



QUARTERLY UPDATE TO THE LEGISLATURE

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

January through March 2013

Submitted by the Department of Health Care Services
In Partial Fulfillment of Requirements of
Welfare and Institutions Code, Section 14021.30(d)

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

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I. Background

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

II. Purpose of the Update

Senate Bill (SB) 1014 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2012; Welfare and Institutions Code, Section 14021.30[d]), signed by Governor Brown on June 27, 2012, directs DHCS to provide quarterly updates to the Legislature, stakeholders, and the public on the transfer of the DMC Treatment Program. The update includes areas of concern and provides an up-to-date picture of the successes and challenges DHCS currently faces in administering the program. This update provides information through March 2013.

III. Stakeholder Engagement

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

DHCS held a DMC Treatment Program Transfer Update teleconference on February 22, 2013. The teleconference focused on reviewing and discussing the October through December 2012 update. DHCS provided stakeholders with a link to the posted document prior to the teleconference and encouraged stakeholders who were unable to attend the meeting to provide input through a regularly monitored email address. The teleconference provided opportunity for stakeholders to comment on all sections of the update.

As part of the enacted FY 2012-13 budget, Healthy Families Program (HFP) subscribers will transition to the Medi-Cal program¹. A key element of the transfer is assuring continuity of care for HFP subscribers to Medi-Cal. Beginning in January 2013, the DMC Treatment Program has facilitated weekly calls with county Alcohol and Drug Program Administrators or their representatives from counties transitioning HFP clients to Medi-Cal. These calls provide opportunity to identify areas of concern or potential barriers to service. To date participants have not reported any major issues or any lapse in service for beneficiaries. The DMC Treatment Program continues to communicate with each affected county on a weekly basis, via ad hoc calls and emails, and through weekly scheduled CADPAAC calls. During these calls, DHCS updates the counties on transition activities, and all participants share information and best practices.

DHCS hosted a stakeholder webinar meeting on January 23, 2013, and conference calls on February 21, and March 21, that covered topics related to the overall HFP transition. Topics included monitoring activities and risk mitigation strategies for all areas of the transition, including alcohol and drug treatment services. DHCS invited DMC Treatment Program providers, county administrators, substance use disorders (SUD) stakeholders, and the Centers for Medicare & Medicaid Services (CMS) to participate in these meetings.

IV. Contracts

DHCS, in cooperation with DADP, issued amendments to create three-party contracts between DHCS, DADP, and counties or direct-service providers for FY 2012-13. The State issued three-party amendments to multi-year contracts on June 12, 2012, and all county and direct-provider contracts are fully executed and processed.

DHCS has approved contract boilerplate language for DMC certified, direct-service providers who seek a contract to provide DMC Treatment Program services but cannot get one from the county in which the provider conducts business.

DHCS is planning to extend current contracts for one additional year, through June 30, 2014. The current contracts cover the DMC Treatment Program as well as other programs including the Substance Abuse Treatment and Prevention Block Grant, and Parolee Network Services funds. Extending current contracts an additional year would ease the transition and avoid disruption of payments to counties.

V. Claims & Payments

The Short-Doyle Medi-Cal claims payment system is not issuing the Health Care Claim/Payment (835) remittance advices in specific circumstances. The remittance advices help counties reconcile the payments they receive from the State with the

¹ Assembly Bill (AB) 1494, (Committee on Budget, Chapter 28, Statutes of 2012)

claims they submitted to the State. Failure to receive 835s can cause problems for counties and direct-service providers, as they are then unable to access claim status and make needed corrections. This can result in either an overpayment of funds or underpayment of funds.

There are two problem areas with generating Health Care Claim/Payment (835) remittance advices: 1) There are missing Health Care Claim/Payment (835) files that were generated in the Short-Doyle Medi-Cal system but not issued due to specific problems within the claim payment file; and 2) The Short-Doyle Medi-Cal Application Remediation Technology (SMART) system is not able to generate 835s in those circumstances when a warrant is not generated (e.g. no payment is owed). DHCS's Information Technology Services Division (ITSD) and DMC Fiscal Management and Accountability Branch (FMAB) staff have resolved most of the issues related to the missing 835s. Additionally, ITSD and FMAB continue to work together for solutions that will result in the issuance of all 835s in those circumstances when the system will not generate a warrant.

DHCS has several direct-service provider contracts for which it pays direct reimbursement and then must invoice counties for the non-federal share. In October 2012, DHCS began invoicing counties for the county share (i.e. non-federal) of the payments. DHCS continues to recoup invoiced dollars from counties for DMC Treatment Program services.

There are direct-service providers with contracts that expired on June 30, 2012, who have submitted claims for FY 2011-12 services. These contracts were with DADP, which must therefore provide the payment. DHCS modified the SMART system to assist DADP in making the payments. DADP issued invoices to counties on December 27, 2012. DHCS Accounting staff continues to assist DADP Accounting staff in the scheduling of payments to the direct-service providers for FY 2011-12 claims.

VI. Cost Reports

Counties use the Paradox application to submit cost data that DHCS and DADP use to settle cost reports. This system supports the DMC Treatment Program and non-DMC alcohol and drug programs administered by DADP. Paradox system migration did not begin until early March 2013 to ensure no interruption of services to contractors, and to allow finalization of cost reporting activities for FY 2010-11 and FY 2011-12. Currently, the DHCS migration team anticipates completion of migration from the DADP environment to the DHCS environment by April 30, 2013.

FY 2010-11 Cost Reports

DHCS and DADP staff will continue to conduct all cost report activities as part of a mutual agreement between the departments. DHCS has supported these joint efforts by allowing currently designated DHCS employees to assist with processing final cost reports for FY 2010-11. The result of these joint efforts is the settlement of all county FY 2010-11 cost reports and 63 of 64 direct-service provider contracts for FY 2010-11

cost reports as of March 29, 2013. A demand letter has been issued for the one direct-service provider that has not complied with cost-reporting requirements. DHCS continues to assist DADP Accounting staff with scheduling payments for FY 2010-11 cost report settlements for direct-contract providers who no longer have a contract with DADP.

FY 2011-12 Cost Reports

DHCS has received all county and direct-service provider FY 2011-12 cost reports as of March 29, 2013.

DHCS and DADP will begin work on the next phase of FY 2011-12 cost report settlement focusing on the DMC Treatment Program portion of the reports. DHCS expects to complete this portion by December 2013.

VII. DMC Certification and Provider Information

The DMC certification process includes application review, tracking, site visit, approval or denial, and issuance of DMC certification documents. DHCS must complete the certification process within 180 days from application. The DMC Certification Unit has completed applications for certification within the required timeframe for 96 percent of applicants. Currently, there are 105 DMC certification applications in process.

DHCS's DMC Certification unit is addressing the problems associated with slower certification processing. Additional steps in processing applications are the result of processes requiring DHCS staff access to DADP systems, network, and documentation. The certification unit worked with DADP's Information Management Services Division to resolve the issues allowing access to certain DADP-based applications needed during review.

DHCS utilizes the Provider Registry Information Management Enterprise system for tracking DMC Treatment Program providers. The system transferred without problem and DHCS continues to update the system with any identified changes to current DMC Treatment Program providers and as new providers become certified.

VIII. Post-Service Post-Payment

The Post-Service Post-Payment (PSPP) Unit is responsible for conducting post-service post-payment utilization reviews of DMC services. Reviews include verification that beneficiaries meet admission criteria and that beneficiary files include required documentation. The unit also provides technical assistance and training to DMC Treatment Program providers and county staff.

The PSPP unit continues to focus its reviews on programs that have never been visited or have not been visited in recent years. This focus has been an opportunity to determine areas of deficiency at the provider level and provide technical assistance.

The PSPP unit is currently reassessing its business processes to improve the efficiency, effectiveness, and consistency of the unit's work. The unit is also working to ensure appropriate documentation of all critical business processes.

IX. State Plan Amendment

In 2009, DHCS submitted a State Plan Amendment (SPA) to reflect changes enacted in the 2009 Budget Act (Evans, Chapter 4, Statutes of 2009-10 Fourth Extraordinary Session) concerning the DMC Treatment Program. The 2009 Budget Act made changes to the method that sets DMC rates, determining each service rate to the lower of either: 1) the FY 2009-10 approved rates with the Cumulative Implicit Price Deflator; or 2) the developed rate. CMS issued formal questions concerning the rate setting methodology. Since 2012, DHCS and CMS resumed work on this SPA related to the rates. While developing its responses, DHCS identified additional changes to the fiscal processes due to the realignment of the DMC Treatment Program.

In FY 2011-12, counties received 2011 realignment funding and the fiscal responsibility for DMC Treatment Program services. Counties must now submit certified public expenditures for all DMC Treatment Program service claims upon which DHCS can claim and provide federal Medicaid reimbursement for approved claims. However, the rates and the claims do not separate the direct medical services from county administrative costs to operate the services. DHCS must update the State Plan to reflect this change. To this effort, DHCS and CMS have held informational conference calls and submitted sample forms to inform CMS of the DMC rate setting process, and description of how DHCS staff review, analyze, amend and finalize cost reports. Further changes in administrative and business processes stemming from the fiscal realignment of the DMC Treatment Program services will be necessary. DHCS has informed counties of the need to revise the process to claim county administration and will work with counties and CMS in this effort.

X. Healthy Families Program Transition

As part of the enacted FY 2012-13 Budget, HFP subscribers will transition to the Medi-Cal program². On December 31, 2012, DHCS received CMS approval of this transition via an amendment to the 1115 Bridge to Reform Waiver. The Administration will complete the transition in four phases beginning January 1, 2013, and cover approximately 860,000 HFP subscribers of which, less than one percent receives treatment for SUD³.

During this reporting period, Phases 1A and 1B of the HFP Transition Plan⁴ were successfully completed. Phase 1A and 1B included beneficiaries enrolled in a HFP health plan that is already a Medi-Cal managed care health plan. Phase 1A of the

² Assembly Bill (AB) 1494, (Committee on Budget, Chapter 28, Statutes of 2012)

³ 2011 HFP Healthcare Effectiveness Data and Information Set Report, November 2012

⁴ [Healthy Families Program Transition to Medi-Cal Strategic Plan](#)

transition included beneficiaries from eight counties, and occurred on January 1, 2013, and Phase 1B⁵ followed with sixteen additional counties on March 1, 2013. The DMC Treatment Program monitored the transitions to ensure that beneficiaries maintained continuity of SUD treatment service. DHCS has not received any complaints or reports of disruption of service to beneficiaries in either phase.

⁵ Phase 1B includes: Contra Costa, Fresno, Kern, Kings, Los Angeles, Madera, Monterey, Napa, Sacramento, San Luis Obispo, Santa Barbara, Santa Cruz, Solano, Sonoma, Tulare, and Yolo counties.