Applicants should develop a deliverables-based budget that includes detailed information regarding infrastructure, interventions, bundled services, pay-for-reporting/outcomes, and incentives for providers. The budget submitted should include a total detailed annual proposed budget which should be the same for each of the five pilot years, as well as a justification of estimated costs or value associated with each deliverable. Pilot applications must include sufficient details regarding all components of the requested budget to ensure proposed funding amounts adhere to state guidelines and requirements. A budget helps the State decide whether a pilot merits funding and should reinforce the framework in your pilot.

The budget will provide the associated payment amounts requested for each individual item (deliverable – e.g. service/metric) for which funding is proposed. The selected pilots will only invoice and the State will only pay based on completed deliverables, e.g. services actually provided, metric reported, or metric outcome achieved. The payment for any deliverable will not exceed the DHCS approved budget amount for that item, for that budget year. However, pilots will have an opportunity to request approval for a budget adjustment for Program Year 3 - 5. No services otherwise covered by Medi-Cal will be funded by this program.

Follow these directions for developing the budget:

- A single WPC pilot may not receive more than 30% ($180 million total funds) of the total statewide annual funding ($600 million total funds), unless additional funds are available after all initial awards are made and the WPC pilot receives approval through a subsequent request process. Annual total funds requested (both federal funds and non-federal share), over the five years, should be included in the budget.
- Budget requests should be based on a 60-month budget broken down into five 12 month periods, starting January 1, 2016.
- Year 1 (January 1, 2016-December 31, 2016) payment is solely based on the selected pilot's approved application and timely submission of baseline data. The amount requested in Year 1 should be equal to the annual budget requested in years 2-5 of the pilot.
- Year 2-5 funding, assuming a start date of January 1, 2017, should relate directly to activities described in the application and budget narrative.
- Budgets should not include costs (e.g. payments) for services reimbursable through Medi-Cal. In addition to the exclusion for Medi-Cal funded services, WPC cannot be used to fund local responsibilities for health care or social services that are specifically mandated by state or federal laws, or to fund specific services for which federal funding is already provided.
- The budget and funding apply to Medi-Cal beneficiaries only; therefore, budgets should not include payments for services for non-Medi-Cal beneficiaries. Individuals who are not Medi-Cal beneficiaries may participate in approved WPC pilots, but funding in support of services provided to such individuals is not eligible for federal financial participation. See FAQ D1 for additional information.

For further budget guidelines, see the Special Terms and Conditions (STCs), FAQ and WPC Application posted on DHCS' WPC Pilots website.

<div align="center">**BUDGET DETAILS AND EXAMPLES**</div>

Follow these directions for developing the budget and for guidance on the level of detail required in the proposed budget.

Infrastructure Development:

Administrative Infrastructure – Applicants may include funding for developing the administrative infrastructure of their pilots in order to build the programmatic supports necessary to plan, build and run the pilot. Applicants should keep in mind that only costs allocated to the WPC pilot may be included in this administrative infrastructure category. For example, staff members who will be working 50% on WPC can only have 50% of his/her salary attributed to the WPC budget. Applicants should also complete a budget narrative on this section of the budget as an opportunity to further describe and explain the rationale for inclusion of these costs in the proposal.

Examples of administrative infrastructure could include such budget categories as: core program development and support, IT infrastructure, staffing, program governance, training, ongoing data collection, marketing and materials, and others.

- *Example of detail needed: Staffing costs associated with Administrative infrastructure of pilot*
    - The budget should include the number of projected FTEs by type, assigned to administer the project, the salaries and employee benefits and the average per person costs of other projected costs such as travel, training, services, supplies, and overhead (include also the high level aggregate summary of dollar amounts for each of these other projected costs).
    - Include a brief explanation of the role/responsibilities of the projected staffing model in the WPC initiative, e.g. roles of nurse practitioners, social workers, community health workers, etc.
    - Pilots will only be reimbursed based on actual employees hired/employed for the WPC pilot, and only up to the limit of the funding request in the approved budget. For example, if the pilot estimated it would need four community health workers but only hired three, within a given budget year. Only three community health workers would be reported and paid for through the semi-annual reporting/invoicing process.

Delivery Infrastructure – Applicants may include funding for delivery infrastructure in order to fund the non-administrative infrastructure items needed to implement the pilot. Applicants should keep in mind that only costs allocated to the WPC pilot may be included in this delivery infrastructure category. For example, if using a software system that is used for a larger population where only 40% are WPC beneficiaries and the other 60% are not WPC beneficiaries, then the budget should only include 40% of the system costs for supporting the WPC pilot.   Applications can suggest other ways to allocate costs to WPC but it must be clearly laid out in the budget. Applicants should also complete a budget narrative on this section of the budget as an opportunity to further describe and explain the rationale for inclusion of these costs in the proposal.

Examples of delivery infrastructure could include such budget items as developing: advanced medical home, mobile street team infrastructure, community paramedicine team, community resource data base, IT workgroup, care management tracking and reporting portal, and others.

Furthermore, if a specific item could logically be addressed under different funding request categories, such as including staffing costs within service rates vs. infrastructure, the pilot has flexibility to determine which category or mechanism to use.

- *Example of detail needed: Mobile street team infrastructure*
  - o Describe the components needed to build or buy the necessary delivery infrastructure.
  - o The budget should include estimated cost for related components (e.g., staffing, training, consulting/vendor costs, vehicle cost and amortized use, etc.).
  - o Provide a breakdown of the projected average annual amounts for each budget year with anticipated trends. (E.g. data system development may be in year 1 while ongoing maintenance or updates would be in subsequent years).
  - o Include information in the application and/or budget narrative that supports and provides your rationale for this approach, e.g. why you want to include a mobile street team and the value you intend to be provided in the pilot from this deliverable of the budget.
  - o A reasonable projection of minor miscellaneous infrastructure costs (e.g. x% on top of key component costs) to account for smaller cost items that are not necessary to itemize in this budget.
  - o Pilots will only be reimbursed based on actual pilot expenditure for the final deliverable or outcomes, up to the limit projected or estimated costs in the approved budget.

Incentive Payments for Downstream Providers – The pilot funding request may include a defined amount (limit) associated with pilot payments to downstream providers for achievement of specific operational and quality deliverables that are critical for the pilot's overall success. This funding request item is not developed according to the value associated with components of the deliverable, such as the costs required to deliver the various components of a service bundle, but rather this item is intended as an incentive payment for timely achievement of the deliverable. This funding item may be associated with deliverables in any of the other categories, but is intended for the pilot to use as encouragement for downstream providers. The budget should identify the total maximum amount of funding for the incentive payments for each applicable deliverable. The lead entity will only be permitted to invoice for actual incentive payments made. Incentive payments may also be applied in budget sections other than Infrastructure, such as Services and Interventions, and Reporting and Quality.

Services and Interventions:

Discrete Services – Applicants may include funding for services that will be provided with WPC pilot funding to support the whole person care provided to eligible beneficiaries. (See also the Whole Person Care FAQ document for additional information on which types of services may be funded with WPC funding.)   Services, as opposed to bundled PMPM services, are defined as a single per encounter payment for a discrete service, the example below being a mobile clinical visit. Applicants should provide adequate detail on components of that discrete service to demonstrate the cost or value of expected activities, the timeframe, and the frequency of the service provision. Applicants should also complete a budget narrative on this section of the budget in order to further describe and explain the rationale for inclusion of these costs in the proposal.

Examples of services included in this budget category could include: mobile clinical visit, care coordination, and others, to the extent they are not otherwise covered by Medi-Cal.

- *Example of detail needed: Mobile clinical visit*
  - o The budget should identify any discrete services that are to be reimbursed on a per encounter basis, and all relevant billing requirements such as paying monthly, quarterly, or annually; required duration of the visit; required activities to be completed in order to receive the payment. E.g. the mobile clinical visit must be billed in 15, 30 or 45-

minute increments depending on intensity of needs at X dollar amount per 15 minute increment.

- o The budget should calculate a payment per encounter and the number of projected encounters for the proposed mobile clinical visit. The backup detail for this calculation should include projected aggregate component costs by category (e.g. salaries and employee benefits, services, supplies, overhead, equipment) used to develop the project cost per encounter.
- o Include information in the application and/or budget narrative that supports and provides rationale for this service, e.g. how this service will be used to support your WPC proposed approach.
- o WPC pilot funds can only support capital and IT infrastructure allocated to the WPC enrollees during the program year in which the expense was incurred. For example, a component of the service deliverable funding request allocated for HIT enhancements, or building rehabilitation or maintenance must be proportional to the utility that one individual being served via the WPC pilot will receive during the single encounter.
- o Pilots will only be reimbursed based on actual services provided and the approved per-service payment rate, and only up to the limit of the funding approved in the budget.

Bundled Per-Member-Per-Month (PMPM) services – Applicants may include funding for bundled PMPM services that will be provided in the pilot to support the whole person care provided to eligible beneficiaries. Bundled PMPM services, as opposed to services (above), are defined as more than one service or activity that would be offered to the target population, and described in the WPC pilot budget request, as a set value per PMPM bundled service deliverable. Applicants should also complete a budget narrative on this section of the budget in order to further describe and explain the rationale for inclusion of this bundle in the proposal.

If the pilot is requesting a PMPM/service bundle payment, include detail on how each PMPM service bundle amount (the monthly service bundle cost for each beneficiary for which the service bundle is made available) was determined by showing the value associated with each individual service or activity that comprises the service bundle. The WPC Pilot application must include a total maximum service bundle funding amount (limit) for each service bundle for each of Budget Years 2-5, which will be determined by the individual PMPM service bundle payment amount and the maximum number of PMPM service bundles provided in each budget year.

Should the pilot or a participating entity experience savings for a PMPM/bundled payment due to administrative implementation efficiencies, the pilot may utilize these savings to pay for services in its flexible housing pool (Pool); however, such Pool funds should not be listed in the applicant's budget. Furthermore, the use of funds in this manner is not permissible if the budget is not in a PMPM or bundled payment amount.

Examples of bundled services included in this budget category could include: comprehensive complex care management, housing support services, outreach and engagement bundle, and others.

- *Example of detail needed: mobile outreach and engagement service PMPM bundle*
  - o Provide a breakdown of the bundled PMPM calculation. The breakdown may include the estimated cost of each service within the bundle so that these services are sufficiently available to the target population. The backup detail for this calculation should include total allocated projected costs by category (i.e. salaries and employee benefits, services, supplies, overhead, equipment, travel, contracted services, and operational infrastructure necessary to deliver the identified services) and the estimated target population for which each service within the bundle will be made available. It

may include a breakdown of anticipated ongoing IT and software expenses associated with delivering anticipated services to WPC beneficiaries during the term of the pilot. The resulting sum of the total projected costs is divided by the total anticipated target population to determine the proposed PMPM rate for a given bundle.

- o As stated earlier, WPC pilot funds can only support capital and IT infrastructure as allocated to WPC enrollees during the program year in which the expense was incurred. For example, if a Pilot opts to build capital/infrastructure into a PMPM, the PMPM should be built by including a cost proportional to the benefit of the infrastructure/capital received by the WPC target population during the time period associated with the PMPM payment.
- o Include information in the application and/or budget narrative that supports and provides a rationale for the bundled service, e.g. how this bundled service will be used to support your WPC proposed approach.
- o Pilots will only be reimbursed for the number of eligible beneficiaries receiving bundle services for each month of the year based on the approved PMPM rate for a given bundle.

Reporting and Quality:

Pay for Metric Reporting – Applicants may include funding in their budget for collecting and reporting on pilot metrics.   Pilots are encouraged to propose the structure that they believe provides the most incentive, both to pilot lead organization as well as to downstream providers. Pay for reporting deliverable funding requests should be based on the cost or value of the reported metric per Medi-Cal beneficiary for which it will be reported.

Applicants should also complete a budget narrative to describe how the metrics are defined, why they were selected, and the level of incentive payments determined for each metric. Applicants should describe how the incentive payment is related to value generated by reporting the metric and other reasons for the recommended valuation of the metrics.

Examples of pay for metric reporting could include: reporting number of ED visits, reporting percentage of avoided hospitalizations, individuals with follow up after hospitalization, and others.

- *Example of detail needed: report percentage with follow up after hospitalization for mental illness*
  - o This cost should reflect the incentive payments made to the lead entity for reporting the specific metric, including any related incentive payments made to downstream providers.
  - o In the budget, provide a breakdown of the incentive payment on a per-year-per-metric basis and the calculations used to arrive at that specific payment level.
  - o The metrics selected should reflect requirements in Attachments GG and MM.
  - o A description of the metrics selected and the rationale for selection should be described in full in the budget narrative.
  - o These incentive payments should reflect the amount of effort expended to develop the reporting mechanisms and the estimated value associated with the activities reflected in the metric. The rationale used to develop the associated reporting payment should be described in full in the budget narrative.
  - o Pilots will only be reimbursed for reported metrics.

***Pay for Metric Outcome Achievement* –** Pilots should also focus on pay for metric outcome achievement with set goals being used to determine payment. Pilots must include at least one pay for metric outcome achievement item in their application. Pilots are encouraged to propose the structure that they believe provides the most incentive, both to pilot lead organization as well as to downstream providers. Pay for metric outcome funding requests should be sized according to the estimated size of the target population to which the metric applies, and based on the value of the achievement for the target population.

Applicants should also complete a budget narrative on this section of the budget to describe how the metrics are defined, why they were selected, and the level of incentive payments determined for each metric. Applicants should describe how the incentive payment is related to value generated by achieving the metric outcome and other reasons for the recommended valuation.

Examples of pay for metric outcome achievement could include: reduction in the number of ED visits, increasing the percentage of avoided hospitalizations, increasing the percentage of follow up after hospitalization, and others.

- *Example of detail needed: 90% of beneficiaries will have a follow up after hospitalization for mental illness*
    - This cost should reflect the incentive payments made to the lead entity for achieving specific outcomes metrics, including any incentive payments made to downstream providers.
    - In the budget, provide a breakdown of the incentive payment on a-per-year-per-metric basis and the calculations used to arrive at that specific payment level.
    - The metrics selected should reflect requirements as described in Attachment MM.
    - A description of the metric outcomes selected and the rationale for selection should be described in full in the application and/or budget narrative.
    - These incentive payments should be proportional to the value of achieving the metric, in terms of cost reduction, quality improvements to beneficiaries, or other measurable outcomes intended by the pilot. The rationale used to assign the associated outcomes payment should be described in full in the budget narrative.
    - Pilots will only be reimbursed for achieved outcomes based on proposed annual target and methodology.

BUDGET NARRATIVE

The budget narrative provides additional information to explain and provide a rationale for the broad categories in an applicant's budget model. The narrative justification must include a description of the funds requested and how their use will support the proposal. This is an opportunity for the applicant to describe the budget approach that they have taken (explaining why they have chosen a specific mix of deliverables, services and performance payments) and their rationale. The Budget Narrative should include the following categories (when applicable):

- Administrative Infrastructure
- Delivery Infrastructure
- Incentive Payments for Downstream Providers
- Services
- Bundled PMPM Services
- Pay for Metric Reporting
- Pay for Metric Outcomes Achievement
- Other

Budget Example of detail Bundled PMPM Services: Complex Care Management

Our Complex Care Management program focuses on patient centered coordination; transitional care interventions between systems of care; patient engagement; self-management education; and data driven systems to improve health outcomes. The Care Management program uses a combination of both clinical and non-clinical team members including registered nurses, licensed clinical social workers, and behavioral health clinicians. Any member of the care team can provide community and home based services, if indicated, to meet the patient's needs. In addition, Complex Care Management program has Care Coordinators (specially trained Medical Assistants and/or non-clinical support staff), who act as personal advocates for our patients as well as provide care team support.

Budget based on 1,000 in CM Program at $135.42 PMPM

	Units	Annual Cost Per Unit	Total
Staff			
Director	1	175,000	175,000
Care Manager LCSW	2	110,000	220,000
Care Manager RN	2	110,000	220,000
Care Coordinator (MA)	6	50,000	300,000
LMFT	1	150,000	150,000
Substance Abuse Specialist	1	100,000	100,000
Infrastructure			
Fixtures, Furnishing and General Equipment	1	130,000	130,000
Rent	1	150,000	150,000
Software (60% WPC)	10 PMPM	120,000	120,000
Print and Supplies	1	60,000	60,000
Total			1,625,000
Member Months	**1,000**	**12,000**	**$135.42**