

DRAFT TRANSITION PLAN

For the Transfer of the Drug Medi-Cal Treatment Program
from the Department of Alcohol and Drug Programs
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 106,
Signed by the Governor on June 28, 2011

August 18, 2011

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EXECUTIVE SUMMARY

As part of the Fiscal Year 2011-12 budget process, on June 28, 2011, Governor Brown signed Assembly Bill 106 (Chapter 32, Statutes of 2011), which enacted law to transfer the administration of the Drug Medi-Cal Treatment Program and applicable federal Medicaid functions from the Department of Alcohol and Drug Programs (DADP) to the Department of Health Care Services (DHCS), effective July 12, 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, and permits updates to the Legislature during budget committee hearings after that date, if necessary.

The law directs DHCS to coordinate with DADP and convene a series of stakeholder meetings to obtain input that guides the development of the transition plan. Stakeholders consist of clients, their families, providers, counties and representatives of the Legislature. In addition to incorporating stakeholder input, DHCS and DADP 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 has proved complex as DHCS has sought input at the same time that DADP seeks stakeholder counsel on the future of non-Medi-Cal alcohol and drug programs that it administers; both processes were challenged by the high interest in how they fit with the coming realignment of programs in 2012 and health care reform in 2014. Despite this complexity, much of which is not yet resolved, stakeholders provided great value in helping DHCS to understand the important challenge it faces in carrying out this transfer, and the careful planning it requires.

This transition plan provides a background of the Medi-Cal program's delivery of Drug Medi-Cal Treatment Program services in California and the role that DADP currently plays in the administration of certain components of the service continuum. It 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 several key operational steps that are necessary to carry out the transfer and it includes planned or proposed improvements of these functions during or upon DHCS's takeover of the Drug Medi-Cal Treatment Program and services.

AB 106's October 1, 2011, due date for submission of the plan and specific timing of stakeholder engagement create a challenging timeline. Given the significant importance of this program's services in clients' lives, the aggressive timeline and the Administration's intent and mandate to do this right, the October 1, 2011 transition plan will not be the final plan. DHCS intends to submit a bi-monthly update to the Legislature beginning November 15, 2012, and consistent with AB 106, DHCS will update the Legislature during budget committee hearings. 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 useful guide to the new DHCS leadership that will oversee the administration of the program, lead the implementation of any program improvements, and provide guidance in preparing for the coming health care reform in 2014.

INTRODUCTION

The Department of Health Care Services, (DHCS) submits this Transition Plan in partial fulfillment of the requirements of Assembly Bill (AB) 106, Chapter 32, Statutes of 2011. (See Appendix A for complete text.)

Governor Brown signed AB 106 on June 28, 2011, thereby directing DHCS to collaborate with the Department of Alcohol and Drug Programs (DADP) and the Health and Human Services Agency (Agency) to create a transition plan that guides the transfer of the Drug Medi-Cal Treatment Program, and applicable functions related to federal Medicaid requirements, from DADP to DHCS, effective July 1, 2012. 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 to provide additional updates to the Legislature during budget subcommittee hearings after that date, as necessary.

AB 106 states that the transfer of functions from DADP to DHCS shall occur in an efficient and effective manner, with no unintended interruptions in service delivery. Ultimately, the transfer is intended to:

- Improve access to alcohol and drug treatment services, including a focus on recovery and rehabilitation services.
- More effectively integrate the financing of services, including the receipt of federal funds.
- Improve state accountability and outcomes.
- Provide focused, high-level leadership for behavioral health services.

AB 106 mandates the departments to convene a series of stakeholder meetings, commencing no later than July 15, 2011, to receive input from clients, family members, providers, counties, and representatives of the Legislature, and that this consultation shall inform the creation of the transition plan. In addition, AB 106 directs DHCS, DADP and Agency to convene and consult with stakeholders at least once following production of a draft of the transition plan and before submission to the Legislature.

The transition plan must include the following components:

- Plans for how to review monthly billing from counties to monitor and prevent any disruptions of service to Drug Medi-Cal Program beneficiaries during and immediately after the transition, and a description of how the department intends to approach the longer-term development of measures for access and quality of service.
- A detailed description of the Drug Medi-Cal Program administrative functions currently performed by the State Department of Alcohol and Drug Programs.
- Explanations of the operational steps, timelines, and key milestones for determining when and how each of these functions will be transferred. These explanations shall also be developed for the transition of positions and staff serving the Drug Medi-Cal Program and how these will relate to and align with positions for the Medi-Cal program at the department. The department shall

consult with the Department of Personnel Administration in developing this aspect of the transition plan.

- 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.
- A detailed organization chart that reflects the planned staffing at the department, taking into account the requirement components, and includes focused, high-level leadership for behavioral health issues.
- A description of how stakeholders were included in the initial planning process to formulate the transition plan, and a description of how their feedback will be taken into consideration after transition activities are underway.

While AB 106 provides a specific timeline for how DHCS must plan and implement the administrative transfer of the Drug Medi-Cal Program, 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, but others recognize that thoughtful change 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.

To give the transfer of the Drug Medi-Cal Program the consideration it deserves, DHCS must approach the transition, evaluation of changes to this program in a multi-step, multi-year process. The first and primary goal, however, must be the successful transition of the functions and staff from DADP to DHCS by June 30, 2012. Since enactment of AB 106, DHCS has regularly met with DADP, and convened stakeholders to discuss the transfer of the Drug Medi-Cal Program and identify challenges, risks, and objectives. DHCS has established several work groups of staff from both departments to review the internal processes, procedures, and program functions currently in place for the Drug Medi-Cal Program. These work groups will help determine how best to integrate this new workload into the current DHCS structure, yet ensure that the Drug Medi-Cal Program maintains visibility and significance.

In the transition year of FY 2011-12, DHCS will assess the major categories of the functions and services coming from DADP to determine those areas that require immediate action, as well as those issues that will require time to assess and implement. DHCS will utilize the expertise of DADP Drug Medi-Cal Program staff who will transfer to DHCS, as well as the numerous stakeholders at the local level who bring a vital perspective to the analysis. DHCS will utilize this transition plan and all pertinent documents it has gathered during the process of internal and external stakeholder meetings and package them as a guidance tool for DHCS executive staff, including the new Deputy Director of Behavioral Health Services and the new chief of the Substance Use Treatment Services Division.

The transition plan submitted as of October 1, 2011, represents the beginning of a complex and timely process that provides the State the opportunity to evaluate and potentially restructure a long existing program. DHCS commits to bi-monthly updates to

the appropriate committees of the Legislature during the transition year to assure that body that DHCS is actively working toward the intent of AB 106.

The reader should note that while a select grouping of stakeholder comments have been mentioned in this transition plan, DHCS has carefully reviewed all submitted comments and is giving each suggestion careful consideration in the process of transferring the Drug Medi-Cal Program to DHCS for administration and oversight.

BACKGROUND

Title XIX of the Social Security Act authorized Medicaid, which is a federal entitlement program that pays for medical assistance for certain individuals and families with low incomes and resources such as children and families, pregnant women, seniors, and persons with disabilities. Medicaid is jointly funded by the federal and state governments. A state's participation in the Medicaid program is voluntary, but if it chooses to participate, the state 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 Title XIX of the Social Security Act and the Code of Federal 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 Financial Participation. 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. The Drug Medi-Cal Treatment Program, as currently funded in FY 11-12, is a statewide program within the State Plan, and under current guidelines, eligible beneficiaries may receive services across the state, as services are not limited to the beneficiary's county of residence.

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.¹ 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.

¹ 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.

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.² If a state wishes to administer components of its program outside of these requirements, it can request a waiver of such from 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.

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 DADP for the Drug Medi-Cal Treatment Program. 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 liaison between the State and CMS. (See Attachment B for descriptions of current DHCS responsibilities for the Drug Medi-Cal Program.)

DADP contracts with counties and direct service providers for the provision of Drug Medi-Cal Program services. County participation in the Drug Medi-Cal Program is optional, and counties may elect to provide services directly or subcontract with providers for these services. All but approximately 15 California counties currently maintain a program. If a county chooses not to participate in the Drug Medi-Cal Program and a certified provider within that county indicates a desire to provide these services, DADP currently executes a service contract directly with the provider.

The five covered services for the Drug Medi-Cal Treatment Program listed in Section 4.19B of California's State Plan include:

- *Day Care Rehabilitation Treatment* (minimum of three hours per day, three days per week)
- *Outpatient Drug Free Services* (individual counseling – 50 minute minimum session, or group counseling - 90-minute session)
- *Perinatal Residential Substance Abuse Treatment* (24-hour structured environment, excluding room and board)
- *Naltrexone Treatment Services* (face-to-face contact per calendar day for counseling and/or medication services) and
- *Narcotic Treatment Services* which include core services (intake assessment, treatment planning, physical evaluation, drug screening, and physician supervision), laboratory work (tuberculin and syphilis tests, monthly drug

² 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 Freedom of Choice requires states to permit Medicaid beneficiaries to obtain medical assistance from any qualified provider in the state.

screening, and monthly pregnancy tests of female levoacetylmethadol [LAAM]³ patients); dosing (ingredients and dosing for methadone and LAAM patients, and counseling (minimum of 50 minutes to be provided and billed in 10 minute increments, up to a maximum of 200 minutes based on the medical needs of the patient).

“Regular” fee-for-service Medi-Cal provides some alcohol or drug treatment services outside of the Drug Medi-Cal Treatment Program and those services are identified in the Medi-Cal Provider Manual. All services must be provided by or under the supervision and orders of a licensed physician. The Medi-Cal Provider Manual offers guidance to all providers who render alcohol or drug treatment services to Medi-Cal beneficiaries: “Regular” Medi-Cal will cover services such as heroin detoxification only on an in-patient basis and only as a result of a serious medical complication (such as an overdose) or concurrent medical conditions that alone, or in combination with the problem of addiction, would require hospitalization (for example, severe acute hepatitis). Acute hospitalization coverage will terminate when the associated medical problems can be treated at a lower level facility, or on an outpatient basis. Medi-Cal will not cover acute hospitalization solely for completion of a detoxification course.

Medi-Cal Managed Care plans exclude from their contracts all services available under the Drug Medi-Cal Program as well as outpatient drug therapies that are listed in the Medi-Cal Provider Manual as alcohol and substance abuse treatment drugs, and reimbursed through the Medi-Cal fee-for-service program. Despite the carve out, managed care plans are required to assess members as to their need of alcohol or substance abuse treatment services, refer members to local county programs, and assist members in locating available treatment services if county services are not available. The Managed Care provider must continue to cover and ensure the provision of primary care and other services unrelated to the alcohol and substance abuse treatment.

ADMINISTRATIVE FUNCTIONS CURRENTLY PERFORMED BY DADP

AB 106 requirement: A detailed description of the Drug Medi-Cal administrative functions currently performed by the State Department of Alcohol and Drug Programs.

DHCS and DADP work in partnership to administer the Drug Medi-Cal Treatment Program; however, the program’s operation and day-to-day administrative activities rest with DADP. The following describes those administrative functions in the Medi-Cal program for which DADP is currently responsible:

³ LAAM has not been manufactured for use in the U.S. for several years nor has the State received recent claims for service; however, the drug remains in the State Plan as the State has been informed that LAAM may work better for some individuals than methadone, and some drug manufacturers have expressed interest in resuming production.)

Develop and administer the Drug Medi-Cal (DMC) portion of the State Medicaid Plan

- Develop initial legal, regulatory and policy analyses to prepare Medicaid State Plan Amendments for fiscal and programmatic changes.
- Prepare initial responses to the Department of Health Care Services and CMS.

Program Standards

- Coordinate and ensure use of current Alcohol and Drug Program Standards.

Rate setting

- Annually establish DMC rates for each modality and service type.
- Ensure all appropriate data sources are complete.
- Determine proposed rates based on methodology and legislation.
- Issue Bulletins with proposed rates.
- Prepare regulations package for DMC rates.

Claims management

- Ensure DMC claims are submitted accurately and timely and appropriately adjudicated through DHCS's Short-Doyle Medi-Cal system.
- Identify the legal and business rules for timely adjudication of claims, ensure claims processed within information technology system conform to requirements and business processes.
- Provide technical assistance and training to counties and providers regarding allowable DMC services and submission of claims.
- Oversee special handling of claims.
- Update DMC documents for communication to providers regarding billing procedures and companion guides.
- Reconcile claims to ensure all are submitted and adjudicated and use information for the cost report settlement process.

Cost report settlement

- Maintain adequate controls to ensure responsibility and accountability for expenditure of federal and state funds.
- Perform annual review year-end cost report data and settlement.
- Ensure DMC reimbursement follows Welfare and Institutions Code Section 14170(a)(1).
- Separate data by program type and service and use for the settlement of cost reports.
- Develop the technical program and associated forms for submission of the cost report.
- Perform annual technical assistance and training.

Data collection and system integrity

- Ensure development, operation and maintenance of the Short-Doyle Medi-Cal Remediation Technology system to support DMC business functions and receipt of cost report data.

Conduct financial audits

- Conduct financial audits of DMC services of counties and providers to ensure compliance with applicable state and federal laws, regulations and guidelines.

Complaint initial investigations

- Investigate DMC complaints for possible misrepresentation of fact or potential fraud prior to referral to law enforcement.

Post Service, Post Payment provider reviews

- Conduct post-service, post payment utilization reviews for compliance with standard of care and other requirements to safeguard against unnecessary services provided in substance use disorder programs, and ensure statewide quality assurance and accountability.
- Provide administrative and fiscal oversight, monitoring, and auditing through site visits, formal/informal training and technical assistance.
- Ensure providers are compliant with regulatory requirements, provide technical assistance and training, and initiate the recovery of payments when DMC requirements have not been met.
- Conduct formal training for county and provider staff as required by statute.

Appeals process and hearings

- Represent the department in administrative appeals for occasional grievances or complaints arising from audit findings or settlement of cost reports.
- Give advice and counsel on initial fraud investigations prior to referral to DHCS.
- Prepare position statements for DMC providers suspended by DHCS.
- Work cooperatively with Attorney General's office on DMC litigation.

PART A - PROGRAMMATIC TRANSITION

MONTHLY BILLING, ACCESS AND QUALITY OF SERVICES

AB 106 requirement: Plans for how to review monthly billing from counties to monitor and prevent any disruptions of service to Drug Medi-Cal beneficiaries during and immediately after the transition, and a description of how the department intends to approach the longer-term development of measures for access and quality of service.

The merging of two different department's staff, processes and procedures and policies is a challenging task for all parties concerned. While certain administrative and programmatic efficiencies will certainly be identified during months-long conversations with DADP, DHCS anticipates that a notable number of issues will also come to light

following the transition, when DHCS is fully responsible for the program administration. Stakeholder input in this area is invaluable. DHCS has placed all stakeholder comments and recommendations submitted during meetings, or to the stakeholder inbox, on the DHCS website at: <http://www.dhcs.ca.gov/services/medi-cal/Pages/DrugMedi-CalTransitionStakeholderCommentsandSuggestions.aspx>. The DHCS workgroups have received all stakeholder comments for review, consideration and as applicable, action. DHCS and DADP will continue to collaborate on all issues related to the transfer of the Drug Medi-Cal Program.

Monthly Billing

The immediate concern for stakeholders in this area was that DHCS ensure there is no interruption or delay in claims processing during and after the transfer of the Drug Medi-Cal Program. Additional stakeholder comments focused on establishing consistent billing timelines between the Drug Medi-Cal Program and the Specialty Mental Health Services Waiver, the creation of standardized billing procedures that are compatible with other systems, and streamlining what stakeholders described as a cumbersome billing process.

The DHCS/DADP Information Technology (IT) workgroup has been actively evaluating the IT systems currently utilized by the Drug Medi-Cal Treatment Program to ascertain how well the DADP system will “talk” with the current DHCS system, and determine what, if any, changes are required prior to July 1, 2012. DHCS plans to ‘flow chart’ the entire invoicing and billing process as part of this evaluation, in an effort to help avoid any disruption of service to beneficiaries or reimbursement to providers.

DHCS plans to transition the DADP accounting and management information system, called SMART, and the Information Technology Web Services portal to DHCS in a ‘lift and shift’ strategy, along with any other DADP applications and business functions. It is DHCS’s intent to make as few changes as possible in the transition, and maintain services to stakeholders without interruption. The SMART system used by DADP has an Oracle database interface which DHCS does not use; therefore DHCS plans to obtain Oracle database administration support. DADP shares information with counties via Paradox, its claim and cost reconciliation system, and DHCS’s preliminary analysis has shown that the Paradox system requires an upgrade to a new platform with software supported by DHCS. Further details may be found in “Part B, Information Technology.” DHCS considers the IT area of the program transition to be high priority and will continue on-going evaluations during and after the transition.

Access and Quality of Service

Stakeholders provided multiple examples of how the current DMC provider certification process affected access and requested that DHCS evaluate the process and involve providers in the development and review of any proposed changes. Specifically on the issue of access, stakeholders requested DHCS review the Drug Medi-Cal Treatment Program for Statewideness; suggested that the department place the program under a CMS Freedom of Choice Waiver to mirror how the State currently structures specialty

mental health services; and opined that a change in policy to allow same-day billing for two different services would positively improve the quality of service. In addition, DHCS was asked to review the Treatment Authorization Request (TAR) process for the Fee-for-Service medication services that interact with DMC programs. Stakeholders opined that TAR delays and the repeated need to submit TARs for the same service resulted in the loss of treatment opportunities for beneficiaries, and frustration for providers. DHCS was informed that the paperwork demands for the Drug Medi-Cal Program caused some providers to halt their participation in the program.

DHCS considers the issues of access and quality of service to be of key importance, yet the issues are complex and challenging, with no easy or quick solution. DHCS awaits the addition of a substance use disorder expert to our executive team so that the issues related to appropriate benefits that reflect effective practices can be properly examined and addressed. DHCS will carefully evaluate recommendations and will work with stakeholders to seek further clarification of their concerns as well as their ideas for resolution. DHCS is cognizant of the fact that change does not come without consequence, so all approaches must receive appropriate evaluation. For example, on the surface DHCS knows that changing the Drug Medi-Cal Program to mirror managed care, as suggested by some stakeholders, would likely result in increased demands on providers due to additional quality management and quality assurance requirements. While these quality requirements are surely valuable, the extra workload may prove to be too burdensome for small provider entities. This example and other approaches for amending the Drug Medi-Cal Program will need to be fully vetted.

Although specific action items associated with access and quality of service are not yet available for inclusion in this transition plan, the Administration is committed to examining these issues during and after the transition year. DHCS is aware that, although it is not part of the DMC program transfer process, realignment may have significant impacts upon counties and providers as California moves funding and program responsibilities from state departments to the counties.

OPERATIONAL STEPS, TIMELINES, KEY MILESTONES (PROGRAMMATIC)

AB 106 requirement: Explanations of the operational steps, timelines, and key milestones for determining when and how each of these functions will be transferred. These explanations shall also be developed for the transition of positions and staff serving the Drug Medi-Cal Program and how these will relate to and align with positions for the Medi-Cal program at the department. The department shall consult with the Department of Personnel Administration in developing this aspect of the transition plan.

DHCS and DADP must ensure that they identify all key steps required to facilitate program transfer. AB 106 affirms that all regulations and orders concerning the Drug Medi-Cal Treatment 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 renovation to be ready for July 1, 2012.

DHCS and DADP engaged in discussions about the transfer of the Drug Medi-Cal Program immediately upon the Governor's signing of AB 106. The departments established workgroups comprised of subject-matter experts in the areas of administration (budgets, accounting, contracts, human resources), IT, Audits and Investigations, and program oversight. These workgroups are evaluating all aspects of the Drug Medi-Cal Program to ensure that DHCS is appropriately informed prior to the transfer in June 2012. As previously mentioned in this document, the Administration is committed to making sure that the program is first transferred successfully and then evaluated on an on-going basis to examine possibilities of program refinements, improvements, and efficiencies.

Stakeholder input has already shown to be an instrumental part of this process, as it is bringing to light issues that are worthy of examination. The workgroups have received stakeholder comments for review, consideration and as applicable, action. The collaboration between the two departments will continue through the transfer of the Drug Medi-Cal Program.

The transfer must occur by the July 1, 2012 transition date; 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 in order to transfer the program to DHCS, but will facilitate later opportunities for program or administrative improvement. In all cases completion of the tasks will require collaboration of staff from both departments. At the writing of this draft report, some items do not have resolution on completion dates and have the notation "TBD" (to be determined); however, DHCS will update them in consultation with DADP. DHCS's ability to meet the milestones is contingent on its ability to obtain the fiscal resources necessary, obtain freeze exemptions and hire positions, transfer the DADP staff and maintain the program's institutional knowledge; and obtain federal approval of any changes to the State Plan or potential waiver; should there be barriers to meeting these needs, they will delay completion of the tasks.

KEY MILESTONES (not in priority order)

- Stakeholder distribution list
 - DHCS in collaboration with DADP, will develop a distribution list of Drug Medi-Cal Program stakeholders, to include clients/families, client advocates, representatives, providers, provider representatives, counties, county representatives. (completed July 2011)
 - DHCS shall continue to augment the stakeholder list as new contact information is received. (on-going)
- Plan and conduct stakeholder meetings with Clients/Families/Client Advocates; Providers/Provider Representatives; and Counties/County Representatives, as required by Assembly Bill 106.

- DHCS and DADP convened meetings on July 13, and July 25 and have scheduled additional meetings for August 22 and September 13, 2011.
- Recruit and hire Deputy Director and Division/Office Chief
 - By (TBD) DHCS will develop a duty statement and began recruitment. The intent is to have the new Deputy Director in place well before July 1, 2012, to provide critical leadership during the transition of staff and programming.
 - By April 2012, the Deputy Director will oversee the recruitment of the Chief for the Substance Use Treatment Services Division/Office.
 - By May 2012, DHCS will collaborate with DADP to identify appropriate national organizations and will enroll the Deputy Director in such organizations to ensure that California is appropriately represented.
- Stakeholder Recommendations
 - By May 2012, DHCS will analyze, categorize and prioritize stakeholder recommendations. DHCS has obtained significant input from stakeholders during the July to September process.
 - By (TBD), assess the recommendations for feasibility and determine priority.
 - By (TBD), develop a plan for implementation.
- Assure ongoing stakeholder engagement
 - By (TBD), determine how the stakeholder process(es) will continue to inform and guide the transition during various stages.
 - By September 2011, identify all Drug Medi-Cal Program stakeholder groups, purpose, meeting frequency, and associated mandates.
 - By March 2012, determine the vehicles for ongoing (i.e. post-transition) appropriate stakeholder engagement.
- By October 2011, develop a stakeholder communication plan to assure regular communications during the transfer and inform stakeholders of upcoming transfers of major functions.
- Legal Issues and Court Decisions
 - Beginning (TBD) DHCS Office of Legal Services (OLS) and DADP legal staff will collaboratively work on any lawsuits and/or active court cases relating to the Drug Medi-Cal Program
 - By (TBD) DADP legal staff will develop a list of key court decisions applicable to the Drug Medi-Cal Program and provide this list to DHCS
 - By (TBD) DHCS OLS will review all legal matters applicable to the Drug Medi-Cal Program.

- Policy Review
 - By June 2012, establish workgroups of staff and stakeholders to review the following and identify need for revision and updates, clarification, repeal, etc., including:
 - Title 9 and Title 22 of the California Code of Regulations
 - State laws
 - Federal regulations and laws to clarify requirements
 - DADP policy letters, information notices, bulletins and other similar documents
 - By (TBFD) develop timeline for implementation.
- DHCS/DADP 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. (On-going 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)
- Prior to the transfer (TBD), identify critical outstanding workload. Examples may include:
 - Fiscal and program audits
 - Cost settlements
 - Outstanding invoices
 - Contract status.
- By October 2011, list each function to transfer to DHCS and identify the key associated processes for flow charting and process improvement. Examples include, but are not limited to:
 - Cost settlements
 - Cost reports and other required reports
 - Audit processes and overlaps
 - County encumbrance and payments
 - Drug Medi-Cal Program provider certification
- Medicaid State Plan
 - By January 2012, DHCS will determine whether any changes are necessary to the State Plan.
 - By January 2012, DHCS will develop timeline for writing and submitting any necessary State Plan Amendments.
- County – Direct Provider Contract status
 - By August 2011, DADP will provide a list of all current Drug Medi-Cal Program contracts to DHCS, updated monthly (ongoing)

- By (TBD):
 - Review contract boilerplate language
 - Determine if contracts require CMS approval
 - Ensure that cultural competency language is in all provider contracts
 - Offer DMC contracts to all counties without a current Drug Medi-Cal Program services.
 - Prepare plan for ensuring DMC services within counties that do not elect to offer DMC services (or specific DMC services)
- Fiscal Issues
 - DHCS and DADP shall collaborate to:
 - Identify the steps needed to prepare for FY 2011-12 year-end closing (TBD)
 - Identify any items in danger of reverting appropriation (TBD)
 - Fully incorporate the Drug Medi-Cal Program local assistance budget in the Medi-Cal Estimate (TBD)
 - Maintain integrity of funding at all levels (TBD)
 - Review activities associated with the Medi-Cal Estimate process (TBD)
 - Obtain status of all invoices, repayments, etc. from DADP (TBD)
 - Refer to Part B for further details.
- Administrative Issues
 - DHCS and DADP shall collaborate to:
 - Develop a prioritized process for transferring staff
 - Provide training for DHCS regarding the Drug Medi-Cal Program
 - Identify the steps necessary to notify the State Controller's Office
 - By June 2012, identify, copy and transfer all webpage content and web links associated with the Drug Medi-Cal Program to the DHCS website.
 - By October 2011, complete identification of organizational placement for each transferred DMH function and reporting and supervisory relationships of staff associated with those functions.
 - Refer to Part B for further details.
- Contact Information
 - By (TBD) identify the points of contact with DADP and DHCS for consultation with counties regarding specific Medicaid regulatory, policy and other critical county and stakeholder business and operational issues.
- Tribal notification (current process is SPA and Waiver)
 - DHCS will provide tribal notification on any changes to the State Plan or development of a waiver and obtain input as required by federal law. (Ongoing as needed)
- Non-Medi-Cal Issues and Realignment. Monitor if and how non-Medi-Cal services currently overseen by DADP, and realignment of funding to the counties will affect the transfer of the Drug Medi-Cal Program. (Ongoing)

PLANNED OR PROPOSED CHANGES OR EFFICIENCIES

AB 106 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 106 requires that all regulations and orders concerning the Drug Medi-Cal 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.

Stakeholders had much to say about changing the Drug Medi-Cal Treatment Program. While there was a general expression of appreciation for the existence of the program, there was also a substantial list of “recommendations” on program improvements, both in basic benefits and reimbursement rates, that stakeholders voiced as necessary to achieve better access and outcomes. Stakeholder comments greatly varied, but many opined that this transfer is an opportunity to address new and ongoing issues. DHCS will need to analyze the stakeholder recommendations and categorize them into “potential for immediate action,” “short term goal” and “long term goal.” Most of the concerns and recommendations gathered from the July-September process can 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.

With the exception of “stakeholder participation,” these items require analysis before DHCS is able to determine whether it can implement the recommendations and develop a timeline to do so. Without this analysis, DHCS is not yet able to identify all programmatic and fiscal impacts of these proposed changes or efficiencies.

Review Benefits

Stakeholders shared their concerns regarding the “outdated” benefits available under the current Drug Medi-Cal Program. While clients primarily indicated their desire to not lose services under the transition, they also voiced an interest in expansion of the “five” services listed in the State Plan by: including the drug Buprenorphine and other new drugs; adding drug testing coverage; increasing individual counseling; allowing home counseling; and including intensive outpatient program services.

DHCS commits to undertaking a detailed analysis of these stakeholder recommendations, but notes that this is a process that will best be handled when knowledgeable Drug Medi-Cal Program staff are part of DHCS and under the guidance of leadership with experience in the field of substance use disorders. It will be important to approach this subject with a careful review of best practices, evidenced-based medicine, and other statewide and federal policies. Also, as part of AB 106 requirements, DHCS will have to assess all changes for fiscal impact.

Review California Code of Regulations, Title 9 and Title 22

Stakeholders opined that California's regulations, as currently written, interfere with the delivery of appropriate health care. It was stated that the regulations no longer make use of medically recognized best practices.

DHCS has placed the review of all Drug Medi-Cal Treatment Program-related regulations high on its list of key issues to address. The research, review, interpretation, and amendment of state regulations is a lengthy process. DHCS commits to undertaking this stakeholder recommendation soon after the program transfers to DHCS, but notes that this is a process that will best be handled when knowledgeable Drug Medi-Cal staff are part of the department and under the guidance of leadership with experience in the field of substance use disorders. DHCS will review regulations in addition to all state statute and federal requirements in an effort to ensure that California's mandates are up-to-date and appropriate.

Eliminate all state requirements and follow federal requirements only

Some stakeholders opined that California's requirements far exceed those of the federal government and asked that DHCS follow only the federal requirements.

DADP acknowledges that some of California's requirements go beyond the federal requirement but shared with DHCS that the positive outcomes have been increased treatment successes and ultimately a cost saving of public funds. DHCS has asked DADP to supply all information on this issue, and will carefully examine the state and federal requirements as part of the overall program evaluation, including stakeholders in the process.

Provider application and certification

Multiple stakeholders suggested that DHCS improve the provider application and certification processes. The processes were described as duplicative and unnecessary. Some stakeholders suggested that the state eliminate California certification and instead accept the certification that is provided by national accreditation boards.

DHCS has begun discussions with DADP about the provider certification process in an effort to gain a deeper understanding of the processes, procedures, and policies associated with this requirement. DHCS's surface review is that policy behind the certification requirement is relative to the policy associated with the DHCS mandate that health care professionals apply to become Medi-Cal providers. DHCS and DADP will continue discussions throughout the transition year, and DHCS commits to seeking additional stakeholder input on this issue in the post-transition period.

Billing

Stakeholders asked DHCS to evaluate and streamline the billing process. Several stakeholders also requested that DHCS allow same day billing if more than one service is provided in a single visit. Currently providers may perform more than one allowable service in a single visit, but are only reimbursed for one service. Providers expressed

frustration that this policy does not allow for a best practice approach to patient care. They explained that with a population such as substance use disorder patients, the provider must take advantage of every opportunity to provide services while the client is in the facility, as rescheduled appointments for follow up services are often broken.

DHCS recognizes the challenges faced by providers when treating the substance use disorder population. We commit to meeting with stakeholders to further examine the issues, but also recognize the associated complexities and the time required to evaluate the issues properly. DHCS is working collaboratively with DADP to gain an understanding of the billing issues from the state perspective and has listed evaluation of Drug Medi-Cal Program billing procedures as a key milestone activity. DHCS plans to 'flow chart' this process to ensure full understanding. DHCS must examine the issue of changing billing practices and policies from all perspectives, including best practices, fiscal constraints, CMS philosophy, IT constraints, and the issue of facilities such as federally qualified health centers which have bundled rates.

Claims

Stakeholders have stated a series of concerns in relation to claims for the Drug Medi-Cal Program. Claim denials, challenges regarding recoupment of funds, lengthy claims processing and reimbursement, and an inability to communicate and resolve issues with the State were all mentioned.

DHCS, as part of the transition planning process, developed workgroups of subject matter experts from both DADP and DHCS to discuss details in their specified areas associated with the transfer. These workgroups have been given the charge to familiarize themselves with the comments of stakeholders, and to assess and prioritize those issues applicable to their area of expertise. In addition, DHCS has requested DADP provide a status on several key administrative issues, including claims processing. DHCS has placed the claims processing on the list of key milestones for evaluation, and plans are underway to flow-chart the process to ensure DHCS has a full understanding of the challenges and workload. Work in this area will be on-going and DHCS welcomes continued input from stakeholders during the process.

Internet Technology and Software

Stakeholders informed DHCS that State, county, and local provider systems are not well coordinated and frequently cannot 'talk' to one another in an effective manner, if at all. Stakeholders have requested assistance from the State in providing IT hardware and software that will allow entities to appropriately and accurately submit required data, reports, claims, etc., and be HIPAA compliant. Stakeholders strongly urged DHCS to broadly test any new data system that it develops prior to implementation statewide.

DHCS has no immediate plans to make changes to the system, but recognizes the challenges counties and providers face. DHCS's primary goal is to transition the program and systems from DADP to DHCS as smoothly as possible, with minimal interruption of services. The DHCS and DADP transition teams are working collaboratively to perform systems inventory and system assessment of DADP IT

systems. The teams are reviewing the system architecture, versioning, security, and business processes. The teams will assess, prioritize, plan and schedule the systems' transition based on the complexity of the systems from both a technical and business function perspective.

Once the Drug Medi-Cal Program is successfully transitioned and DHCS becomes fully knowledgeable of the systems in place, DHCS will perform on-going evaluations to ensure that the systems are efficient, effective, and user friendly.

Rate Setting

Rate setting for the Drug Medi-Cal Program is currently a State function. Several stakeholders expressed their opposition of any proposal where DHCS would delegate to counties the authority to set rates or alter reimbursement. Conversely, some stakeholders opined that it is more appropriate for a county to set its own rates, due to differences in provider availability, population levels, and treatment services.

DHCS (or its authorized entity such as another state department) sets rates for services provided under California's Medicaid program. While rates may vary in the methodology of their development (e.g. benefit specific, facility specific or prospective payment), no rates for Medi-Cal programs are set at the local level. Rates for Medi-Cal benefits are included in the State Plan, and as single state agency, DHCS communicates with CMS regarding any change to a rate or rate methodology, and must reflect such changes through amendments to the State Plan. At this time DHCS does not anticipate a change in this approach. It is not likely that CMS would approve a State Plan Amendment that reflects rate setting at the local level, if federal funds are involved.

Reporting

Stakeholders have requested DHCS perform a full review of reporting requirements for the Drug Medi-Cal Program, and have asked for the elimination of cost reports altogether. Cost reports were described by stakeholders as cumbersome, inefficient, and burdensome for providers. Stakeholders stated that cost reports are mandatory for four of the five services within the Drug Medi-Cal Program, but are not required for 'main stream' Medi-Cal or the Narcotic Treatment Program which was described as the most costly of the five services allowed under Drug Medi-Cal.

DHCS plans to evaluate cost reports and all other data or reports required by the Drug Medi-Cal Program and has placed this as key milestone activity. DHCS has asked DADP for a listing of required reports, which will be discussed during interdepartmental workgroup meetings. While DHCS's primary focus must be on the successful transfer of the Drug Medi-Cal Program, this does not preclude the department from beginning the documentation and evaluation of processes to better inform the new Deputy Director. DHCS's evaluation of this stakeholder request will include identifying the reimbursement method for the above mentioned services (e.g. fee-for-service versus bundled) as this may explain the perceived inconsistency in reporting requirements.

How DHCS will address the 'intent' of AB 106

Several stakeholders felt that DHCS was focusing solely on issues related to the transfer of the Drug Medi-Cal Program, and not on the intent of AB 106.

Due to the aggressive timeline within AB 106, DHCS has had to focus its major efforts on the smooth transfer of the Drug Medi-Cal Program to DHCS effective July 1, 2012. This has not, however, precluded the department from being fully aware of the Legislature's intent, and DHCS has made every effort to ensure that stakeholders considered the intent language when they provided recommendations to the State. DHCS, for the first stakeholder meeting, released a series of stakeholder questions that were based on the requirements contained in AB 106. These questions were also placed on the DHCS website in an attempt to reach a broader audience. Within that document stakeholders were instructed to: *"Please consider how your recommendation or comment fits with the legislative intent as set forth in AB 106: Improve access to alcohol and drug treatment services, including a focus on recovery and rehabilitation services; More effectively integrate the financing of services, including the receipt of federal funds; Improve state accountability and outcomes; and Provide focused, high-level leadership for behavioral health."* DHCS is mindful of the intent of AB 106 but believes that the Legislature did not intend for the department to rush through a program restructure, but rather transfer the program efficiently and with minimal impact to participants; then, in a reasoned and stepped approach, and in collaboration with our new colleagues, evaluate the all aspects of the Drug Medi-Cal Program.

Stakeholder Participation

Stakeholders expressed interest in participating on workgroups with DHCS to monitor the delivery of Drug Medi-Cal Program services, as well as provide input for the refinement of the program. Several stakeholders submitted specific lists of program change ideas.

DHCS has collaborated with DADP to develop a distribution list which 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. In addition, DHCS has listed stakeholder group identification as a key milestone for the transition process. DHCS has asked DADP to: provide a listing of stakeholder groups, including associations that currently meet with DADP; identify the group's purpose/charter; explain the frequency of meetings; and identify any statutory requirements for the workgroups/advisory bodies, as applicable.

DHCS has a long history of collaborative work with stakeholders both from the ad hoc and statutorily required perspective. The department has every intention to continue this approach during and after the transition of the Drug Medi-Cal Program.

ORGANIZATION AND LEADERSHIP

AB 106 requirement: A detailed organization chart that reflects the planned staffing at the department taking into consideration the requirements of subparagraphs (A) to (C), inclusive, and includes focused, high-level leadership for behavioral health issues.

Current DHCS structure:

DHCS is comprised of 3,226.9 authorized staff positions throughout California. The department's executive level leadership includes a Director, a Chief Deputy Director who guides the Deputy Directors, divisions and offices that conduct the department's operations and administrative activities, and three Deputy Directors who are responsible for the programmatic aspects of the department. The program Deputy Directors report directly to the Director. Each 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 Drug Medi-Cal Program, DADP staff and its leadership. While opinions varied extensively, there were three main themes: placement of the Drug Medi-Cal Program, placement of the Drug Medi-Cal Program staff, and leadership.

Placement of the program:

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

Placement of DADP Program Staff

The stakeholder meetings provided the opportunity to respond to a major concern among stakeholders that the transfer would result in the loss of State staff who are experienced and expert in substance use disorder issues. Stakeholders sought assurance from DHCS that the department would assign staff with expertise across the service continuum and populations, and could support the service models 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 substance use disorders and mental health. Some suggested that DHCS should appoint separate deputy directors for the specialty mental health and Drug Medi-Cal programs.

New DHCS structure:

To ensure that the Drug Medi-Cal Program remains a viable, visible entity within DHCS, and to address the above issues raised by stakeholders, DHCS is adding a Deputy Director of Behavioral Health 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 position, and will require Senate confirmation. The Deputy Director of Behavioral Health will oversee two new organizations: Substance Use Treatment Services Division/Office, and Mental Health Services Division/Office. This reporting structure replicates the oversight responsibilities of the other three program Deputy Directors within DHCS. The two new divisions/offices will function independently and will focus on their unique and separate health issues. As separate organizations reporting to the Deputy Director, the programs will maintain their identities and integrity and also benefit from the co-location that will facilitate better coordination and integration of services over time. A Career Executive Appointee will lead each division/office.

DHCS will begin active recruitment for the new Deputy Director position in late summer 2011 to ensure that the position is filled and actively engaged prior to July 1, 2012. It is critical that this person 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 substance use disorders, and mental health. 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 DADP staff who currently work in the Drug Medi-Cal Program, thereby assuring appropriate knowledge and expertise in administering this program and preserving the institutional knowledge they have developed in their careers. The transfer of the Drug Medi-Cal Program from DADP to DHCS will increase the number of civil service positions of varying classifications for DHCS. Many of the DADP 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, IT, and Audits. DADP staff that work in these disciplines will join DHCS's existing infrastructure, although in several cases they will form a new "unit" in that organization and maintain their focus on Drug Medi-Cal. DADP staff that perform programmatic activities for the Drug Medi-Cal Program will be placed in the new Substance Use Treatment Services Division/Office. They will continue to administer the Drug Medi-Cal Program as currently structured until such time that DHCS is able to update the program's policies and processes.

The new DHCS organizational structure is shown in Appendix C. Future updates to this plan will show the specific branches and sections that this transfer will affect or create.

ENGAGING STAKEHOLDERS

AB 106 requirement: Description of how stakeholders were included in the initial planning process to formulate the transition plan and a description of how their feedback will be taken into consideration after transition activities are underway.

Meetings:

DHCS collaborated with DADP to develop a broad email distribution list of Drug Medi-Cal Program stakeholders for the following categories: clients/families/client representatives, providers/provider representatives, and counties/county representatives. DHCS's Legislative and Governmental Affairs Office relayed all information to representatives of the Legislature. 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. DADP posted this same information on their website www.adp.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 Drug Medi-Cal Program stakeholders regarding the transfer of the program to DHCS. Stakeholders were invited to participate in person, or by telephone, and an operator-assisted teleconference with 100-200 lines was established for each meeting. Notices for the 2nd, 3rd, and 4th meetings in the series contained contact information for the DHCS Office of Civil Rights for individuals with disabilities who required assistive services for the meeting.

DHCS convened the first stakeholder meeting on July 13, 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, and the DADP Acting Director and Deputy Director met with stakeholders to provide an overview of the purpose of the meeting, the intent and mandates of AB 106, the DHCS draft timeline for the transition plan, and the processes for stakeholders to provide oral and written comments. During this meeting, Director Toby Douglas, DHCS shared his intent to create a new position "Deputy Director, Behavioral Health" that will report directly to him. Agency, DHCS, and DADP assured stakeholders that the issues associated with the transfer of the Drug

Medi-Cal Treatment Program are a high priority. The majority of the meeting was dedicated to hearing comments from stakeholders who attended the meeting in person, or telephonically via an operator-assisted line. Eighty-nine people attended the meeting in person, and 69 utilized the call-in line. DHCS and DMH staff took notes during the meeting, and a redacted summary of stakeholder comments was placed on the DHCS website.

DHCS convened the “second” stakeholder meeting as a series of three meetings on July 25, 2011. The department broke out the stakeholder meetings into three categories to provide each stakeholder group with an equal opportunity to share their unique perspectives with the departments. The majority of time during each meeting was devoted to receiving stakeholder comments and obtaining clarification on stakeholder positions. DHCS invited representatives of the Legislature to attend all three stakeholder meetings. DHCS held the July 25th meetings in the training rooms at 1500 Capitol Avenue, Sacramento, CA. No stakeholders attended the clients/families/client advocates meeting in person and 11 people participated by telephone. Ten providers/provider representatives attended their stakeholder session, with 18 people utilizing the call-in line. The July 25 stakeholder meeting for counties and county representatives was attended by four people, with 43 callers on the telephone. DHCS and DADP staff took notes during the three meetings, and DHCS placed a redacted summary of stakeholder comments on its website.

Website:

To ensure easy public access to information about the transfer of the Drug Medi-Cal Treatment Program, DHCS developed a new link on the department website www.dhcs.ca.gov under the “Hot Topics” section of the homepage. DHCS updated the web site weekly and placed meeting notices on the site generally within 24 hours of their release. In an effort to ensure transparency in its process, the DHCS web page content included: all meeting notices and handouts, an excerpt of AB 106, summaries of stakeholder comments from each meeting, and redacted summaries of applicable stakeholder comments received via a special inbox set up for this purpose.

Email Inbox:

DHCS created a special email address and inbox to receive written stakeholder comments on the transition plan: DHCSDRUGMEDI-CALTRANSFER@DHCS.CA.GOV. DHCS reviewed the inbox daily. Staff referred any comments that were beyond the scope of the transfer of the Drug Medi-Cal Treatment Program functions to DHCS by July 1, 2012 to the appropriate DHCS staff person for handling.

DADP and DHCS staff as stakeholders:

DADP and DHCS consider their staff as stakeholders in the transition of the Drug Medi-Cal Treatment Program, and, therefore, sent affected staff the same “five questions” document that had been provided to external stakeholders (clients, providers, counties, representatives of the Legislature). DADP and DHCS staff were given the opportunity to respond in writing directly to their management, or to send their comments to the

inbox created for stakeholder input. Although staff did not reply individually to this opportunity, the DADP management team submitted a thoughtful and thorough response for DHCS's consideration. Please see Part B of this transition plan for more information relating to communication with DADP staff regarding the transfer of the Drug Medi-Cal Program to DHCS.

Working with stakeholders after the transition is under way

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

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. DADP has also worked with many stakeholders as it has administered the Drug Medi-Cal Program. DHCS will assess the existing stakeholder groups and processes that DADP currently maintains and determine which are appropriate to integrate into the DHCS program after the transfer is complete.

PART B - ADMINISTRATIVE TRANSITION

AB 106 requirement: Explanations of the operational steps, timelines, and key milestones for determining when and how each of these functions will be transferred. These explanations shall also be developed for the transition of position and staff serving the Drug Medi-Cal Program and how these will relate to and align with positions for the Medi-Cal program at the department. The department shall consult with the Department of Personnel Administration in developing this aspect of the transition plan

AB 106 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

Project Organizational Structure

DHCS established a Project Management Team (Team) consisting of individuals who possess the appropriate subject matter knowledge and skills to manage the complexity and risk levels of this project. The Team is comprised of the executive sponsor (Chief Deputy Director), project lead, and project manager. The Team meetings include executive leadership and subject-matter experts from DADP to ensure continued communication between both departments throughout the transition process. The

Team is scheduled to meet weekly until the transition and all necessary follow-up actions have been completed.

The Team identified a need for in-depth research and a coordinated plan to implement, and resolve issues affecting the consolidation 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 will provide 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 will be in direct communication to ensure they identify all areas and deal with them promptly. The Team will use status reports and the project plan to track the progress of the DHCS reorganization and will notify management of any delays as early as possible.

All phases of the DHCS reorganization project will follow standard processes for project quality and will be retained within the Information Technology Services Division (ITSD), 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 has taken a proactive approach to ensure it answers DADP transfer employee questions and ease any uncertainty. Prior to and/or following the scheduled staff meetings, DHCS will conduct a survey to request feedback from DADP staff on the efforts of the transition team. DHCS will post the results of the survey online and forward them to affected employees.

DHCS will schedule meetings with affected employees to address questions and concerns to DHCS executive staff. DHCS will conduct an initial meeting on September 29, 2011, to educate the transitioning employees on the following topics:

- Reason for the transition
- Transferring functions and positions
- Timeframes for the transition
- Background and culture of DHCS
- Discuss frequently asked questions and identify resources
- Identify next steps in the transition process

DHCS has scheduled additional staff meetings and will address topics that directly affect ongoing efforts and relevant issues to ensure transitioning employees receive a full orientation and seamless transfer to DHCS. The staff meetings provide a venue for ongoing dialogue and open communication between the transitioning employees and the leadership of both DHCS and DADP.

Additional Communication with Employees

DHCS's ITSD has created a transition Webpage as an easily accessible repository for information regarding the transition. The site is housed on the California Health and Human Services Agency Intranet where DADP staff can easily access it. 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 will update the FAQs as questions come into the "Welcome to DHCS Mail Box" or come up 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 DADP staff to submit 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 individual asking the question, 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 will draft a response. OPA will finalize the response and send it to the employee who asked the question.

DHCS has also established an Interdepartmental Liaison to help ensure that employees making the transition from DADP have a personal contact to obtain the help and information they need to complete a successful move. The Interdepartmental Liaison will be a key part of the DHCS Transition Team, which is working to make the process smooth for employees, as well as focusing on ensuring continued ease of public access to the programs that will be moving to DHCS. The Interdepartmental Liaison will provide employees with resources and a gateway to have their questions answered quickly and accurately.

Information Technology

DADP's accounting and management information system called SMART will be transitioned to DHCS prior to July 1, 2012. DHCS does not use an Oracle database interface such as SMART, so the department will need Oracle DBA support. A second DADP application, called Paradox, is a claim and cost reconciliation system that is used to share information with counties. Preliminary analysis has shown that this system will need to be upgraded to a new platform such as SQL Reports, which is a software supported by DHCS.

DADP uses a Medi-Cal claim adjudication system called Short Doyle II, which is administered by DHCS. Short Doyle II interfaces with a web portal called Information Technology Web Service (ITWS) at the Department of Mental Health.

Goals and Objectives

The goals and objectives of the DADP reorganization effort are to:

1. “Lift and Shift” the SMART system, ITWS, and any other DADP applications and business functions to DHCS
2. Maintain DADP services to the stakeholders without interruption
3. Improve efficiencies to current services and processes for stakeholders
4. Provide email and intranet access to DADP employees that are transitioning to DHCS
5. Provide new workstations to transitioning DADP employees

Strategy

Current strategy is to “lift and shift” the entire SMART and ITWS applications over to DHCS making as few changes as possible in the transition. This would be the safest, easiest, and cheapest option. It would also ensure that there would be no interruption to DMC payments, which could adversely affect stakeholders. Paradox would be ported over to a SQL Reports platform or similar data and reporting tool.

Action Items

To accomplish the goals and objectives the following action items must be performed:

1. Build and identify appropriate teams and resources from each department
2. Produce an inventory and requirements on application software and platforms
3. Develop Technical and Application Requirements Specification
4. Develop System Design Specification
5. Identify tasks, create a task plan and assign tasks to individuals and teams
6. Build out the systems for Web and applications infrastructure
7. Develop an implementation plan
8. Port systems over and complete configuration
9. Perform application and database Code Reviews, knowledge transfers and any staff training
10. Perform systems tests
11. Deploy systems from staging to production
12. Begin maintenance and project closing procedures such as lessons learned

Risks and Assumptions

1. DHCS will need Oracle database support. Mitigation is to train one of the DHCS Database Admin Unit staff on Oracle or have OTech support the database.
2. DHCS will need to determine if DADP transitioning staff to maintain (patch, etc.) the servers. If not, DHCS may require additional staffing.
3. DHCS will need to determine if DADP is transitioning help desk or personal computer (PC) and network support positions. If not, DHCS may require additional staffing.

4. The DADP Internet Technology (IT) shop is working on HIPPA 5010 and has limited ability to take on other work. Mitigation is to hire a consultant to help with the “lift and shift” phase.
5. DHCS assumes that DADP staff will transition to the East End Complex on July 1, 2012 both physically and as new DHCS employees. Mitigation is to set DADP up as a field office if they do not move over on this date so they will have full access to DHCS intranet, etc.

Estimated Schedule

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

Activity	Start mm/dd/yy	End mm/dd/yy	Duration (months)
Planning Phase	9/01/11	11/30/11	3.0
Systems Requirements and Inventory	9/01/11	12/01/12	3.0
Analysis & Design	12/01/12	2/28/12	3.0
Software & Hardware Transition Phase	2/28/12	6/30/12	4.0
Testing and Acceptance	4/15/12	5/30/12	1.5
Deployment	5/30/12	6/30/12	1.0
Provide UserID, email, intranet	6/01/12	7/01/12	1.0
Upgrade DADP Workstations	6/1/12	8/15/12	2.5
Closeout Phase	6/15/12	6/30/12	.5
Duration of project	9/01/11	8/15/12	11.5

Administration

Telecommunications, Leased Facilities and Contract Management

Telecommunications and Leased Facilities Unit (TLFU) will meet with the DADP facility manager to evaluate and assess program needs regarding storage, ergonomic and reasonable accommodation, confidentiality, telecommunications, employee badges, parking and transportation. In addition, TLFU, working in conjunction with the

Directorate, will determine where DADP transitioning programs will physically reside within DHCS, as well as obtain information on current leases. TLFU will meet with the Department of General Services to discuss the DADP transition to DHCS and confirm all required tasks and documents to be completed.

TLFU is currently reviewing and evaluating available space in the East End Complex (EEC) and will be working with existing EEC programs to develop a restack plan to make available sufficient space for the transition of DADP staff to EEC. TLFU is working collaboratively with the California Department of Public Health (CDPH) to determine how much space CDPH may be able to provide to assist with this transition. TLFU will complete the space evaluation and review and any subsequent restacking by March 2012. The goal is to complete all space planning activities by June 2012. During this evaluation process, TLFU will consider and evaluate the use of existing DADP 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 accommodate the transition of DADP staff into EEC.

DHCS Contract Management staff is currently working with DADP to transition their contracts by July 2012. DHCS Office of Legal Services (OLS) will be reviewing and resolving any contract novation and amendment issues. The DHCS Contracts Management Unit and OLS are also researching the option of developing assignment language for the contract transition.

Budget:

DADP will transfer the budget related to the Drug Medi-Cal Program effective July 1, 2012 in accordance with AB 106. As part of the development of the Governor's fiscal year 2012-13 budget, the budget and position authority will be transferred to DHCS. In addition, DHCS is evaluating the needs to effectively run the program.

Claims Payment:

The claims payment will transition to DHCS effective July 1, 2012. Claims are made by the counties and direct providers for reimbursement through the Short-Doyle Medi-Cal II System. The intent of the transition is to make a seamless change from DADP to DHCS being the payer of the claim, as such there is no plan at this time for change to the county interface system. In order to facilitate this transfer, DHCS and DADP created a workgroup to identify the systems and processes that would transfer to DHCS. An evaluation is currently underway to determine opportunities for efficiencies that would improve the payment timelines for the claims.

Employee Transition:

DADP employees will be transitioned to DHCS effective July 1, 2012. 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 existing civil service paperwork (STD 607), establishment of new employee accounts in the CalATERS travel system for

travel reimbursement and establishment of budget allotments for the formerly DADP activities.

Human Resources and Labor Relations

Effective July 1, 2012, staff in the designated DADP positions will begin reporting to DHCS. The Drug Medi-Cal Program duties are incrementally spread across multiple DADP positions (i.e., four full-time DADP positions, each funded 25% by Drug Medi-Cal program funds, perform Drug Medi-Cal Program-related duties 25% of the time and non-Drug Medi-Cal Program-related duties 75% of the time. DADP must develop criteria to determine which one of the four employees will need to be transferred to DHCS with 100% Drug Medi-Cal Program funding to perform 100% Drug Medi-Cal Program-related duties). DADP will work in concert with the Department of Personnel Administration and DHCS to develop the DADP-to-DHCS employee identification and transfer protocol. DHCS will secure the Personnel Action Request STD 680 forms, Employee Transfer Data STD 612 forms, Official Personnel Files, and all other necessary records for the employees transferring from DADP. DHCS Human Resources will process employment transactions to place the transferring employees onto the DHCS payroll and attendance automated systems by no later than the July 23, 2012 (Master Payroll Cutoff for the July 2012 pay period). DHCS Human Resources will provide a brief presentation in June 2012 to transferring employees to ensure all forms required of employees new to DHCS are completed. 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 ongoing, 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 adequate notice of physical moves from one facility to another facility is provided to the transferring employees.

Fiscal Forecasting and Data Management - Medi-Cal Estimate:

The Fiscal Forecasting and Data Management Branch (FFDMB) is collaborating with DADP management to gain a better understanding of their estimate process and has request that DADP staff provide a detailed presentation of their estimate process. DADP has one employee who works approximately half time on the DADP estimate. It is unknown at this time if that employee will be transferred to FFDMB. Staff that currently provide data and other information for the estimate process will be placed elsewhere in DHCS, but will continue to provide similar estimate development support.

Fiscal Forecasting and Data Management - Data Analysis and Research:

The Research and Analytic Studies Section (RASS) will be working with DHCS Audits and Investigations (A&I) and DADP staff to gain an understanding of DADP's mission and workflow. While A&I will be documenting the current DADP workflow, it is vitally important that RASS gain an understanding of the entirety of their tasks.

RASS plans to meet with DADP staff to provide an overview of RASS' current organization and strategic objectives and will continue a close collaboration during the transition period. DHCS will review DADP duty statements to help evaluate how best to incorporate DADP staff into the RASS organization.

Audits and Investigations (A&I)

A&I has been tasked with two responsibilities: (1) Transition and integrate ADP audit and investigations-related personnel and workload within A&I's operations; (2) Perform process reviews of global DADP functions that have been identified in the realignment plan.

DHCS met with DADP and determined that staff likely to transfer to A&I are associated with two DADP branches currently responsible for auditing and oversight of Drug Medi-Cal Program services and providers – the Compliance Branch and the Audit Services Branch. DHCS anticipates that cost report acceptance and settlement functions may also be integrated within A&I since it currently performs these functions. Neither of these functions fall within the above mentioned DADP branches, but are located elsewhere in DADP.

The DMC Monitoring Unit within the Compliance Branch, Licensing and Certification Division performs Post Service Post Payment utilization reviews to monitor providers and ensure compliance with Title 22 regulations governing DMC and ensure billings accurately depict the services delivered to DMC beneficiaries. The Audit Services Branch (ASB) addresses fraud risk by ensuring that providers comply with generally accepted government auditing standards. ASB performs detailed fiscal audits to review and analyze financial and client records to verify that reimbursements comply with laws and regulations. These two branches perform separate functions. Monitoring performed by the DMC Monitoring Unit focuses on treatment program compliance, and billings for provided treatment. Audits performed by the ASB focus on provider fiscal compliance. Both functions serve to recover funds and identify suspected fraud. The authority to conduct these activities is in Health and Safety Code and Title 22 CCR.

Goals and Objectives

The goals and objectives of A&I's transition plan are as follows:

1. Facilitate a smooth transition of DADP audit and investigations-related personnel and workload into A&I.
2. Maintain ADP services to the stakeholders without interruption.
3. Ensure proper knowledge transfer from DADP to DHCS.
4. Provide audit and review services to the DHCS Project Management and Transition Teams as necessary to ensure a smooth transition of DADP functions.
5. Gather adequate facts and evidence to assist with process implementation and to give the DHCS the greatest chance for success.
6. Improve efficiencies via the elimination of redundant processes and the enhancement and re-tooling of existing processes.

Strategy

DHCS will achieve goals and objectives via a collaborative approach with the DHCS Project Management Team and DADP personnel.

Action Items

To accomplish the goals and objectives the following action items shall be performed (see Estimated Schedule Section for details):

Integration of DADP Audit and Investigation Functions into A&I

1. Ongoing A&I and DADP management meetings shall be conducted *before and after* the transition to discuss policies and procedures associated with the DADP functions being transitioned to A&I. Weekly “hot lists” and issue memorandums will also be utilized to ensure issues of significance are adequately addressed.
2. DADP Process Review & Integration
 - a. Review and flowchart DADP audit and investigations processes.
 - b. Review and flowchart DADP cost report acceptance and settlement processes.
 - c. Process evaluation and implementation – completed flowcharts shall be utilized by A&I to evaluate DADP processes that will be transitioned to and implemented within A&I. The proposed implementation shall include steps that will lead to improved efficiencies based upon the elimination of redundant processes, enhancement and re-tooling of existing processes and overall economies of scale from combining DADP and A&I activities.

Review of Global DADP Functions

3. DADP Process Review & Integration
 - a. Review and flowchart DADP processes. DHCS has prioritized the ADP functions to be flowcharted as follows:
 - Claims processing.
 - Cost acceptance and settlement.
 - Audit process and overlaps.
 - County encumbrance and payments.
 - Business practices.
 - Drug Medi-Cal Program provider certification process.
 - Additional program areas as identified by the DHCS Executive Management, if deemed necessary.
 - b. Process evaluation and implementation – DHCS will utilize completed flowcharts to evaluate DADP processes that will be transitioned to and implemented within DHCS. The proposed implementation shall include steps that will lead to improved efficiencies based upon the elimination of

redundant processes, enhancement and re-tooling of existing processes and overall economies of scale from combining ADP and DHCS activities. A&I and DADP subject matter experts will provide consultation.

Risks and Assumptions

The risk exist that the review and flowcharting procedures do not sufficiently capture all aspects of the DADP processes, thereby negatively impacting implementation of DADP activities into A&I and DHCS as a whole. Services to stakeholders may be negatively affected, should this occur.

Mitigation strategy (A&I component only) – A&I and DADP management have devised a communication strategy and standardized process for addressing issues and concerns to minimized the risk of an incomplete assessment of workload requirements and processes. Ongoing communication and collaboration is the key to successfully mitigating potential risks to the transition plan.

Estimated Schedule

Currently the DHCS and DADP transition teams are working together collaboratively to address and complete the aforementioned actions items.

Activity	Estimated Start Date	Estimated End Date	Duration (months)
<u>Integration of DADP Audit & Investigation Functions Into A&I</u>			
Engage in regular management meetings to discuss global planning objectives. Meetings shall then progress to detailed discussions regarding policies and procedures that are related to DADP functions that are slated to be transitioned to A&I.	8/10/11	Ongoing	N/A
Review and flowchart DADP audit and investigation functions, including DADP cost report acceptance and settlement processes.	12/1/11	3/31/12	4
A&I and DADP staff to evaluate the DADP workload flowcharts to devise implementation plan. Implementation plan to be proposed with improved efficiencies in mind.	4/1/11	6/15/12	2.5
<u>Review of Global DADP Functions</u>			
Review and flowchart global DADP functions.	12/1/11	3/31/12	4
DHCS and DADP program staff to evaluate the DADP workload flowcharts to devise implementation plan. Implementation plan to be proposed with improved efficiencies in mind.	4/1/11	6/15/12	2.5
Duration of project	8/10/11	6/15/12	10.5

APPENDIX A

**Assembly Bill 106:
Excerpt addressing the transfer of the Drug Medi-Cal Program to DHCS**

SEC. 63. Section 14021.30 is added to the Welfare and Institutions Code, to read:
14021.30. (a) It is the intent of the Legislature to transfer to the State Department of Health Care Services, no later than July 1, 2012, the administration of the Drug Medi-Cal program from the State Department of Alcohol and Drug Programs. It is further the intent of the Legislature that this transfer should happen efficiently and effectively, with no unintended interruptions in service delivery. This transfer is intended to do all of the following:

- (1) Improve access to alcohol and drug treatment services, including a focus on recovery and rehabilitation services.
 - (2) More effectively integrate the financing of services, including the receipt of federal funds.
 - (3) Improve state accountability and outcomes.
 - (4) Provide focused, high-level leadership for behavioral health services.
- (b) Effective July 1, 2012, the administrative functions for the Drug Medi-Cal program that were previously performed by the State Department of Alcohol and Drug Programs are transferred to the department.
- (c) Notwithstanding subdivision (b), the department and the State Department of Alcohol and Drug Programs may conduct transition activities prior to July 1, 2012, that are necessary to ensure the efficient and effective transfer of Drug Medi-Cal program functions by that date in accordance with the transition plan described in Section 14021.31.

SEC. 64. Section 14021.31 is added to the Welfare and Institutions Code, to read:
14021.31. (a) The department, in collaboration with the State Department of Alcohol and Drug Programs, shall develop an administrative and programmatic transition plan to guide the transfer of the Drug Medi-Cal program to the department effective July 1, 2012.

(1) Commencing no later than July 15, 2011, the department, together with the State Department of Alcohol and Drug Programs, shall convene stakeholders to receive input from consumers, family members, providers, counties, and representatives of the Legislature concerning the transfer of the administration of Drug Medi-Cal functions currently performed by the State Department Alcohol and Drug Programs to the department. This consultation shall inform the creation of an administrative and programmatic transition plan that shall include, but is not limited to, the following components:

(A) Plans for how to review monthly billing from counties to monitor and prevent any disruptions of service to Drug Medi-Cal beneficiaries during and immediately after the transition, and a description of how the department intends to approach the longer-term development of measures for access and quality of service.

- (B) A detailed description of the Drug Medi-Cal administrative functions currently performed by the State Department of Alcohol and Drug programs.
- (C) Explanations of the operational steps, timelines, and key milestones for determining when and how each of these functions will be transferred. These explanations shall also be developed for the transition of position and staff serving the Drug Medi-Cal program and how these will relate to and align with positions for the Medi-Cal program at the department. The department 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 department, taking into account the requirements of subparagraphs (A) to (C), inclusive, and includes focused, high-level leadership for behavioral health issues.
- (F) A description of how stakeholders were included in the initial planning process to formulate the transition plan, and a description of how their feedback will be taken into consideration after transition activities are underway.
- (2) The department, together with the State Department of Alcohol and Drug Programs, shall convene and consult with stakeholders at least once following production of a draft of the transition plan and before submission of that plan to the Legislature. Continued consultation with stakeholders shall occur in accordance with the requirement in subparagraph (F) of paragraph (1).
- (3) The department shall provide the transition plan described in paragraph (1) to all fiscal committees and appropriate policy committees of the Legislature by October 1, 2011, and shall provide additional updates to the Legislature during budget subcommittee hearings after that date, as necessary.
- (b) The requirement for submitting a report imposed under paragraph (3) of subdivision (a) is inoperative on October 1, 2015, pursuant to Section 10231.5 of the Government Code.

APPENDIX B

Summary of Current DHCS Policy/Programmatic Functions Associated with the Drug Medi-Cal Treatment Program

Policy/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
- Develop State Plan Amendments
- Responsible for administrative oversight
- Respond to the federal Centers for Medicare and Medicaid Services inquiries
- Develop, revise and oversee the Interagency Agreement
- Provide support and assistance with litigation and law suits

Fiscal/Financial Functions

- Provide policy guidance regarding implementation and system changes/updates for Short Doyle/Medi-Cal Phase II (SD/MC II)
- Review and approve rates
- Review, approve and process invoices for payment
- Draw down federal financial participation
- Prepare Medi-Cal fiscal/policy budget assumptions
- Review, approve and coordinate aid code updates

Legal Functions

- Provide legal consultation, review and analysis on programmatic and fiscal aspects
- Review and approve State Plan Amendments
- Participate in litigation and law suits

IT Functions

- SD/MC II roll-out, system changes, updates, and guidance
- Participate in state and county SD/MC II task groups
- 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

APPENDIX C

[insert current and planned DHCS organizational charts]

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APPENDIX D

DHCS Timeline: Stakeholder participation and transition plan development

Date	Activity
June 27, 2011	DHCS sends “save-the-date” notice for meeting #1
June 28, 2011	AB 106 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 Drug Medi-Cal webpage goes ‘live’
July 14, 2011	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 notice onto website
July 21, 2011	DHCS sends meeting agenda #2 and handouts; DHCS places stakeholder inbox comments received July 18-21 onto website; DHCS places summary stakeholder comments from July 12 th meeting onto website
July 22, 2011	DHCS places meeting #2 agenda/handouts onto website
July 25, 2011	DHCS convenes separate stakeholder meetings with clients, counties, and providers (and representatives of the Legislature)
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 nd to July 27 th onto website
August 3, 2011	DHCS places stakeholder inbox comments received July 28 th to August 2 nd onto website

- August 8, 2011 DHCS places summary stakeholder comments from July 22nd meeting onto website
- August 10, 2011 DHCS places stakeholder inbox comments received August 3rd to August 10th onto website
- August 19, 2011 (planned) DHCS places stakeholder inbox comments received August 11th to August 18th onto website; DHCS sends meeting agenda #3 and draft Transition Plan; DHCS places meeting #3 documents onto website
- August 22, 2011 (planned) DHCS convenes stakeholder meeting #3 regarding draft Transition Plan
- August 25, 2011 Due date for stakeholders to provide feedback on draft Transition Plan
- August 30, 2011 (proposed) DHCS sends “save-the-date” notice for 4th stakeholder meeting; DHCS places “save-the-date” notice onto website
- Sept. 1, 2011 (proposed) DHCS places summary stakeholder comments from August 22nd meeting onto DHCS website
- Sept. 6, 2011 (proposed) DHCS sends meeting #4 agenda, and final Transition Plan to stakeholders
- Sept. 13, 2011 (proposed) DHCS convenes stakeholder meeting #4 to present Transition Plan
- Sept. 14-19 (proposed) Departmental and Agency review and approval of Transition Plan
- Sept. 30, 2011 (proposed) DHCS and Agency submit Transition Plan to Legislature
- Oct. 2011 - ? (proposed) Updates to Legislature and stakeholders