

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
San Francisco Regional Office  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6706



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

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Toby Douglas, Director  
California Department of Health Care Services  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

Dear Mr. Douglas:

The Centers for Medicare & Medicaid Services (CMS) is approving California's request to amend the Medi-Cal Specialty Mental Health Services (SMHS) waiver, Control Number CA17.R08, amendment #01. This amendment is effective January 1, 2014.

This amendment reflects changes in California's mental health system that impacts the SMHS waiver pursuant to California Senate Bill X1-1, which modified the Medi-Cal program to include benefits for the Medicaid adult optional expansion population as specified in Section 1902(a)(10)(A)(i)(VIII) of Title XIX of the Federal Social Security Act (42 U.S.C. Section 1396a(a)(10)(A)(i)(VIII)), and modified the Medi-Cal benefit package to include all aspects of the essential health benefits package as specified in the Federal Patient Protection and Affordable Care Act (Title 42 U.S.C. Section 18022). Medi-Cal Managed Care Plans will provide mental health benefits covered in the State plan, excluding SMHS. SMHS will be provided to Medi-Cal enrolled optional Adult expansion beneficiaries by the County Mental Health Plans (CMHP).

An overarching concern is program integrity monitoring. The most recent waiver renewal asked the State to provide copies of reviews performed by State staff of CMHPs. Although a review of the triennial reviews of 14 counties by CMS has demonstrated the State's monitoring to be thorough and well documented, we continue to be concerned about the findings and lack of county compliance.

CMS granted this waiver to mandate enrollment into CMHPs for the delivery of Specialty Mental Health Services, and understands the longstanding and important role they play in providing these services. However, it was CMS' understanding that once DHCS determined a CMHP was noncompliant, DHCS would enact fines, penalties, or corrective actions to promptly ensure contract compliance. To our knowledge, while corrective action plans have been established, they have not resulted in significant improvement, despite continued evidence of noncompliance. Thus, the monitoring system currently in place is not effective at ensuring compliance and we are exploring actions CMS and DHCS can take to change this.

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Thank you for your cooperation during the waiver amendment review process. We appreciate your staff's commitment to working with CMS to provide mental health services to the State's Medi-Cal beneficiaries. If you have any questions regarding this amendment please contact Beverly Binkier at (415) 744-3580 or via email at [Beverly.Binkier@cms.hhs.gov](mailto:Beverly.Binkier@cms.hhs.gov).

Sincerely,

Gloria Nagle, PhD., MPA  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

cc: Robin Preston, CMS Central Office  
Dina Kokos-Gonsazles-Chief DHCS-Waivers Analysis Branch