - IT support for Medi-Cal Systems and sub-systems
  - PASRR LV I and LVII evaluations
  - 2<sup>nd</sup> Level TAR appeals and TAR lawsuits
  - Medi-Cal clinic certifications and re-certifications
  - Professional licensing waivers
  - Establishment and maintenance of provider files
  - Develop timelines for flowcharting the above items
9. DHCS/DMH Transition Team
  - Use the existing interdepartmental transition team as a vehicle for program leads and executive management to meet weekly to discuss expected and unexpected operational transfer issues. (Ongoing through transition period)
  - The transition team will provide regular updates to the respective Directors and Agency on the status of the transition.(Ongoing through transition period)
  - The transition team will assist in development of regular updates to the Legislature on the status of the transition. (Ongoing through transition period)

10. Fiscal Issues: DHCS and DMH shall collaborate to maintain integrity of funding at all levels
  - By January 2012, identify the steps needed to prepare for FYs 2010-11 and 2011-12 year-end closing
  - By January 2012, determine DMH/DHCS responsibilities for prior year payments and invoices
  - By March 2012, identify any items in danger of a reverting appropriation
  - By May 2012, fully incorporate DMH's Medi-Cal mental health local assistance budget in the Medi-Cal Estimate
  - By March 2012, obtain status of all invoices, repayments, etc. from DMH
  - Refer to Part B for more information
11. Non-Medi-Cal Issues and Realignment. Monitor if and how non-Medi-Cal services currently overseen by DMH, and realignment of funding to the counties will affect the transfer of the Medi-Cal specialty mental health services. (Ongoing)
12. By November 2011, identify the points of contact within DMH and DHCS for consultation with counties regarding specific Medicaid regulatory, policy and other critical county and stakeholder business and operational issues. (Update is ongoing)
13. By October 2011, complete identification of organizational placement for each transferred DMH function and the reporting and supervisory relationships of staff associated with those functions.
14. By December 2011, identify appropriate interface, division of responsibilities and communication between DHCS, Mental Health Oversight and Accountability Commission, Mental Health Planning Council and remaining DMH (non-hospital) programs related to community mental health
15. Policy reviews. By June 2012, establish workgroups of staff and stakeholders to review the following and identify need for revision and updates, clarification, repeal, etc.:
  - Title 9 and Title 22 of the California Code of Regulations
  - Federal regulations and laws to clarify requirements
  - State laws
  - DMH policy letters/information notices
  - Identify and monitor all active relevant mental health legislation
  - Develop timelines for implementation
16. By June 2012, implement fully executed Mental Health Plan Contracts.
  - Coordinate with DMH and the County Mental Health Directors' Association to finalize MHP contract boilerplate
  - Obtain federal Centers for Medicare and Medicaid Services (CMS) approval
  - Fully execute all contracts
  - Submit contracts to State Controller's Office

#### 17. Assess Non-MHP contracts

- By October 2011, DMH will provide a list and copies of all current contracts associated with administration of Medi-Cal specialty mental health services
- By November 2011, identify status of contracts and determine procurement or “assignment” needs
- By November 2011, determine which contracts require CMS approval

#### 18. Prior to April 2012, identify critical outstanding workload. Examples include:

- Fiscal Audits
- PASRR LV II evaluations
- Cost settlements
- 2<sup>nd</sup> Level TAR appeals and lawsuits
- EPSDT chart reviews and use of extrapolation
- Transfer of PASRR responsibilities to acute care hospitals (vs. NFs)
- System reviews
- Chart reviews
- Medi-Cal Clinic certifications and re-certifications
- Questionable Medi-Cal billings assessments
- Activities related to County Medi-Cal Program Technical assistance
- Tasks associated with Medi-Cal policy development, analysis and issue resolution
- Tasks associated with financial services in support of Medi-Cal program
- IT support for Medi-Cal systems and subsystems
- Recoupment of payments associated with Institutions for Mental Disease ancillary services
- Develop timeline for completion or transfer of outstanding workload

#### 19. Legal Issues and Court Decisions

- Beginning September 2011, DHCS Office of Legal Services (OLS) and DMH legal staff will collaboratively work on any lawsuits and/or active court cases relating to specialty mental health services
- By November 2011, DMH legal staff will provide DHCS with a list of key court decisions (and copies) applicable to the DMH administered Medi-Cal mental health programs
- By January 2012, DHCS and DMH will review state statute, and identify areas that require amendment to facilitate DHCS’s administration of specialty mental health services
- By March 2012, DHCS OLS will review all legal matters applicable to specialty mental health services

#### 20. Medicaid State Plan

- By December 2011, DHCS will determine whether any changes are necessary to the State Plan
- By December 2011, DHCS will develop timeline for writing and submitting any necessary State Plan Amendment.

## 21. Specialty Mental Health Services Consolidation Waiver

- By December 2011, DHCS will determine which changes are necessary to the Waiver
- By February 2012, DHCS will submit any waiver amendments to CMS

## 22. Tribal notification

- DHCS will provide tribal notification on any changes to the State Plan or Waiver and obtain input as required by federal law. (Ongoing as needed)

## 23. Assure maintenance of cultural competence requirements for MHPs

- By December 2011, identify current contractual requirements
- By December 2011, identify processes used by DMH in assuring compliance
- By January 2012, develop policies and plan to assure MHP accountability for cultural competence

## 24. Website Changes

- By June 2012, identify, copy and transfer all webpage content and web links associated with Medi-Cal related specialty mental health services currently on the DMH website, to the DHCS website

25. By March 2012, evaluate support resources transferring from DMH to DHCS.

## **PLANNED OR PROPOSED CHANGES OR EFFICIENCIES**

*AB 102 requirement: A list of any planned or proposed changes or efficiencies in how the functions will be performed, including the anticipated fiscal and programmatic impacts of the changes.*

As previously stated, AB 102 requires that all regulations and orders concerning Medi-Cal specialty mental health managed care and the EPSDT Program remain in effect and be fully enforceable unless and until readopted, amended, or repealed by DHCS, or until they expire. However, this transfer and the associated stakeholder engagement clearly present an opportunity to consider how the State can identify changes or efficiencies in services, policies and procedures. This plan reflects multiple items that stakeholders, DHCS and DMH have identified as opportunities that DHCS should consider during and after the transition. Stakeholders have also suggested that DHCS review past reports and publications that contain assessments and recommendations associated with Medi-Cal mental health (and alcohol and drug treatment) services from entities such as the Little Hoover Commission, CMS and Office of State Audits and Evaluations and use them as a resource for identifying further areas for improvement.

Stakeholder comments greatly vary, but most believe that this transfer can begin to address new and ongoing issues. DHCS will need to analyze the stakeholder recommendations, and for those that are feasible, categorize them into short-term and long-term action items. DHCS is not able to immediately identify the programmatic and

fiscal impacts of recommended changes or efficiencies but will do so as it completes its analyses. Most of the concerns and recommendations that DHCS gathered from the July-September 2011 process fit into broad categories as noted below. DHCS's listing of any item does not imply that stakeholders had consensus on the recommendation or that this list is exhaustive.

### **Improve Business Practices**

- Maximize the ability to claim federal funds
  - Remove reimbursement ceiling
  - Ensure reimbursement during periods of no budget
  - Facilitate school-based claiming
- Assess the claim reimbursement systems and identify opportunities to
  - Simplify system for providers
  - Reduce number of disallowed claims
  - Reduce the time to process reimbursements
- Streamline the cost reporting and settlement processes
- Eliminate redundancies in the provider certification process including perceived overlap with the Department of Social Services licensing program
- Facilitate same day billing for mental health and physical health care services
- Integrate audits
- Integrate IT systems where appropriate
- Reduce processing time for PASSR Level II screens

There is great interest in streamlining business processes to reduce adverse impact on providers and counties; removing restrictions that limit reimbursement for mental health services or limit providers' ability to deliver services. In light of the coming Realignment, counties have requested that DHCS identify improved business practices as an immediate need.

### **Assure Access and Improve Services**

- Improve client services by adopting community-based best practices such as peer support and maximize use of social rehabilitation services
- Increase use of telepsychiatry
- Focus on prevention and early intervention rather than a "fail first" system
- Ensure State staff are knowledgeable about mental health services and mental health "life"
- Assure presence of children's mental health policy expertise and build capacity in meeting the needs of children
- Assure current, knowledgeable providers can continue to serve clients throughout and after the transfer
- Continue progress on assuring cultural competence of services
- Address racial, ethnic and cultural disparities in access to care and outcomes
- Reduce discrimination and stigma experienced by clients

- Eliminate disparity in access
  - Ensure equal access across all counties to services that meet the State Plan and Waiver requirements
  - Address inequity between mental health and physical health services; begin preparing for health care reform
- Integrate services
  - Integrate mental health and alcohol and drug treatment services
  - Integrate mental health and alcohol and drug treatment services with physical health services
- Facilitate coordination with non-Medi-Cal mental health services
- Incentivize the use of community settings; further goals of Olmstead
- Assure accountability of the mental health system, its providers, and administrators (includes dissemination of data)

Stakeholders have high interest in bringing culturally competent services to clients that reflect current best practices; supporting prevention; eliminating geographic, racial and ethnic disparities in access to services; eliminating stigma; and holding programs accountable for providing quality services to clients. DHCS anticipates undertaking extensive work with stakeholders on these and emerging issues after it assumes program administration and operations.

### **Ensure Stakeholder Participation**

- Provide regularly scheduled venues for meaningful stakeholder engagement
- Consult with stakeholders on program changes, efficiencies, regulations, State Plan Amendments, waiver amendments, etc.
- Engage stakeholders in ongoing quality improvement and results oriented processes
- Include county representation, when appropriate, in assessment of legal issues and court decisions that will require later implementation at the county level
- Facilitate stakeholder participation by funding travel to meetings or traveling out to communities
- Clearly identify individuals that serve as State contacts for programs and services

Stakeholders expressed interest in participating on workgroups with DHCS to monitor the delivery of specialty mental health services, as well as provide input for the refinement of the program. Some individuals stated concerns that DHCS would proceed too far with internal workgroups before involving stakeholders and asked the Department to make sure that it involves them as early as possible. Clients and family members in particular emphasized the importance of including persons with experience living with mental health illness and using the mental health delivery system. County representatives asked that DHCS work closer with them considering that they serve as business partners in carrying out the Medi-Cal mental health programs in local communities and will have greater responsibility under the coming Realignment.

DHCS agrees that it is important to consult with clients/families, county business partners and providers in the planning for and delivery of services that best meet the needs of the clients, and it is committed to doing so. DHCS included stakeholder group identification and ongoing stakeholder engagement as two key milestones of the transition plan. Given limited state funding, it is unlikely that DHCS could fund stakeholder travel; however, it can use technologies like teleconferences and webinars or leverage relationships with counties, providers and advocates to reach deeper into communities.

DHCS has collaborated with DMH to develop an email distribution list that DHCS used to communicate with stakeholders during the transition plan development process. This list will continue to grow as DHCS becomes more familiar with the subject and the entities involved. DHCS has also asked DMH to provide a listing of stakeholder groups, including associations that currently meet with DMH; identify the group's purpose/charter; explain the frequency of meetings; and identify any statutory requirements for the workgroups/advisory bodies, as applicable.

## **ORGANIZATION AND LEADERSHIP**

*AB 102 requirement: A detailed organization chart that reflects the planned staffing at the State Department of Health Care Services in light of the requirements of subparagraphs (A) through (C) and includes focused, high-level leadership for behavioral health issues.*

### Current DHCS Structure

DHCS is comprised of over 3,200 authorized staff positions throughout California. The Department's current executive level leadership includes a Director; a Chief Deputy Director who guides the Deputy Directors of operational and administrative divisions and offices; and three program Deputy Directors who report directly to DHCS's Director. Each program Deputy Director provides oversight and direction to subject matter-specific divisions. The Deputy Director of Health Care Delivery Systems provides leadership to four divisions: Long Term Care; Systems of Care; Medi-Cal Managed Care; and the Low Income Health Program. The Deputy Director of Health Care Financing guides oversight of three divisions: Fee-for-Service Rates Development; Safety Net Financing; and Capitated Rates Development. The Deputy Director of Health Care Benefits and Eligibility oversees five divisions: Medi-Cal Eligibility; Benefits and Waiver Analysis; Pharmacy Benefits; Medi-Cal Dental Services; and Primary and Rural Health.

### Stakeholder Comments on Organizational Placement and Leadership

Stakeholders had great interest in the organizational placement of the Medi-Cal related mental health services, DMH staff, and its leadership. While opinions varied extensively, there were three common themes: placement of the program, placement of DMH program staff, and leadership.

### *Placement of the program*

Despite passage of AB 102, some stakeholders continue to oppose any movement of the program from DMH to DHCS, but whether opposed or not, they had a common concern that the transfer would result in DHCS's "regular" Medi-Cal program engulfing the Medi-Cal mental health program to the detriment of the latter. Some stakeholders also expressed concern about the effect of AB 106, which directs the transfer of the Drug Medi-Cal Treatment Program from the Department of Alcohol and Drug Programs (DADP) to DHCS effective July 1, 2012. A primary fear was that DHCS would immediately integrate the mental health program and staff with the alcohol and drug treatment services program and staff, thereby losing the two programs' dedicated focus and identity. Finally, there was understandable difficulty for stakeholders discussing this placement in the absence of certainty about the placement of DMH's "non-Medi-Cal" functions, and for which DMH is conducting a separate stakeholder process. The implementation of the Administration's plan for realignment of the mental health and alcohol and drug program functions in 2012 and the coming major health care reform in 2014 add to these significant changes.

### *Placement of DMH Program Staff*

Stakeholders expressed the concern that the transfer would result in the loss of State staff that are experienced and expert in the mental health programs. Stakeholders wanted assurance that DHCS had expertise in place to administer and support the service models and delivery systems currently in place.

### *Leadership*

Stakeholders placed strong emphasis on DHCS having leadership that reports directly to the Director and has experience in the disciplines of mental health and substance use disorders, as well as knowledge of California's mental health system. Some stated that this Deputy Director's scope of responsibility should encompass the full array of Medi-Cal mental health services and not just specialty services. Others suggested that this person also be able and willing to advocate for and facilitate increased use of other state programs such as housing and rehabilitation services to sustain clients in their mental health recovery. Finally, DHCS received some suggestions that it should appoint separate deputy directors for Specialty Mental Health Services and the Drug Medi-Cal Treatment Program.

Several stakeholders involved in discussions regarding the transfer of the Medi-Cal related specialty mental health services and the Drug Medi-Cal Treatment Program objected to DHCS's use of the term "behavioral health" in the proposed new Deputy Director title and requested a title that clearly describes both disciplines. They pointed out that the term is problematic because it can give the impression that individuals with mental health illness or alcohol and drug use disorders have problems with "behavior" choices rather than living with chronic diseases. Stakeholders from the substance use disorder field stated that the term is unclear and almost always requires explanation; minimizes the importance of substance use disorders; and is sometimes misinterpreted

to solely mean “mental health,” often due to most behavioral health programs solely or primarily focusing on mental health services.

DHCS has given careful consideration to the comments made by all stakeholders on this issue and has decided to entitle the new position, “Deputy Director, Mental Health and Substance Use Disorder Services.”

### New DHCS Structure

To ensure that Medi-Cal related specialty mental health services remain prominent upon transfer to DHCS and to address the above issues raised by stakeholders, DHCS is adding a new Deputy Director of Mental Health and Substance Use Disorder Services to the executive management team. It is not feasible to appoint two deputy directors; however, the new Deputy Director will report directly to the DHCS Director. The incumbent will be a Governor’s Appointee and will require Senate confirmation. The Deputy Director of Mental Health and Substance Use Disorder Services will oversee two new organizations: the Mental Health Services Division/Office, and the Substance Use Disorder Treatment Services Division/Office. This reporting structure replicates the oversight responsibilities of the other three program Deputy Directors in DHCS. The two new division/offices will function independently and will focus on their unique and separate health issues. As separate organizations reporting to the Deputy Director, however, they will also benefit from the co-location that will facilitate better coordination and focus on integration of services over time. A Career Executive Assignment will lead each division/office.

DHCS has begun recruitment for the new Deputy Director and seeks to fill the position and have the incumbent actively engaged in the transfer prior to July 1, 2012. This person must have the requisite experience to successfully lead this new organization and advocate for the reporting programs. The duty statement for this position states that the incumbent must have extensive knowledge and experience in the fields of mental health and substance use disorders. This deputy director will be instrumental in leading the two disciplines through health care reform and facilitating integration of services for the benefit of clients, particularly those with co-occurring disorders. DHCS plans for the timing to occur so that the new Deputy Director will be on board to hire the chiefs of the two reporting organizations.

Finally, this transition plan incorporates the transfer of DMH staff who currently work in the Medi-Cal mental health programs, thereby assuring appropriate knowledge and expertise in administering this program and bringing the institutional knowledge they have developed in their careers. The transfer of the Medi-Cal related specialty mental health services from DMH to DHCS will result in an increase of over 118 civil service positions of varying classifications for DHCS. Some of the DMH staff transferring to DHCS will bring a workload assignment that is more operational or administrative in nature such as staff who work in Human Resources, Budgets, Accounting, Information Technology, and Audits. DMH staff that work in these disciplines will join DHCS’s existing infrastructure, although they may form a new “unit” in that organization and

maintain their focus on mental health programs. DMH staff that perform policy and programmatic activities for the mental health program will go to the new Mental Health Services Division/Office. They will continue to administer the specialty mental health services program as currently structured unless and until such time that DHCS updates the program's policies and processes.

The current and new DHCS organizational structure is shown in Attachment E. Future updates to this transition plan will show the specific branches and sections that will affect or result from this transfer.

## **ENGAGING STAKEHOLDERS<sup>5</sup>**

*AB 102 requirement: A description of how stakeholders were included in the various phases of the planning process to formulate the transition plans and a description of how their feedback will be taken into consideration after transition activities are underway.*

### Stakeholder meetings:

DHCS collaborated with DMH to develop a broad email distribution list of specialty mental health services stakeholders representing the following categories: clients and families, providers and counties. DHCS's Legislative and Governmental Affairs relayed all information to key legislative staff. DHCS released 'save-the-date' meeting announcements, meeting invitations, and other related meeting materials via the new email distribution list and also utilized the DHCS website [www.dhcs.ca.gov](http://www.dhcs.ca.gov). DMH posted this same information on its website [www.dmh.ca.gov](http://www.dmh.ca.gov). The stakeholder distribution list grew throughout the process, as DHCS received numerous requests from individuals interested in the issue.

DHCS convened a total of six meetings with mental health stakeholders regarding the transfer of Medi-Cal related specialty mental health services. DHCS invited stakeholders to participate in person, or by telephone, and established an operator-assisted teleconference with 100-200 lines for each meeting.

DHCS convened the first stakeholder meeting on July 12, 2011, in the East End Auditorium located at 1500 Capitol Avenue, Sacramento, CA. During this meeting, the California Health and Human Services Agency's Undersecretary of Program and Fiscal Affairs; the DHCS Director and Deputy Director of Health Care Benefits and Eligibility; and the DMH Acting Director and Acting Chief Deputy Director provided stakeholders with an overview of the meeting's purpose, the intent and mandates of AB 102, the DHCS draft timeline for the transition plan, and the processes for stakeholders to provide oral and written comments. During this meeting, DHCS Director Toby Douglas shared his intent to create a new position "Deputy Director, Behavioral Health" that will report directly to him. (In response to stakeholder comments, DHCS has changed the

---

<sup>5</sup> See Appendix F for the DHCS timeline related to stakeholder participation and transition plan development.

title to, “Deputy Director, Mental Health and Substance Use Disorder Services.”) The Administration’s representatives assured stakeholders that the issues associated with the transfer of Medi-Cal related specialty mental health are a high priority. The majority of the meeting was dedicated to hearing comments from stakeholders. Ninety-five stakeholders participated in person, and 168 participated telephonically via an operator-assisted line. DHCS placed a summary of stakeholder comments from the meeting on its website.

DHCS convened the “second” stakeholder meeting as a series of three meetings on July 26 and 27, 2011. The Department broke out the stakeholder meetings into three categories over the two days to provide each stakeholder group with an equal opportunity to share its unique perspective with the departments. DHCS invited legislative staff to attend all three stakeholder meetings. The majority of time during each meeting was devoted to receiving stakeholder comments and obtaining clarification on stakeholder concerns.

DHCS held the July 26 meetings in the training rooms at 1500 Capitol Avenue, Sacramento, CA. Fourteen people attended the clients/families/client advocates meeting in person and 21 participated by telephone. Thirteen providers/provider representatives attended the July 26 meeting, with 34 utilizing the call-in line. The California Mental Health Directors Association hosted the July 27 meeting for County Mental Health Directors and county representatives at their Sacramento office. Eleven individuals attended the meeting in person, and 86 called in using the operator-assisted teleconference line. DHCS placed a summary of stakeholder comments on its website.

DHCS held the “third” meeting in the stakeholder series on August 22, 2011, in the auditorium at 1500 Capitol Avenue, Sacramento, CA. All stakeholder groups and key legislative staff received invitations to this meeting. The purpose of the meeting was to receive stakeholder input on the draft transition plan, which DHCS released via email on August 18 and placed on the DHCS website August 19, 2011. DHCS walked stakeholders through the transition plan, and provided opportunities for feedback. During the meeting, DHCS confirmed that stakeholders were aware of the email inbox for providing written responses to the draft transition plan, and explained the short turnaround time for providing comments. Per stakeholder request, DHCS extended the draft transition plan comment period to September 2, 2011. Thirty-eight stakeholders and other interested parties attended the August 22, 2011 meeting in person and 75 participated by telephone. DHCS placed a summary of stakeholder comments from the meeting on the DHCS website.

DHCS convened the fourth and final stakeholder meeting of the series on September 13, 2011. Thirty-five stakeholders attended the meeting in person, and 37 participated through the operator-assisted teleconference. During this meeting DHCS presented the revised transition plan, and highlighted the key areas of change since the August 22, 2011 meeting– especially transition plan reorganization, operational steps, timelines, and key milestones for the transfer. Following presentation of the transition plan, stakeholders had the opportunity to provide their comments orally, or in writing

through the stakeholder email inbox, which will remain active until July 2012. DHCS thanked all stakeholders for their time and interest; committed to continuing an open communication process; and informed stakeholders of the 'next steps' for the transition plan, including bi-monthly updates beginning November 15, 2011.

#### Website

To ensure easy public access to information about the transfer, DHCS developed a new Medi-Cal related specialty mental health services transfer link on its website [www.dhcs.ca.gov](http://www.dhcs.ca.gov) under the "Hot Topics" section of the homepage. DHCS updated the web site on a regular basis and placed meeting notices on the site, generally within 24 hours of their release. To ensure transparency in its process, the DHCS web page content included all meeting notices and handouts, an excerpt of AB 102, summaries of stakeholder comments from each meeting, and copies of applicable stakeholder comments received via the special email address set up for this purpose.

#### Email inbox:

DHCS created a dedicated email address and inbox to receive written stakeholder comments on the transition plan: [DHCSMHMEDI-CALTRANSFER@DHCS.CA.GOV](mailto:DHCSMHMEDI-CALTRANSFER@DHCS.CA.GOV). DHCS staff review the inbox daily and refer comments that are beyond the scope of the transfer of Medi-Cal related specialty mental health services functions to the appropriate DHCS staff person for handling. To ensure transparency throughout this process and protect privacy, DHCS removes personally identifying information from stakeholder inbox comments then places weekly groupings on its website.

#### DMH and DHCS staff as stakeholders:

DMH and DHCS consider their staff as stakeholders in the transition of Medi-Cal related specialty mental health services; therefore, the departments sent affected staff the same "five questions" document that had been provided to external stakeholders (clients, providers, counties, representatives of the Legislature). DMH and DHCS staff had the opportunity to respond in writing directly to their management, or to send their comments to the inbox created for stakeholder input. See "Part B – Administrative Transition" of this transition plan for more information relating to communication with DMH staff regarding the transfer.

#### Working with Stakeholders after the Transition is Underway

DHCS has obtained valuable input in this initial transition phase, and it will continue to engage stakeholders throughout the transfer and beyond. DHCS has not yet determined the viability of each of the recommendations, and stakeholder assistance will be necessary to clarify, analyze and prioritize the issues, and take action where appropriate. As previously mentioned, some of the recommendations represent projects that DHCS cannot immediately implement and must address in phases; therefore, DHCS expects to continue stakeholder engagement after the transfer.

DHCS has an ongoing philosophy and practice of working with stakeholders to keep abreast of how the program and its services are functioning and identify needed corrections or improvements. DMH has also worked with many stakeholders throughout its administration of the Medi-Cal mental health program. DHCS will assess

the existing stakeholder groups and processes that DMH currently maintains and determine how it may integrate some of them into its Medi-Cal mental health program and services after the transfer is complete. DHCS acknowledges the importance of stakeholder input regarding all aspects of Medi-Cal related specialty mental health services and business practices, and commits to having ongoing communication with its external partners.

## **PART B – ADMINISTRATIVE TRANSITION**

*AB 102 requirement: Explanations of the operational steps, timelines, and key milestones for determining when and how each function or program will be transferred. These explanations shall also be developed for the transition of positions and staff serving Medi-Cal specialty mental health managed care and the EPSDT Program, and how these will relate to, and align with, positions at the State Department of Health Care Services. The State Department of Health Care Services and the California Health and Human Services Agency shall consult with the Department of Personnel Administration in developing this aspect of the transition plan.*

*AB 102 requirement: A list of any planned or proposed changes or efficiencies in how the functions will be performed, including the anticipated fiscal and programmatic impacts of the changes.*

### **PROJECT MANAGEMENT**

DHCS established a Project Management Team (Team) of individuals who possess the appropriate subject matter knowledge and skills to manage the complexity and risk levels of this project. The Team has an executive sponsor (Chief Deputy Director), project lead, and project manager. The Team meetings include executive leadership and subject-matter experts from DMH to ensure continued communication between both departments throughout the transition process. The Team will meet weekly until the transition and all necessary follow-up actions are complete.

The Team identified a need for in-depth research and a coordinated plan to implement and resolve issues affecting the transfer efforts. The Team also identified additional DHCS internal stakeholders to participate as subject-matter experts in areas such as Human Resources, Program Support, and Information Technology. The DHCS Transition Team members have specific mission objectives related to their areas of expertise.

The Team has an "Issues and Risk Management" tracking database, and members provide routine updates to the project manager for documenting mitigation efforts and solutions to prevent a disruption of service, ensure quality of operations and minimize changes to the project's resources. The DHCS Transition Team and project manager directly communicate to ensure they identify all areas and deal with them promptly. The Team uses status reports and the project plan to track the progress of the DHCS reorganization and notifies management of any delays as early as possible.

All phases of the DHCS reorganization project will follow standard processes for project quality through the Information Technology Services Division, Project and Portfolio Management Office. The project technology solutions will be subject to code, walkthroughs, rigorous testing, and user approval before moving into production.

## **SURVEY AND STAFF MEETINGS**

DHCS is taking a proactive approach to answer DMH transfer employee questions and ease any uncertainty. DHCS conducted its first meeting with DMH transfer employees on July 25, 2011, to discuss the following topics:

- Reason for the transition
- Transferring functions and positions
- Timeframes for the transition
- Background and culture of DHCS
- Frequently asked questions and identify resources
- Next steps in the transition process

During the weeks of August 8 and August 15, 2011, DHCS surveyed DMH staff to request feedback on the efforts of the transition team. On September 16, 2011, DHCS posted the results of the survey on the California Health and Human Services Agency Intranet, and plans to forward the survey results to affected employees.

DHCS held a second staff meeting on August 23, 2011 and established a call-in line for transferring employees located in the Oakland and Norwalk offices. Approximately 70 employees attended this meeting in person or through the call-in line. The purpose of the meeting was to review the following:

- Transition Team Survey
- Welcome Packet
- Travel Reimbursement
- New to DHCS Human Resource Forms
- Available resources (who to contact, establishment of the interdepartmental liaison, webpage, e-mail, etc.)

DHCS will schedule additional staff meetings throughout the transition period to share ongoing efforts and relevant issues with transitioning employees. Staff meetings provide a venue for ongoing dialogue and open communication between the transitioning employees and the leadership of both departments and will help ensure that transitioning employees receive a full orientation and a seamless transfer to DHCS.

## **ADDITIONAL COMMUNICATIONS WITH EMPLOYEES**

DHCS's Information Technology Services Division (ITSD) has created a transition Webpage as an easily accessible repository for information regarding the transfer; the

site is housed on the California Health and Human Services Intranet. DHCS's Office of Public Affairs (OPA) maintains the site.

The Webpage contains the legislation that prompted the transfer, links to information about DHCS, and frequently asked questions (FAQs). OPA updates the FAQs as questions come into the "Welcome to DHCS Mail Box" or arise in other forums, such as the staff meetings. Documents related to and presented at each staff meeting are also available for viewing and downloading on this transition site. The Webpage has a link to the "Welcome to DHCS Mail Box" under "Contact Us" for DMH staff to submit any questions they have regarding the transfer and reorganization. This page also has information regarding the Interdepartmental Liaison.

The "Welcome to DHCS Mail Box" is operational, and OPA staff monitors it on a daily basis. As questions arrive, the Mail Box sends an automatic reply to the sender, letting them know that DHCS has received their question and that they will receive a response as soon as possible. Questions go to a DHCS subject-matter expert who drafts a response. OPA finalizes the response and sends it to the employee who asked the question.

DHCS has also established an Interdepartmental Liaison to help ensure that employees making the transition from DMH have a personal contact to obtain the help and information they need to complete a successful move. The Interdepartmental Liaison is a key member of the DHCS Transition Team and provides employees with resources and a gateway to have their questions answered quickly and accurately.

## **INFORMATION TECHNOLOGY SERVICES**

DHCS began providing email and Intranet services to affected DMH staff on September 1, 2011, the day these staff became DHCS employees, and transferred to DHCS "on paper." Upon DMH staff's physical transfer, DHCS will provide updated workstations and software as necessary to comply with its security and standards.

At least 11 IT systems will transition to DHCS. Several of the systems are part of the DMH Portal called the Information Technology Web Service (ITWS). ITWS is a shared system of 58 county and hospital applications, and some systems will stay with DMH. The ITWS system is old technology that does not meet DHCS's standards. The departments must construct a strategy to decouple the transitioning systems from those that will remain with DMH.

DHCS does not have the expertise to support the DMH mainframe application in its current ADATABASE/Natural language or a few applications built in other technology platforms (e.g. UNIX). It will be critical that the DMH staff with expertise to support the DMH mainframe application in its current ADATABASE/Natural language transfer to DHCS to continue the support of these applications.

The goals and objectives of the IT transition are to:

- Provide email and Intranet access to DMH employees who are coming to DHCS
- Provide new workstations to transitioning DMH employees
- “Lift and shift” DMH applications and business functions to DHCS
- Maintain DMH services to stakeholders without interruption
- Improve the efficiency of current services and processes

ITSD will lift and shift DMH systems to the DHCS environment. DMH and DHCS are two separate business entities, and DHCS expects that there may be some duplicate and redundant processes. During transition and after it has stabilized systems, ITSD will revisit the processes and systems for potential enhancement and efficiency opportunities, with the goal of providing improved service to stakeholders.

To accomplish the goals and objectives, the IT staff must perform the following actions:

- Gather information regarding any IT support contracts that will need to be transferred
- Survey and gather inventory information and requirements on application software and platforms
- Obtain a complete list of servers to be realigned to DHCS
- Develop Technical and Application Requirements Specification
- Develop System Design Specification
- Build/Identify appropriate teams and resources from each department
- Confer with stakeholders as appropriate
- Identify tasks, create task plan(s), and assign tasks to individual(s)/team(s)
- Build out systems for Web and applications infrastructure
- Port systems over and complete configuration
- Perform application and database code reviews
- Perform systems tests
- Deploy systems from staging to production

DHCS and DMH IT staff have limited availability to provide adequate support to the reorganization efforts because of current workload priorities. DHCS’s mitigation strategy is to submit a Request for Offer to fill support roles for infrastructure and application support roles. ITSD will look for other opportunities to reduce the dependency on DMH or DHCS staff time, such as vendors to image new PCs for DMH staff. In addition, the timeline must be flexible for any acquisition or resource delays. The timeline of the transfer is aggressive and assumes that ITSD will have staffing and funding to move systems. If this is not feasible, it may take more time to physically move the systems.

The DHCS and DMH transition teams are working collaboratively to perform systems inventory and system assessment on DMH IT systems. The teams are reviewing the system architecture, versioning, security, and business processes. They will assess, prioritize, plan, and schedule the systems transition based upon the complexity of the systems from both a technical and business function perspective.

<b>Activity</b>	<b>Start</b>	<b>End</b>	<b>Duration (months)</b>
Initiation Phase: Provide User ID, email, intranet	8/1/11	9/1/11	1
Planning Phase	9/1/11	11/30/11	3
Upgrade DMH Workstations	9/1/11	12/15/11	3.5
Systems Requirements and Inventory	9/1/11	12/1/11	3
Analysis & Design	12/1/11	2/28/12	3
Software & Hardware Transition Phase	2/28/12	6/30/12	4
Testing and Acceptance	4/15/12	5/30/12	1.5
Deployment	5/30/12	6/15/12	.5
Closeout Phase	6/15/12	6/30/12	.5
<b>Duration of project</b>	<b>8/1/11</b>	<b>6/30/12</b>	<b>11</b>

## **ADMINISTRATION**

**Budget:** DMH transferred partial year state operations funding and position authority to DHCS'S budget for Medi-Cal activities effective September 1, 2011, in accordance with the July 29, 2011, letter to the Joint Legislative Budget Committee. As part of the development of the Governor's fiscal year (FY) 2012-13 budget, the full year budget and position authority will transfer to DHCS. **Claims Payment:** Claims payment will transition to DHCS effective July 1, 2012. Counties claim for reimbursement through the Short-Doyle Medi-Cal II System. The intent of the transition is to make a seamless "payer of the claim" change from DMH to DHCS; as such, there is no plan at this time to change the county interface system. To facilitate this transfer, the DHCS/DMH workgroups are identifying the systems and processes that will transfer to DHCS. The departments are currently evaluating opportunities for efficiencies that would improve the payment timelines for the claims. DHCS and DMH will also engage stakeholders to assist with this process.

**Employee Transition:** DMH employees transitioned "on paper" to DHCS effective September 1, 2011, in accordance with the July 29, 2011, letter to the Joint Legislative

Budget Committee. The milestones for the financial management component of the employee transition include the creation of a new organizational structure within DHCS, creation of budget and expenditure accounting codes, establishment of positions via STD 607s, establishment of new employee accounts in the CalATERS travel system for travel reimbursement, and establishment of budget allotments for the former DMH activities.

**Medi-Cal Estimate:** The Fiscal Forecasting and Data Management Branch (FFDMB) met with DMH to obtain a detailed understanding of their estimate process. FFDMB will receive some transferring DMH staff to work full-time on the estimate process. Other transferring DMH staff that currently provide data and other information for the estimate will go to the new Mental Health Division/Office or elsewhere in DHCS, but they will continue to provide similar estimate development support.

**Data Analysis and Research:** The Research and Analytic Studies Section (RASS) will incorporate several transferring DMH Data Management & Analysis Section (DMAS) staff, and is currently working with DHCS Audits and Investigations and DMH to gain an understanding of DMAS' organization, strategic objectives, mission and workflow. DMAS supports a number of critical functions throughout DMH; therefore, it is vitally important that RASS gain an understanding of the entirety of their tasks.

**Human Resources and Labor Relations:** Effective September 1, 2011, staff in the designated 118.5 DMH positions became DHCS employees. DHCS will secure the Personnel Action Request (PAR) STD 680 forms, Employee Transfer Data STD 612 forms, Official Personnel Files, and all other necessary records for the employees transferring from DMH. DHCS Human Resources has processed employment transactions to place the transferring employees onto the DHCS payroll and attendance automated systems no later than September 22, 2011, which is the Master Payroll Cutoff date for the September 2011 pay period.

DHCS Human Resources provided a brief presentation in August 2011 to transferring employees to ensure they complete all forms required of employees new to DHCS. On an ongoing basis, DHCS Human Resources will consult with program staff on the new organizational structure, position classifications, and any change to the essential functions of the transferring positions. On an as needed basis, DHCS Labor Relations staff will meet with union representatives for the transferring employees and program management to address any and all employee transfer concerns. DHCS Labor Relations will ensure that the departments provide transferring employees with adequate notice of physical moves from one facility to another facility.

**Telecommunications, Leased Facilities, and Contract Management:** The Telecommunications and Leased Facilities Unit (TLFU) has met with DMH's facility manager to evaluate and assess program needs regarding storage, ergonomic and reasonable accommodation, confidentiality, telecommunications, employee badges, parking, and transportation. In addition, TLFU will assist in determining where DMH transitioning staff will physically reside within DHCS, and will obtain information on

current building leases. TLFU will work with the Department of General Services to discuss the DMH transition to DHCS and confirm all required tasks and documents to be completed.

TLFU is reviewing and evaluating available space in the East End Complex (EEC) and will work with existing EEC programs to develop a restack plan to make available sufficient space for the transition of DMH staff to EEC. DHCS Administration is working with the California Department of Public Health (CDPH) to determine how much space CDPH may be able to provide to assist with this staff transfer. DHCS will complete the space evaluation and review any subsequent restacking by February 2012. The goal is to complete all space planning activities by June 2012. DHCS staff will consider and evaluate the use of existing DMH space in current locations, moving staff in existing space within the EEC and field offices, and/or moving larger DHCS programs out of the EEC to alternative space to accommodate the transition of DMH staff into the EEC.

DHCS Contract Management staff are working with DMH to transition their current contracts by July 2012. DHCS Office of Legal Services (OLS) will review and help resolve any contract novation or amendment issues. The DHCS Contracts Management Unit and OLS are researching the option of developing assignment language for the contract transition where appropriate. In some cases, DHCS may initiate new contracts that will be effective July 1, 2012.

## **AUDITS & INVESTIGATIONS**

DHCS's Audits and Investigations Division (A&I) is tasked with two responsibilities:

1. Transition and integrate DMH program compliance and cost report acceptance/settlement responsibilities within A&I's operations
2. Perform process reviews of global DMH functions identified in the transition plan.

The positions transferring from DMH to A&I are associated with the following DMH functions:

**Program Compliance Division - Audits Branch:** Audits staff conduct financial and compliance audits of cost reports of mental health programs involving Medi-Cal revenues and expenditures to determine compliance with state and federal laws, regulations, and policies. Staff also conducts special audits at the request of executive management. The Audits Branch refers questionable Medi-Cal billing/expenditure issues to the attention of the Medi-Cal Oversight Branch (MCO).

**Program Compliance Division – MCO:** The MCO has multiple core functions to ensure counties comply with state and federal laws and regulations:

- Mental Health Plan (MHP) System Reviews. This involves onsite field reviews to ensure the clinical services of specialty mental health programs of all 56 MHPs<sup>6</sup> (and

---

<sup>6</sup> Fifty-four of California's 58 counties have formed an individual mental health plan, while Sutter and Yuba counties and Placer and Sierra counties have collaborated to form joint mental health plans.

their contract providers) are in compliance with all state and federal laws and regulations pertaining to participation in the Medi-Cal program.

- Chart Reviews. These reviews are of adult outpatient and inpatient charts and Early Periodic Screening, Diagnosis, and Treatment (EPSDT) charts to ensure providers are meeting state and federal laws and the billed services meet medical necessity criteria for reimbursement.
- Assessment and Referral of Questionable Medi-Cal Billings

**Medi-Cal Specialty Mental Health Services Program – MHP Cost Reporting and Rates Development Branch:** Select positions associated with the cost report acceptance and settlement process will transfer to A&I.

The goals and objectives of A&I's DMH transition plan include:

- Facilitating a smooth transition of DMH Program Compliance and Cost Report Acceptance/Settlement functions to A&I.
- Maintaining DMH services to stakeholders without interruption.
- Ensuring proper knowledge transfer from DMH to DHCS.
- Providing audit and review services to the DHCS Project Management and Transition Teams as necessary to ensure a smooth transition of DMH functions.
- Ensuring adequate facts and evidence are gathered to assist with process implementation and to give DHCS the greatest chance for success.
- Improving efficiencies via the elimination of redundant processes and the enhancement and retooling of existing processes.

To accomplish these goals and objectives, A&I staff will perform the following action items:

*Integration of Select DMH Program Compliance Division Functions into A&I*

1. DMH Process Review & Integration
  - a) Review and create flowcharts for DMH Program Compliance processes.
  - b) Process evaluation and implementation
    - i) Completed flowcharts will be utilized to evaluate DMH Program Compliance processes for purposes of implementation within A&I.
    - ii) The proposed implementation includes steps that will lead to improved efficiencies based upon the elimination of redundant processes, enhancement and retooling of existing processes, and overall economies of scale from combining DMH and A&I activities.
2. DMH field staff
  - a) Discuss options for placement of DMH Program Compliance field staff.  
*\*See Estimated Schedule on page 28 for details*

*Review of Global DMH Functions*

1. DMH Process Review & Integration
  - a) Review and flowchart DMH processes

- i) DMH claims processing, cost report acceptance/settlement, and data analytics functions.
  - ii) DHCS Executive Office will determine additional program areas requiring review and flowcharting.
  - b) Process evaluation and implementation:
    - i) Completed flowcharts will help evaluate DMH processes for purposes of implementation within the DHCS environment.
    - ii) Proposed implementation includes steps that will lead to improved efficiencies based upon the elimination of redundant processes, enhancement and retooling of existing processes, and overall economies of scale from combining DMH and DHCS activities.
    - iii) A&I and DMH subject-matter experts will be available to provide consultation where necessary.
- \* See *Estimated Schedule on page 28 for details*

There is a risk that the review and flowcharting procedures may not sufficiently capture all aspects of the DMH processes, which could negatively affect incorporation of DMH Program Compliance activities into A&I or elsewhere in DHCS and services to stakeholders. A&I and DMH Program Compliance management have devised a communication strategy and standardized process for addressing issues and concerns to minimize the risk of an incomplete assessment of workload requirements and processes.

## Estimated Schedule.

Activity	Start Date (Est)	End Date (Est.)	Duration (months)
<b>Integration of DMH Program Compliance Division</b>			
Review and flowchart remaining DMH Program Compliance Division functions and processes, such as the Medi-Cal Oversight Branch (MCO) activities.	9/15/11	10/31/11	1.5
A&I and DMH Program Compliance staff to evaluate the DMH workload flowcharts. Implementation plan to be proposed with improved efficiencies in mind.	11/1/11	12/15/11	1.5
A&I/DMH Program Compliance Division, DHCS Program Support Branch, and DHCS Labor Relations Office shall meet to discuss options for placement of DMH Program Compliance field staff.	8/15/11	TBD	TBD
<b>Review of Global DMH Functions</b>			
Review and flowchart the DMH claims processing system (DMH Community Services Division).	7/25/11	8/10/11	0.5
Review and flowchart the DMH cost report acceptance and settlement process (DMH Community Services Division, Cost Settlement Unit).	8/8/11	8/22/11	0.5
DHCS Administration Division to evaluate DMH claims processing and cost acceptance/settlement process based upon completed flowcharts.	8/8/11	8/31/11	0.75
Review and flowchart the DMH data analysis process and procedures (DMH Community Services Division). DHCS Research & Analytical Studies staff will shadow A&I.	8/9/11	8/26/11	0.5
DHCS Research & Analytical Studies Unit to evaluate DMH data analysis process and procedures based upon completed flowcharts. Implementation plan to be proposed with improved efficiencies in mind.	8/29/11	9/15/11	0.5
Review and flowchart additional DMH program areas and the related procedures as necessary	TBD	TBD	TBD
<b>Duration of project</b>	7/25/11	TBD	TBD

## APPENDIX A

### MEDI-CAL AND MENTAL HEALTH SERVICES IN CALIFORNIA

#### Background

Title XIX of the Social Security Act authorizes Medicaid, which is a publicly funded federal entitlement program that pays for medical assistance for certain individuals with low incomes and resources such as children and families, pregnant women, seniors and persons with disabilities. The federal and state governments jointly fund Medicaid, and a federal formula determines the state share. A state's participation in the Medicaid program is voluntary, but if it chooses to participate, it must provide federally specified mandatory benefits and serve mandatory populations. Each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program, all within broad national guidelines established by federal statutes, regulations, and policies. California's Medicaid program, called Medi-Cal, provides benefits beyond the federal minimum and has similarly expanded coverage to populations beyond the federal mandates.

All states participating in Medicaid must have a State Plan, which serves as a contractual agreement between the State and the federal government. The State must administer the State Plan in conformity with specific requirements of federal law and regulations. The State Plan contains all information necessary for the federal Centers for Medicare and Medicaid Services (CMS) to determine if the State can receive federal reimbursement. California's State Plan describes the nature and scope of the Medi-Cal program in addition to authorization or other requirements associated with covered benefits. All services covered under the State Plan must be medically necessary.

One of the mandatory benefits in the State Plan is Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) services, which must be available to full-scope Medi-Cal beneficiaries under 21 years of age.<sup>7</sup> Under EPSDT, federal law requires a Medicaid-participating state to provide any medically necessary health care service listed in Section 1905(r)(5) of the Social Security Act, even if the state did not elect to include the service in its State Plan. California's State Plan describes EPSDT services, which include rehabilitative mental health services for seriously emotionally disturbed children: collateral, assessment, individual therapy, group therapy, medication service, crisis intervention, day care - intensive, and day care - habilitation offered in local and mental health clinics or in the community.

California must provide assurances in its State Plan that its Medicaid program meets certain federal requirements contained in the Social Security Act such as Statewideness, Comparability of Services, and Freedom of Choice.<sup>8</sup> If a state wishes

---

<sup>7</sup> Full scope beneficiaries can access all benefits offered under the State Plan as long as they are medically necessary, whereas limited scope beneficiaries can access only specified benefits.

<sup>8</sup>Statewideness requires that the State Plan be in effect in all political subdivisions of the state; Comparability of Services requires that all services for categorically needy individuals be equal in amount duration and scope; and

to administer components of its program outside of these requirements, it can request a waiver of such from the federal CMS. California operates the Medi-Cal program in accordance with the State Plan but has also elected the option of administering part of its program under several federally approved waivers, including one for specialty mental health services.

A state must identify a single state agency for operation of the Medicaid program, and in California this is DHCS. However, a state can also delegate to other entities its administration of certain components of its Medicaid program, as California has done with DMH for specialty mental health services. Despite any such delegation, as the Medicaid single state agency, DHCS must retain oversight of the program, monitor and ensure compliance with federal and state laws and regulations, and function as the liaison between the State and CMS. (See Appendix C for a description of current DHCS responsibilities for the Specialty Mental Health Services Waiver.)

### Mental Health Services in the Medi-Cal Program

California provides an array of mental health services that range from the mandatory category, such as psychiatrist services, to optional categories, such as rehabilitative services. (As previously stated, any service required by eligible children and youth that meets EPSDT requirements is mandatory.) California provides basic mental health services via its Medi-Cal fee-for-service system or Medi-Cal managed care, and it provides specialty mental health services through county managed mental health plans (MHPs) under the Specialty Mental Health Services (SMHS) Consolidated Waiver. The SMHS waiver permits Medi-Cal to waive the freedom of choice requirement and requires beneficiaries to access services through the county MHP.

#### *Specialty Mental Health Services Consolidated Waiver*

California has delegated administration of the SMHS waiver to DMH through an interagency agreement that identifies the two departments' respective responsibilities. DMH, in turn, contracts with county MHPs to deliver mental health services to eligible Medi-Cal beneficiaries and provides oversight of those contracts. DMH also contracts with other entities to assist it with administration of the program such as certain audits of MHPs and providers and external quality reviews of MHPs.

The SMHS waiver program has been in effect since 1995, and the current waiver renewal term (2011-2013) represents the seventh waiver renewal period. DMH will operate this waiver through the interagency agreement with DHCS until the functions and sole responsibility transfer to DHCS, effective July 1, 2012 per AB 102.

The SMHS waiver population consists of all full scope Medi-Cal beneficiaries, all of whom can access services through the SMHS waiver if they meet specified medical

---

Freedom of Choice requires states to permit Medicaid beneficiaries to obtain medical assistance from any qualified Medicaid provider in the state.

necessity criteria. This includes special needs populations defined as adults who have a serious mental disorder (Welfare and Institutions (W&I) Code, Section 5600.3(b)) and children with a serious emotional disturbance (W&I Code, Section 5600.3 (a)).

Medi-Cal beneficiaries are eligible to receive specialty mental health services if they meet all three medical necessity criteria (diagnosis, impairment, and intervention), as described in Title 9, California Code of Regulations (CCR), Section 1830.205.

- Diagnosis -Must have one or more of 18 specified Diagnostic and Statistical Manual of Mental Disorders (DSM) IV or comparable International Classification of Diseases (ICD) 9 diagnoses.
- Impairment – The above diagnoses must result in one of the following conditions:
  - significant impairment of an important area of life functioning;
  - probability of significant deterioration in an important area of life functioning; or
  - for children under 21, a probability that the child will not progress developmentally as individually appropriate. Children covered under EPSDT qualify if they have a mental disorder which can be corrected or ameliorated or when specialty mental health services are necessary to correct or ameliorate a defect, mental illness or condition of a child.
- Intervention Related Criteria - Medi-Cal beneficiaries are only eligible to receive services if:
  - the service is to address the impairment condition;
  - the service is expected to significantly improve the condition; and
  - the condition would not be responsive to physical health care based treatment.

The services provided under the SMHS waiver to eligible beneficiaries include:

(a) Rehabilitative mental health services

- 1) Mental health services
- 2) Medication support services
- 3) Day treatment intensive
- 4) Day rehabilitation
- 5) Crisis intervention
- 6) Crisis stabilization
- 7) Adult residential treatment services
- 8) Crisis residential treatment services
- 9) Psychiatric health facility services

(b) Psychiatric inpatient hospital services

(c) Targeted case management services

(d) EPSDT services, for beneficiaries under 21 years of age

The SMHS waiver covers only specialty mental health services; therefore, county mental health plans are not responsible for the “Early and Periodic Screening”

component of EPSDT. County MHPs may perform the diagnosis function through assessment of beneficiaries requesting services. County MHPs are responsible only for arranging for or providing corrective treatment identified by a screening or referral or by the mental health plan's own assessment process. County MHPs cannot deny an initial assessment to determine if a beneficiary meets the medical necessity criteria for receiving services.

#### *“Regular” Mental Health Services (non-SMHS)*

The SMHS waiver program does not provide services to beneficiaries who do not meet the medical necessity criteria for specialty mental health services (i.e. do not have any of the mental health diagnoses listed in the waiver). In these cases, the Medi-Cal fee-for-service or Medi-Cal managed care plans provide the services. In fee-for-service, these services are subject to a two visit per month limit and available for:

- Diagnoses that the SMHS waiver does not cover;
- Impairments resulting from mental health diagnoses that are not considered significant; and/or
- Impairments that general physical health care practitioners can treat and do not require the services of a licensed mental health care practitioner.

Under EPSDT, children can receive services beyond the two visit limit if medically necessary. Unlike adults, children eligible for EPSDT services who have waiver-excluded diagnoses can also receive services from Licensed Clinical Social Workers, Marriage and Family Therapists, and Registered Nurses.

The FFS system also provides the pharmacy benefits for individuals receiving “regular” or specialty mental health services. There is one exception in San Mateo County where the county organized health system provides the pharmacy benefit rather than DHCS’s FFS system.

#### Medi-Cal Managed Care

Medi-Cal managed care plans must provide or arrange for all medically necessary Medi-Cal covered mental health services unless the contract specifically excludes them. This includes outpatient mental health services that are within the scope of practice of primary care physicians and psychotherapeutic drugs prescribed by primary care providers (except those specifically excluded in the contract)<sup>9</sup>. Medically necessary covered services include emergency department facility charges and professional services (excluding those provided by specialty mental health providers); emergency and non-emergency medical transportation services; and laboratory and radiology services when necessary for the diagnosis, monitoring, or treatment of a member's mental health condition.

---

<sup>9</sup> This general description applies for most Medi-Cal managed care plans, but there are some exceptions for the managed care plans that cover San Mateo and Solano counties and the Kaiser contract in Sacramento County.

As part of their responsibility for coordination of care, Medi-Cal managed care plans must have written policies and procedures to ensure that they assist members who need mental health services that the plan does not cover. If the member has a tentative psychiatric diagnosis that meets eligibility criteria for specialty mental health services, the managed care plan must make appropriate referrals to the county MHP. If the member has a psychiatric diagnosis that the county MHP does not cover, the managed care plan must refer them to an appropriate fee-for-service Medi-Cal mental health provider and must consult with the county MHP as necessary to identify other appropriate community resources and help the member to locate available mental health services.

It is important that the Medi-Cal managed care plans have appropriate mechanisms to coordinate with county MHPs; therefore, their contracts with DHCS require them to negotiate in good faith and execute a Memorandum of Understanding (MOU) with the local MHP. The MOU must specify the respective responsibilities and protocols of the Medi-Cal managed care plan and the MHP in delivering medically necessary covered services and specialty mental health services to members.

Medi-Cal managed care plans must also cover and ensure the provision of screening, preventive and medically necessary diagnostic and treatment services for members less than 21 years of age including EPSDT supplemental services.

## APPENDIX B

### ADMINISTRATIVE FUNCTIONS CURRENTLY PERFORMED BY DMH

*AB 102 requirement: A detailed description of the state administrative functions currently performed by the State Department of Mental Health regarding Medi-Cal specialty mental health managed care and the EPSDT Program.*

DHCS and DMH work in partnership to administer specialty mental health services in the Medi-Cal program. However, the program operation and day to day administrative activities rest with DMH. The following describes those administrative functions in the Medi-Cal program for which DMH is currently responsible:

**Medi-Cal Program Compliance:** assure that county mental health financial and clinical programs comply with federal and state laws and regulations, the MHP contractual requirements, and the provisions of the SMHS waiver.

- System Reviews - ensure that local public mental health programs and their contract providers comply with state and federal laws & regulations for participation in Medi-Cal programs. The Medi-Cal Oversight Branch reviews one-third of the MHPs annually, thereby reviewing each mental health plan once every three years.
- Chart Reviews – review adult out-patient, inpatient and EPSDT services to ensure their compliance with federal and state laws and that billed services meet medical necessity criteria for reimbursement.
- Treatment Authorization Request (TAR) Appeal Reviews and Lawsuits –administer the second level TAR appeals process and all aspects of TAR lawsuit processing.
- Clinic Certification and Re-Certification - conduct annual on-site certifications and re-certifications of county MHP owned and operated outpatient clinic treatment programs to ensure that each office or facility meets the requirements to allow the clinic to submit Medi-Cal claims.
- Questionable Medi-Cal Billing Investigations –provide fiscal oversight of the MHPs and their service providers and contractors. Refer cases determined to show significant evidence of fraud, waste or abuse to DHCS for further audit and investigation.
- Annual License Review: conduct annual licensing reviews for a total of 42 Psychiatric Health Facilities (PHFs) and Mental Health Rehabilitation Centers (MHRCs) facilities to ensure compliance with licensing regulations and statutes and to ensure health and safety of patients. Some of the PHFs licensed by DMH are also certified by CMS as a hospital.

- Unusual Occurrence Reports: conduct 500-550 Unusual Occurrence Reports (UOR) and complaint investigations per year from various facilities licensed or certified by DMH.
- Criminal Background Checks - process approximately 2,000 criminal background checks per year for staff to be hired at licensed (PHF + MHRC) facilities
- Section 5150 Facilities: review and track all MHP designated 5150 facilities and provide Department approval.
- Annual Certifications: conduct annual certification of 137 facilities in coordination with staff from Department of Social Services (DSS) for Community Residential Treatment System (CRTS) facilities and Community Treatment Facilities (CTF), and with staff from Department of Public Health (DPH), for Special Treatment Programs within Skilled Nursing Facilities (STP/SNF). DSS and DPH license the facilities and ensure physical plant safety, and DMH provides the mental health expertise for the mental health program and staff evaluation and recommendations including those pertaining to health and safety, the environment, and the use of seclusion and restraint in the delivery of mental health programming.
- Financial Audits – conduct financial audits of mental health programs and county MHP Short-Doyle/Medi-Cal cost reports to determine compliance with State and federal laws, regulations and policies.
- Preadmission Screening and Resident Reviews (PASRR) – assure that all Medi-Cal beneficiaries admitted to skilled nursing facilities receive screening for mental illness. If the screening reveals possible mental illness, DMH provides an independent evaluation to determine proper services and level of care. The PASRR function is statewide, required by federal law and customized in California by the Davis, et al. v. CHHSA, et al. lawsuit.

**County Medi-Cal Program Technical Assistance:** acts as the single point of contact for MHPs. DMH's primary functions include:

- Provide technical assistance to MHPs on regulations, policies, procedures, and Medi-Cal Oversight Compliance Reviews.
- Represent the State in MHP Quality Improvement Committee meetings.
- Review and approve modifications to the Consolidated Specialty Mental Health Implementation Plans.
- Monitor DMH's State Management Advisory and Response Team Frequently Asked Questions web page.

**Information Technology Support for Medi-Cal Systems and Subsystems:** the primary systems include:

- Information Technology Web Services: this web portal serves as a gateway and provides secure access to multiple information systems at DMH.
- USL Financial Service application: facilitates Accounts Payables, Accounts Receivables and General Ledger functions for the Short Doyle/Medi-Cal (SD/MC) payments.
- Decision Support Systems - Phase I: stores various Medi-Cal related databases for processing, analysis, and reporting. Phase II is the database for SD/MC Phase II and provides data for analysis and reporting.
- Disallowed Claims System: allows counties to disallow (void) claims adjudicated in the Phase I system. Counties then repay DMH for any appropriate funds, and the system will eliminate identified claims from future audit samples.
- County Financial Reporting System: provides DMH County Financial Program Support section with the mechanism to process Local Mental Health Program Cost Reports showing SD/MC, realignment and other cost revenues by legal entity and mode of service.
- On-Line Provider system: manages information regarding legal entities and providers of public mental health services in California and provides data for the SD/MC Phase II system to adjudicate claims to the counties.
- Monthly MEDS Extract File: provides county MHPs with three Medi-Cal eligibility data files as one of the sources to determine a beneficiary's Medi-Cal eligibility.
- In-Patient Consolidation/134 File: allows counties to view and report the inpatient claims data files provided by the fiscal intermediary under Managed Care Phase I. Counties use this information to verify realignment offsets by DMH and reconcile paid claims with their systems.
- Preadmission Screening and Resident Review (PASRR): under the Omnibus Budget Reconciliation Act System, PASRR is federally mandated to refer, track, and maintain the data to determine the placement and treatment of seriously mentally ill residents in skilled nursing facilities.
- Payment Error Rate Measurement (PERM) Data – IT: the PERM program measures improper payments in Medicaid and the State Children's Health Insurance Program, and it produces state and nation-level error rates for each program.
- Automated file Transfer: this is an application (runs as a Windows service) to perform pre-defined operations on all the inbound and outbound files. The most

common pre-defined operations include copying the files, file compression, executing stored procedure, and email notification.

**Data Management & Support for Medi-Cal Program:** provides data management, analysis and support for Medi-Cal programs and services. Primary functions include:

- Medi-Cal Oversight Reviews – these reviews randomly select claim samples for scheduled oversight reviews. They include claim samples for 20 outpatient reviews and 7 – 10 inpatient facility reviews per year.
- Audit Summary/Detail Reports – Summary reports provided to Program Compliance Audits for scheduled county audits.
- EPSDT Oversight Reviews – these reviews randomly select claim samples for specific legal entities and provide them to a DMH contractor for oversight reviews scheduled throughout the year. This entity also prepares recoupment summaries following the review.
- Threshold Language Reports – this is an annual report for inclusion in the review protocol used during Program Compliance oversight reviews
- Cultural Competence Population Assessment data – provides an annual report to the Office of Multicultural Services & counties for use in preparing cultural competence plans. This report includes demographic data such as race/ethnicity, age, language, service type and diagnosis.
- Budget Forecast – provides a semi-annual forecast of cost, clients, & units by service type for use in establishing proposed funding levels for Medi-Cal programs.
- Supportive Therapeutic Options Program – this is a semi-annual report prepared for the Department of Social Services. This report includes data/forecast on cost/client for persons aged 0 – 17 years.
- Inpatient Consolidation data – this annual report goes to fiscal policy staff for their use in determining Medi-Cal reimbursement rates.
- Ombudsman Services – provides resource and referral information for specialty mental health services in California and helps Medi-Cal beneficiaries navigate the mental health managed care system.
- Therapeutic Behavioral Services – monitoring of monthly report that summarizes clients and costs by county and age group for children/youth under age 21 with special attention to technical assistance, data analysis and training provided to the counties.

- Appeals - review and respond to appeals submitted by MHPs in response to disagreements about audit findings in EPSDT, outpatient and system review reports
- External Quality Review Organization –provides an annual review of quality, outcomes, timeliness of and access to services provided by MHPs as required by Code of Federal Regulations 42 Title 438.242.
- Conlan Claim Review – Review of paid Medi-Cal expenses per Conlan v. Bonta and Conlan v. Shewry for individuals who receive Medi-Cal services pending determination of Medi-Cal Eligibility.
- State Fair Hearings - review and coordinate with Department of Social Services for Medi-Cal beneficiaries' requests for hearing regarding denial or reduction in benefits.

**Medi-Cal Program Policy Support:** Provides policy development and analysis in support of Medi-Cal programs and services. Primary functions include:

- Medi-Cal Waiver Renewal - supports development of California's 1915(b) Medi-Cal Specialty Mental Health Services Waiver with DHCS, including response to CMS policy questions as necessary.
- State Plan - supports development of California's Medi-Cal State Plan with DHCS. Plan and support stakeholder process to develop input into State Plan Amendments.
- Federal Inquiries - tracks and responds to policy issues regarding specialty mental health services from CMS.
- County Technical Assistance - in conjunction with county program technical assistance, responds to MHP questions and resolve policy and implementation issues as they relate to Medi-Cal program.
- MHP Contract – supports development and renewal of county MHP contracts.
- Title 9 California Code of Regulations - supports development, drafting and implementation of regulations as appropriate.
- Short Doyle/Medi-Cal Phase II Claiming System – provides Medi-Cal policy consultation and direction to system programmers to ensure claiming and reimbursement is consistent with Medicaid/Medi-Cal regulations and policy.
- DMH Liaison to the California Mental Health Director's Association's Medi-Cal Policy Committee – tracks and responds to policy issues regarding specialty mental health services raised through this committee.
- DMH Letters and Information Notices – drafts letters and notices as needed for distribution to MHPs.

**Administrative and Financial Services in Support of Medi-Cal Program:** Provides all tracking, budgeting and fiscal analysis necessary to support Medi-Cal programs and services. Primary functions include:

- Accounting & Disbursements – process and disburse local assistance payments to counties, reconcile funds, and track receipt of federal financial participation accounts receivable and invoicing.
- Budgets - prepare and develop the Governor’s Budget; administer, implement, monitor, and control the enacted budget; and respond to drills and requests for budgetary information from internal executive/program staff and external entities.
- Estimates - develop the EPSDT, Mental Health Managed Care, Healthy Families Program, and Short Doyle/Medi-Cal estimates.
- Local Program Financial Support - review and analyze county cost reports; settlement of actual State General Fund/federal financial participation costs to interim payments for Medi-Cal services; review and approve claiming plans and payment claims for Medi-Cal administrative activities; set fee-for-service rates for Medi-Cal programs; and prepare county allocation letters.
- County Support Functions - assist counties with claim processing and payment questions and issues. Provide claiming and payment trend reports and improvement metrics that respond to claiming system deficiencies and departmental objectives.

## APPENDIX C

### CURRENT DEPARTMENT OF HEALTH CARE SERVICES RESPONSIBILITIES FOR THE SPECIALTY MENTAL HEALTH SERVICES WAIVER

As the Single State Agency for Medicaid, DHCS has current responsibilities (i.e. pre-transfer) for administration of the Specialty Mental Health Services waiver and is accountable to CMS for the following:

#### Policy and Programmatic Functions

- Single State Agency Roles and Responsibilities
  - Compliance with federal laws and regulations
  - Issue policies, rules, and regulations on program matters.
  - Policy review, analysis and interpretation
  - Administer or supervise the administration of the State Plan
  - Inter/intra departmental liaison and subject matter expert
- Specialty Mental Health Services Waiver
  - Prepare (in collaboration with DMH), review and submit waiver renewal applications and amendments.
  - Responsible for administrative oversight
  - Respond to federal CMS inquiries
  - Monitor cost effectiveness and programmatic functions
  - Consult with Indian Health Programs
  - Develop State Plan Amendments
  - Assist with planning and participate in stakeholder meetings
  - Review and submit to CMS the Mental Health Plans (MHP) Contract
  - Develop, revise and oversee the Interagency Agreement
  - Review County Information Notices and other Medi-Cal mental health related information
  - Prepare reports and responses for Department, Agency, Legislature and CMS
  - Provide support and assistance with litigation and law suits

#### Fiscal/Financial Functions

- Provide policy guidance regarding implementation and system changes/updates for the Short Doyle/Medi-Cal II system
- Review, approve and process invoices for payment
- Draw down federal financial participation
- Facilitate processing of encumbrances
- Conduct federal mandated reporting (CMS 64 Reports, Per Member Per Month, Quarterly Reconciliation)
- Address issues related to CMS Deferrals and Overpayments, and Recoupment
- Respond to CMS audit findings and inquiries related to financial reporting

- Provide guidance on federal certification and certified public expenditure requirements
- Prepare Medi-Cal fiscal/policy budget assumptions
- Review, approve and coordinate aid code updates
- Review and approve county school-based Medi-Cal Administrative Activities plans
- Development of supplemental payment program

### **Legal Services**

- Provide legal consultation, review and analysis
- Review and approve waiver renewals and amendments
- Review and approve State Plan Amendments
- Participates in litigation and law suits

### **IT Support**

- Short Doyle/Medi-Cal (SD/MD) Phase II roll-out, system changes, updates, and guidance
- Participate in state and county SD/MC II task groups
- Add/update rates for fee-for-service/Medi-Cal (FFS/MC) hospitals (rates are developed by DMH)
- Update master file for FFS/MC hospitals
- SD/MC II Activities
  - Business Analysis
  - Contract Management
  - HIPAA subject matter expertise
  - County/trading partner outreach and training
  - System testing
  - Companion Guide Analysis
  - Claim reporting analysis

### **Audits/Investigations**

- Receive referrals of suspected fraud, waste, and abuse from DMH and refer for investigation
- Collaborate with DMH on investigations and/or administrative sanctions
- Refer to state and federal agencies for further enforcement as it relates to fraud, waste and abuse
- Monitor MHPs and contractors for fraud, waste, abuse

## APPENDIX D

### EXCERPT OF ASSEMBLY BILL 102

#### Chapter 8.9. Transition of Community-Based Medi-Cal Mental Health.

14700. (a) (1) It is the intent of the Legislature to transfer to the State Department of Health Care Services, no later than July 1, 2012, the state administration of Medi-Cal specialty mental health managed care, the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program, and applicable functions related to federal Medicaid requirements, from the State Department of Mental Health.

(2) It is further the intent of the Legislature for this transfer to occur in an efficient and effective manner, with no unintended interruptions in service delivery to clients and families. This transfer is intended to do all of the following:

(A) Improve access to culturally appropriate community-based mental health services, including a focus on client recovery, social rehabilitation services, and peer support.

(B) Effectively integrate the financing of services, including the receipt of federal funds, to more effectively provide services.

(C) Improve state accountabilities and outcomes.

(D) Provide focused, high-level leadership for behavioral health services within the state administrative structure.

(b) Effective July 1, 2012, the state administrative functions for the operation of Medi-Cal specialty mental health managed care, the EPSDT Program, and applicable functions related to federal Medicaid requirements, that were performed by the State Department of Mental Health shall be transferred to the State Department of Health Care Services. This state administrative transfer shall conform to a state administrative transition plan provided to the fiscal and applicable policy committees of the Legislature as soon as feasible, but no later than October 1, 2011. This state administrative transition plan may also be updated by the Governor and provided to all fiscal and applicable policy committees of the Legislature upon its completion, but no later than May 15, 2012.

(c) All regulations and orders concerning Medi-Cal specialty mental health managed care and the EPSDT Program shall remain in effect and shall be fully enforceable unless and until readopted, amended, or repealed by the State Department of Health Care Services, or until they expire by their own terms.

14701. (a) The State Department of Health Care Services, in collaboration with the State Department of Mental Health and the California Health and Human Services Agency, shall create a state administrative and programmatic transition plan, either as one comprehensive transition plan or separately, to guide the transfer of the Medi-Cal specialty mental health managed care and the EPSDT Program to the State Department of Health Care Services effective July 1, 2012.

(1) Commencing no later than July 15, 2011, the State Department of Health Care Services, together with the State Department of Mental Health, shall convene a series of stakeholder meetings and forums to receive input from clients, family members, providers, counties, and representatives of the Legislature concerning the transition and

transfer of Medi-Cal specialty mental health managed care and the EPSDT Program. This consultation shall inform the creation of a state administrative transition plan and a programmatic transition plan that shall include, but is not limited to, the following components:

(A) Plan shall ensure it is developed in a way that continues access and quality of service during and immediately after the transition, preventing any disruption of services to clients and family members, providers and counties and others affected by this transition.

(B) A detailed description of the state administrative functions currently performed by the State Department of Mental Health regarding Medi-Cal specialty mental health managed care and the EPSDT Program.

(C) Explanations of the operational steps, timelines, and key milestones for determining when and how each function or program will be transferred. These explanations shall also be developed for the transition of positions and staff serving Medi-Cal specialty mental health managed care and the EPSDT Program, and how these will relate to, and align with, positions at the State Department of Health Care Services. The State Department of Health Care Services and the California Health and Human Services Agency shall consult with the Department of Personnel Administration in developing this aspect of the transition plan.

(D) A list of any planned or proposed changes or efficiencies in how the functions will be performed, including the anticipated fiscal and programmatic impacts of the changes.

(E) A detailed organization chart that reflects the planned staffing at the State Department of Health Care Services in light of the requirements of subparagraphs (A) through (C) and includes focused, high-level leadership for behavioral health issues.

(F) A description of how stakeholders were included in the various phases of the planning process to formulate the transition plans and a description of how their feedback will be taken into consideration after transition activities are underway.

(2) The State Department of Health Care Services, together with the State Department of Mental Health and the California Health and Human Services Agency, shall convene and consult with stakeholders at least twice following production of a draft of the transition plans and before submission of transition plans to the Legislature. Continued consultation with stakeholders shall occur in accordance with the requirement in subparagraph (F) of paragraph (1).

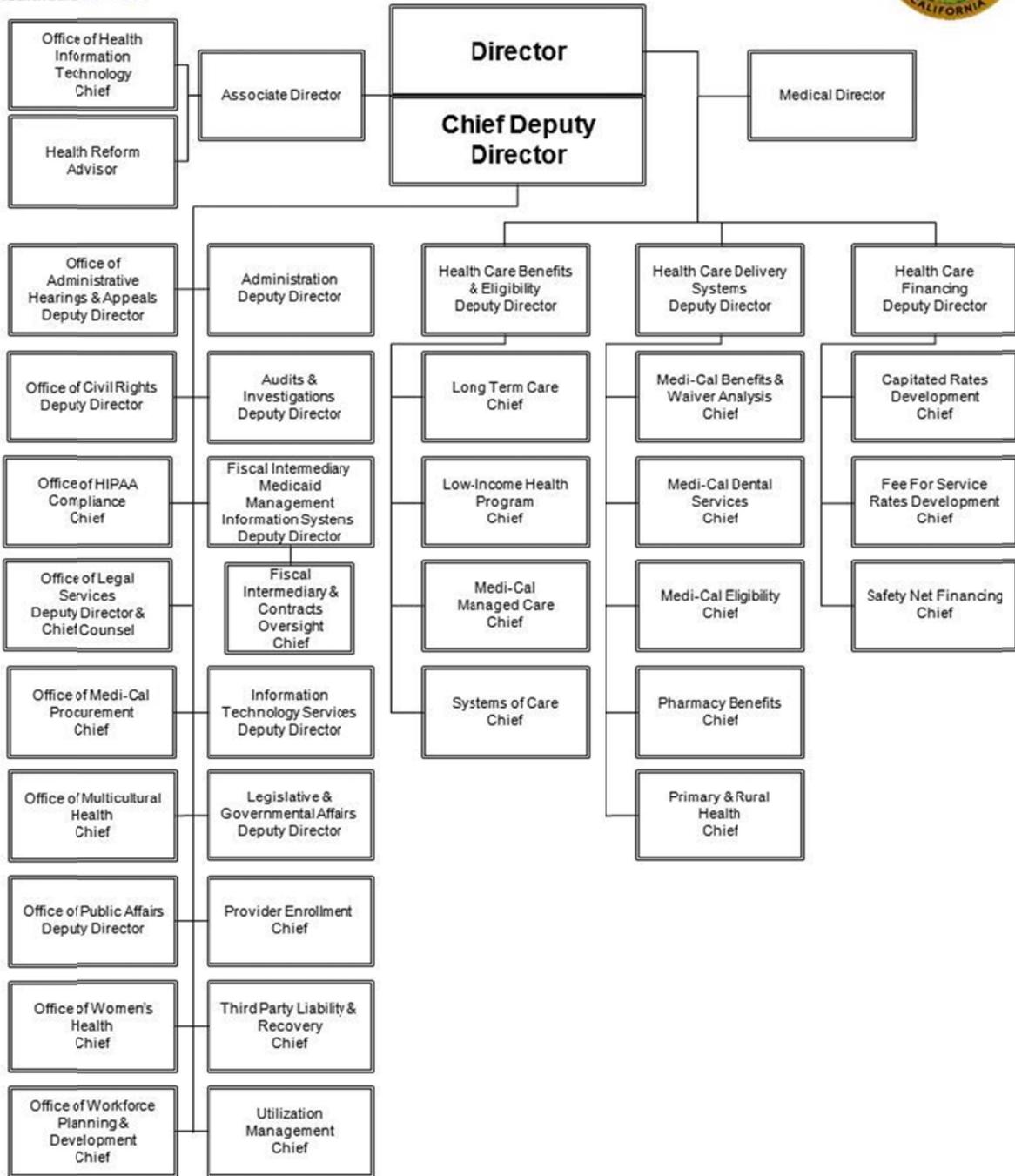
(3) The State Department of Health Care Services shall provide the transition plans described in paragraph (1) to all fiscal committees and appropriate policy committees of the Legislature no later than October 1, 2011. The transition plans may also be updated by the Governor and provided to all fiscal and applicable policy committees of the Legislature upon its completion, but no later than May 15, 2012.



# Department of Health Care Services

## Current

### Appendix E 1

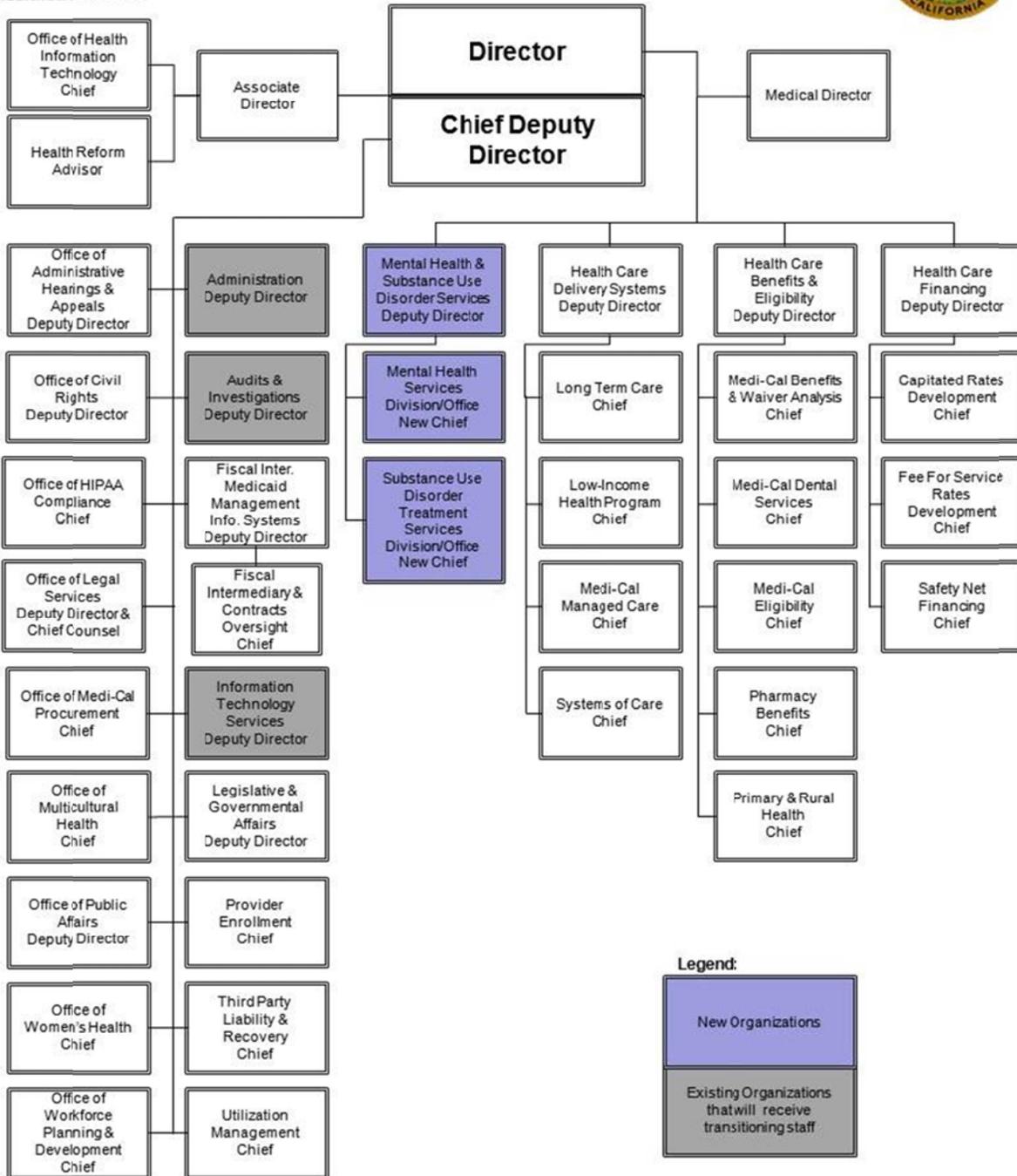




# Department of Health Care Services

## Proposed

### Appendix E 2



## APPENDIX F

### Timeline for Stakeholder Participation and Transition Plan Development

Date	Activity
June 27, 2011	DHCS sends “save-the-date” notice for meeting #1
June 28, 2011	AB 102 signed by Governor
June 30, 2011	DHCS creates inbox for stakeholder comments
July 8, 2011	DHCS sends meeting #1 notice, agenda and handouts
July 12, 2011	DHCS convenes stakeholder meeting #1
July 14, 2011	DHCS specialty mental health webpage goes ‘live’; DHCS places all meeting #1 documents onto the website
July 14, 2011	DHCS-requested due date for stakeholders to provide input for use in developing agendas for stakeholder meetings #2
July 18, 2011	DHCS sends “save-the-date” notices for stakeholder meeting, series #2; DHCS places stakeholder inbox comments received through July 17 onto website
July 19, 2011	DHCS places save-the-date meeting #2 notices onto website
July 21, 2011	DHCS sends meeting agenda #2 and handouts; DHCS places stakeholder email inbox comments received July 18-21 onto website; DHCS places summary stakeholder comments from meeting #1 onto website
July 22, 2011	DHCS places meeting #2 agenda/handouts onto website
July 26, 2011	DHCS convenes separate stakeholder meetings with clients and providers (representatives of the Legislature invited)
July 27, 2011	DHCS convenes stakeholder meeting with counties (representatives of the Legislature invited)
August 1, 2011	DHCS-requested due date for stakeholders to submit comments for use in developing the draft transition plan; DHCS places stakeholder inbox comments received July 22 <sup>nd</sup> to July 27 <sup>th</sup> onto website

August 3, 2011	DHCS places stakeholder email inbox comments received July 28 <sup>th</sup> to August 2 <sup>nd</sup> onto website
August 8, 2011	DHCS places summary comments from meeting #2 onto website
August 10, 2011	DHCS places stakeholder email inbox comments received August 3-10 onto website
August 18, 2011	DHCS sends meeting agenda #3 and draft transition plan
August 19, 2011	DHCS places stakeholder email inbox comments received August 11-18, and meeting #3 documents onto website
August 22, 2011	DHCS convenes meeting #3 regarding draft transition plan
August 30, 2011	DHCS sends “save-the-date” notice for 4 <sup>th</sup> stakeholder meeting
August 31, 2011	DHCS places meeting #4 “save-the-date” notice, the summary of meeting #3, and stakeholder email inbox comments received August 24-30 onto DHCS website
Sept. 2, 2011	DHCS-requested due date for stakeholders to provide feedback on draft transition plan
Sept. 12, 2011	DHCS places stakeholder email inbox comments received August 31 to September 9 onto DHCS website
Sept. 13, 2011	DHCS sends meeting #4 agenda, final transition plan, and new Deputy Director duty statement, & places documents on its website
Sept. 19, 2011	DHCS convenes meeting #4 to present final draft transition plan
Sept. 20, 2011	DHCS places stakeholder meeting #4 PowerPoint slides on website
Sept. 21, 2011	Due date for stakeholder comments on final transition plan
Sept. 22, 2011	DHCS places stakeholder email inbox comments received September 10-22, and a summary of stakeholder comments from meeting #4 on its website.
Sept. 20-29, 2011	Final revisions to transition plan; Agency review and approval
Oct. 1, 2011	Submit transition plan to Legislature
Nov. '11- May '12	(proposed) Bi-monthly updates to Legislature and ad hoc stakeholder meetings