

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

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EXECUTIVE SUMMARY

As part of the Fiscal Year 2011-12 budget process, Governor Brown signed Assembly Bill (AB) 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 1, 2012. The law requires DHCS to submit a written transition plan to the fiscal and applicable policy committees of the Legislature no later than October 1, 2011, and permits DHCS to update the Legislature during budget subcommittee 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 include 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 is complicated as DHCS has sought input on this transfer at the same time that DADP seeks stakeholder counsel on the future of non-Medi-Cal alcohol and drug programs that it currently administers. Stakeholders also had high interest in how these changes fit with the coming realignment of mental health and alcohol and drug treatment programs in 2012 and health care reform in 2014. Despite these challenges, stakeholders were critical in helping DHCS understand the complexity it faces in carrying out this transfer, and the careful planning it requires.

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

The October 1, 2011, due date for submission of the plan and specific timing of stakeholder engagement creates a challenging timeline. Given the significant importance of this program's services in clients lives, the aggressive timeline and the Administration's obligation to do this right, this October 1, 2011 transition plan will not be the final plan. DHCS will submit a bi-monthly update to the Legislature beginning November 15, 2012 and consistent with AB 106, DHCS will update the Legislature during budget subcommittee 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 tool for the new DHCS leadership that will oversee the administration of the program, lead the implementation of any program improvements, and prepare for health care reform.

INTRODUCTION

The Department of Health Care Services (DHCS) is the Single State Agency for the administration of the Medicaid program, called Medi-Cal in California; however, California has delegated the administration of several components of the Medi-Cal program to other departments. Along with its administration of various substance use disorder programs, the Department of Alcohol and Drug Programs (DADP) administers the Medi-Cal Drug Treatment Program.¹

Governor Brown signed AB 106 on June 28, 2011, thereby directing DHCS to collaborate with 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, 2012.² 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, beginning 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. DHCS, DADP and Agency must convene and consult with stakeholders at least once following production of a draft of the transition plan and before DHCS's submission of the plan to the Legislature.

The transfer must occur in an efficient and effective manner, with no unintended interruptions in service delivery, and the transfer plan must include the following components:

¹ **Appendix A** provides an overview of Medi-Cal, and alcohol and drug treatment services in California; **Appendices B and C** describe the respective responsibilities and functions for DADP and DHCS in administration of the Drug Medi-Cal Treatment Program.

² See **Appendix D** for the text of AB 106 that addresses the transfer of the Drug Medi-Cal Treatment Program

- "Plans for how to review monthly billing from counties to monitor and prevent any disruptions of service to Drug Medi-Cal Treatment Program beneficiaries during and immediately after the transition, and a description of how DHCS intends to approach the longer-term development of measures for access and quality of service.
- A detailed description of the Drug Medi-Cal Treatment Program administrative functions currently performed by DADP³.
- 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 Treatment Program and how these will relate to and align with positions for the Medi-Cal program. DHCS 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 DHCS, taking into account the requirement components, and includes focused, high-level leadership for behavioral health issues.⁴
- 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."

AB 106 provides a specific timeline for how DHCS must plan and implement the administrative transfer of the Drug Medi-Cal Treatment Program, but the intent language within the legislation is more global in nature, and addresses the objectives for the final outcome. Some parties may hope or expect that DHCS will accomplish both a program transfer and a program renovation by July 1, 2012, but others recognize that change must be thoughtful, and success takes time. Several stakeholders acknowledged this and affirmed that they did not expect DHCS to evaluate, prioritize, and implement the numerous suggestions they provided prior to the transfer. However, they do hope to see as much specificity as possible in how DHCS will proceed.

To give the transfer of the Drug Medi-Cal Treatment Program the consideration it deserves, DHCS must approach the transition and evaluation of changes to this program in a multi-step, multi-year process. The first and primary goal, however, must be the successful transfer of the programs, 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 Treatment Program and identify challenges, risks, and objectives. As a first step, DHCS has established

³ See Appendix B

⁴ See Appendix E

several workgroups of staff from both departments to review the internal processes, procedures, and program functions currently in place for the Drug Medi-Cal Treatment Program. The staff on these workgroups will help determine how best to transfer and integrate this new workload into the current DHCS structure, and also ensure that the Drug Medi-Cal Treatment Program maintains visibility and significance during and after the transfer. These internal workgroups have the charge to successfully transfer the program, but that is only a first step in the process. There are also many opportunities to assess functions and services for change, and external stakeholders will be important for these next steps. Therefore, DHCS will establish ad hoc workgroups with external stakeholders and business partners to explore programmatic and administrative opportunities associated with the intent of AB 106.

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

The transition plan submitted as of October 1, 2011, represents the beginning of a complex yet timely process that provides DHCS the opportunity to evaluate and potentially restructure a long existing program. DHCS commits to bi-monthly updates to the appropriate committees of the Legislature and stakeholders during the transition year to report its progress on meeting the requirements and intent of the language in AB 106.

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

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 have certainly been 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 continues to be 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 Treatment Program and will continue to seek input from stakeholders prior to and following transfer of the program.

Monthly Billing

The immediate concern for stakeholders in this area was that DHCS ensures there will be no interruption or delay in claims processing during and after the transfer of the Drug Medi-Cal Treatment Program. Additional stakeholder comments focused on establishing consistent billing timelines between the Drug Medi-Cal Treatment 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 to ensure services are not disrupted. DHCS is in process of ‘flow charting’ 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 shall seek stakeholder input prior to any significant systems changes that would affect providers or counties.

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 that DHCS does not use; therefore DHCS plans to obtain Oracle database administration support. DADP shares information with counties via Paradox, its claims 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 Drug Medi-Cal Treatment Program 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 Centers for Medicare and Medicaid 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 the Drug Medi-Cal Treatment Program. 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 Treatment Program have 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 Treatment 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 be difficult for small provider entities and may affect their ability to provide services to their clients. This example and other approaches for amending the Drug Medi-Cal Treatment 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 Drug Medi-Cal Treatment Program transfer process, realignment may have a significant impact upon counties and providers.

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 Treatment Program immediately upon the Governor's signing of AB 106. The departments established internal 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 Treatment 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 with stakeholder input, examining possibilities of program refinements, improvements, and efficiencies.

Stakeholder input has already shown to be an invaluable part of this process, as it is bringing to light issues that are worthy of examination. While DHCS has not included all stakeholder comments and recommendations in this document, it has placed all of them on the DHCS website at: <http://www.dhcs.ca.gov/services/med-cal/Pages/MentalHealthTransitionStakeholderCommentsandSuggestion.aspx>. The DHCS workgroups have received 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 Treatment Program.

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

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 to transfer the program to DHCS, but will facilitate later opportunities for program or administrative improvement. In all cases, collaboration of staff from both

departments is necessary to identify target dates of key milestones and complete the tasks. DHCS's ability to meet the milestones is also contingent on being able to 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 a potential waiver. Any barriers to DHCS meeting these critical needs will delay completion of the tasks.

KEY MILESTONES (This list is not in order of priority.)

1. Develop and maintain stakeholder distribution list
 - DHCS in collaboration with DADP, will develop a distribution list of Drug Medi-Cal Program stakeholders, to include representatives of clients/families, client advocates, providers, and counties. (Completed July 2011)
 - DHCS shall augment the stakeholder list as new contact information is received. (On-going)
2. Plan and conduct stakeholder meetings with Clients/Families/Client Advocates; Providers/Provider Representatives; and Counties/County Representatives, as required by Assembly Bill 106. (Completed September 2011)
 - DHCS and DADP convened meetings on July 13, 25, August 22, and September 19, 2011.
3. Ensure stakeholder engagement
 - During the transition of the Drug Medi-Cal Treatment Program, prior to July 1, 2012
 - By November 2011, identify those transition activities that require stakeholder input and identify appropriate stakeholders.
 - By December 2011, determine how the stakeholder process(es) will continue to inform and guide the transition during various stages.
 - Ongoing:
 - By January 2012, identify all current Drug Medi-Cal Treatment Program stakeholder groups, purpose, meeting frequency, and associated mandates.
 - By February 2012, determine the vehicles for ongoing (i.e. post-transition) appropriate stakeholder engagement.
4. By November 2011, develop a stakeholder communication plan to assure regular communications during the transfer and inform stakeholders of upcoming transfers of major functions.
5. Recruit and hire Deputy Director and Division/Office Chief
 - By September 2011 (completed), develop a duty statement and begin recruitment. DHCS intends 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 has appropriate representation.
6. Stakeholder Recommendations
- Analyze, categorize and prioritize recommendations received from stakeholders during the July to September process.
 - By December 2011, begin assessment of the recommendations for feasibility and to determine priority.
 - By February 2012, develop an action plan for implementation of 'short term' items
 - By April 2012, develop an action plan for implementation of 'long term' items.
7. Legal Issues and Court Decisions
- By September 2011 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 Treatment Program (In process.)
 - By November 2011 DADP legal staff will develop a list and copy of key court decisions applicable to the Drug Medi-Cal Treatment Program and provide this list and copies to DHCS. (In process.)
 - By March 2012 DHCS OLS will review all legal matters applicable to the Drug Medi-Treatment Cal Program.
8. 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
 - Develop timelines for implementation.
9. 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)

10. Prior to April 2012, identify critical outstanding workload. Examples may include:

- Fiscal and program audits
- Cost settlements
- Outstanding invoices
- Contract status
- Claims processing.

11. 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 Treatment Program provider certification
- Maintenance of the Master Provider File

12. Medicaid State Plan

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

13. County – Direct Provider Contract status

- By October 2011, DADP will provide a list and copy of all current Drug Medi-Cal Treatment Program contracts to DHCS, and update the list monthly. (In process and ongoing.)
- By December 2011:
 - Review contract boilerplate language, and ensure that cultural competency language is in all provider contracts
 - Determine if contracts require CMS and/or Department of General Services approval
- By March 2012:
 - Offer Drug Medi-Cal Treatment Program contracts to all counties without current Drug Medi-Cal Treatment Program services.
 - Prepare plan for ensuring DMC services within counties that do not elect to offer DMC services (or specific DMC services)

14. Fiscal Issues: DHCS and DADP shall collaborate to maintain integrity of funding at all levels:

- By January 2012, identify the steps needed to prepare for FY 2011-12 year-end closing to include but not limited to: payments, claims processing, cost report settlements, year-end financial reconciliation
- By March 2012, identify any items in danger of a reverting appropriation

- By March 2012, obtain status of all invoices, repayments, etc. from DADP
- By May 2012, fully incorporate the Drug Medi-Cal Treatment Program local assistance budget in the Medi-Cal Estimate
- Refer to Part B for further details.

15. Administrative Issues

- DHCS and DADP shall collaborate to:
 - Develop a prioritized process for transferring staff
 - Provide training for DHCS regarding the Drug Medi-Cal Treatment Program
 - Identify the steps necessary to notify the State Controller's Office
- By November 2011, complete identification of organizational placement for each transferred DADP function and reporting and supervisory relationships of staff associated with those functions. (In process.)

16. Website Changes

- By June 2012, identify, copy, and transfer all webpage content and web links associated with the Drug Medi-Cal Treatment Program currently on the DADP website to the DHCS website.

17. Contact Information

- By November 2011 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. (ongoing, update as needed)

18. Tribal notification

- DHCS will continue to 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)

19. 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 Treatment Program to DHCS. (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 Treatment Program remain in effect and be fully enforceable unless and

until readopted, amended, or repealed by DHCS, or until they expire. However, this transfer and the associated stakeholder engagement clearly present an opportunity to consider how the State can identify changes or efficiencies in services, policies and procedures. This plan reflects multiple items that stakeholders, DADP and DHCS have identified as opportunities that DHCS should consider during and after the transfer. Stakeholders have also suggested that DHCS review past reports and publications associated with the Drug Medi-Cal Treatment Program (and mental health) and use them as a resource for identifying further areas for improvement.

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 for program improvements, both in basic benefits and reimbursement rates, which stakeholders voiced as necessary to achieve better access and outcomes. Stakeholder comments greatly vary, but many believe this transfer can begin to address new and ongoing issues. DHCS will need to analyze the stakeholder recommendations and, for those that are feasible, categorize them into “short term” and “long term” action items. Therefore, DHCS is not able to immediately identify the programmatic and fiscal impacts of recommended changes or efficiencies. 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.

Review Benefits

Stakeholders shared their concerns regarding what they described as outdated benefits available under the current Drug Medi-Cal Treatment Program. While clients primarily indicated their desire to not lose services under the transition, they also voiced an interest in augmenting the “five” services listed in the State Plan by: expanding the formulary to accommodate federally approved therapies for craving reduction and relapse prevention, such as Buprenorphine, Vivitrol 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 Treatment 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 program 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. They 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 with DADP during the transition year and continue after the program transfers to DHCS, but this is a process that will be most productive when knowledgeable Drug Medi-Cal Treatment Program 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 program 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 include increased treatment successes, and ultimately a cost saving of public funds. DHCS has asked DADP to supply all information on this issue, will carefully examine the state and federal requirements as part of the overall program evaluation, and will include stakeholders in the process.

Provider application and certification

Multiple stakeholders suggested that DHCS improve the provider application and certification processes. They described the processes as duplicative and unnecessary. Some stakeholders suggested that DHCS eliminate the current California certification required for the Drug Medi-Cal Treatment Program and instead accept a provider's proof of national accreditation through entities such as the Joint Commission on Healthcare Organizations and the Commission on the Accreditation of Rehabilitation Facilities.

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, and will give careful consideration to stakeholder requests on this issue. DHCS's surface review is that DADP's 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 will need to determine if the acceptance of national accreditation boards would meet the requirements and intent of California certification for the Medicaid-funded Drug Medi-Cal

Treatment Program. DHCS will continue discussions with DADP throughout the transition year, and 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 they can only get reimbursement for one service. This policy includes same-day service by different Drug Medi-Cal Treatment Providers. 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 clients frequently face transportation challenges and often break rescheduled appointments for follow up services.

DHCS recognizes the challenges faced by providers when treating those living with substance use disorders. The Department commits to meeting with stakeholders to further examine the issues, but also recognizes 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 Treatment 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 complexities associated with facilities such as federally qualified health centers that have bundled rates.

Claims

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

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 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 asked DADP to 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 is in process of flow-charting the process to ensure that it understands the challenges and workload associated with the program transfer. DHCS does not plan to implement change in this area prior to the transfer; therefore work on this issue will be on-going. DHCS welcomes continued input from stakeholders during the transition year and

beyond, and will actively seek stakeholder participation in decisions that will affect providers and counties.

Information 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 Treatment 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, and will meet with external parties on an ad hoc basis to obtain input from affected stakeholders.

Rate Setting

Rate setting for the Drug Medi-Cal Treatment 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 in the fee-for-services system. 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 FFS rate setting at the local level, if federal funds are involved.

Reporting

Stakeholders have asked DHCS to perform a full review of reporting requirements for the Drug Medi-Cal Treatment Program, and have asked for the elimination of cost reports altogether. They described cost reports 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 Treatment Program, but they are not required for 'main stream' Medi-Cal or the Narcotic Treatment Program, which was described as having the greatest expenditures of the five services allowed under the Drug Medi-Cal Treatment Program.

DHCS plans to evaluate cost reports and all other data or reports required by the Drug Medi-Cal Treatment Program and has identified this as a key milestone activity. DHCS has asked DADP for a listing of required reports to discuss during interdepartmental workgroup meetings. While DHCS's primary focus must be on the successful transfer of the Drug Medi-Cal Treatment 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 Treatment 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 Treatment 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 based on the requirements contained in AB 106. DHCS also placed these questions on its website in an attempt to reach a broader audience. Within that document DHCS instructed stakeholders 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. Rather, DHCS should transfer the program efficiently and with minimal impact to participants; then, in a reasoned and stepped approach, and in collaboration with transferred staff and stakeholders, evaluate the all aspects of the Drug Medi-Cal Treatment Program.

Stakeholder Participation

Stakeholders expressed interest in participating on workgroups with DHCS to monitor the delivery of the Drug Medi-Cal Treatment Program, as well as provide input for the refinement of the program. Some individuals stated concerns that DHCS would proceed too far before involving stakeholders and asked that the Department make sure to involve them as early as possible.

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

DHCS collaborated with DADP to develop an email distribution list, which DHCS has used to communicate with stakeholders during the transition plan development process. This stakeholder distribution list will continue to grow as DHCS becomes more familiar with the subject matter and the entities involved. 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.

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 over 3,200 authorized staff positions throughout California. The Department's current executive level leadership includes a Director; a Chief Deputy Director who guides the Deputy Directors, 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 Treatment Program, DADP staff and its leadership. While opinions varied extensively, there were three main themes: placement of the Drug Medi-Cal Treatment Program, placement of the Drug Medi-Cal Treatment Program staff, and leadership.

Placement of the program:

Despite passage of AB 106, some stakeholders continue to oppose any movement of the Drug Medi-Cal Treatment Program from DADP to DHCS, and whether opposed or not, they had a common concern that the transfer would result in DHCS's "regular" Medi-Cal program engulfing the Drug Medi-Cal Treatment 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 two programs' dedicated focus and identity. Finally, there was understandable difficulty for stakeholders discussing this placement in the absence of certainty about the placement of 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 in 2012 and the coming major health care reform in 2014.

Placement of DADP Program Staff

Stakeholders expressed concern that the transfer would result in the loss of State staff who are experienced and expert in the field of substance use disorder treatment. Stakeholders wanted assurance that DHCS had expertise in place to administer and support the service models currently in place.

Leadership

Several stakeholders placed strong emphasis on DHCS having leadership that reports directly to the Director and has experience in the disciplines of substance use disorders as well as mental health. Some stated that this Deputy Director's scope of responsibility should also be able and willing to advocate for and facilitate increased use of other state programs such as housing and rehabilitation services to sustain clients in their recovery. Finally, DHCS received some suggestions that it should appoint separate deputy directors for the Drug Medi-Cal Treatment Program and Specialty Mental Health Services.

Several stakeholders involved in discussions regarding the transfer of the Drug Medi-Cal Treatment Program and Medi-Cal related specialty mental health services object to

DHCS's use of the term "behavioral health" in the proposed new Deputy Director title, and request a title that clearly describes both disciplines. They point out that the term is problematic because it can give the impression that individuals with mental health illness or alcohol and drug use disorders have problems with "behavior" choices rather than living with chronic diseases. Stakeholders from the substance use disorder field state that the term is unclear and almost always requires explanation; minimizes the importance of substance use disorders; and is sometimes misinterpreted to solely mean "mental health" due to most behavioral health programs solely or primarily focusing on mental health services.

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

New DHCS structure:

To ensure that the Drug Medi-Cal Treatment Program remains a viable, visible entity within DHCS, and to address the above issues raised by stakeholders, DHCS is adding a Deputy Director of Mental Health and Substance Use Disorder Services to the executive management team.⁵ It is not feasible to appoint two deputy directors; however, the new Deputy Director will report directly to the DHCS Director. The incumbent will be a Governor's Appointee and will require Senate confirmation.

The Deputy Director of Mental Health and Substance Use Disorder Services will oversee two new organizations: the Substance Use Treatment Services Division/Office, and the Mental Health Services Division/Office. This reporting structure replicates the oversight responsibilities of the other three program Deputy Directors in 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; however they will also benefit from the co-location that will facilitate better coordination and focused integration of services over time. A Career Executive Appointee will lead each division/office.

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

⁵ See Appendix E for current and proposed DHCS organizational charts

Finally, this transition plan incorporates the transfer of DADP staff who currently work in the Drug Medi-Cal Treatment Program, thereby assuring appropriate knowledge and expertise in administering this program and bringing the institutional knowledge they have developed in their careers. The transfer of the Drug Medi-Cal Treatment 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 some cases they will form a new "unit" in that organization and maintain their focus on Drug Medi-Cal. DADP staff that perform policy and programmatic activities for the Drug Medi-Cal Treatment Program will go into the new Substance Use Treatment Services Division/Office. They will continue to administer the Drug Medi-Cal Treatment 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 E. Future updates to this plan will show the specific branches and sections that this transfer will affect or create.

ENGAGING STAKEHOLDERS⁶

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: representatives of clients and families, providers, and counties. DHCS's Legislative and Governmental Affairs Office relayed all information to key legislative staff. DHCS released 'save-the-date' meeting announcements, meeting invitations, and other related meeting materials via the new email distribution lists 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 Treatment Program stakeholders regarding the transfer of the program. DHCS invited stakeholders to participate in person, or by telephone, and established an operator-assisted teleconference with 100-200 lines for each meeting.

⁶ See Appendix F for the DHCS timeline related to stakeholder participation and transition plan development.

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, DHCS Director Toby Douglas shared his intent to create a new position "Deputy Director, Behavioral Health" that will report directly to him. (In response to stakeholder comments, DHCS has changed the title to "Deputy Director, Mental Health and Substance Use Disorder Services.") 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. Eighty-nine stakeholders attended the meeting in person, and 69 utilized the call-in line. DHCS placed a summary of stakeholder comments from the meeting on its website.

DHCS convened the "second" stakeholder meeting as a series of three meetings on July 25, 2011. The Department broke out the stakeholder meetings into three categories to provide each stakeholder group with an equal opportunity to share its unique perspective with the departments. DHCS invited legislative staff to all three stakeholder meetings. The majority of time during each meeting was devoted to receiving stakeholder comments and obtaining clarification on stakeholder concerns.

DHCS held the July 25 meetings in the training rooms at 1500 Capitol Avenue, Sacramento, CA. No "client" 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 placed a summary of stakeholder comments on its website.

DHCS held the "third" meeting in the stakeholder series on August 22, 2011, in the auditorium at 1500 Capitol Avenue, Sacramento, CA. All stakeholder groups and legislative staff received invitations to this meeting. The purpose of the meeting was to receive stakeholder input on the draft transition plan, which DHCS released via email on August 18 and on the DHCS website August 19, 2011. DHCS walked stakeholders through the transition plan, and provided opportunities for feedback. During the meeting, DHCS also confirmed that stakeholders were aware of the email inbox for providing written responses to the draft transition plan, and explained the short turnaround time for providing comments. Per stakeholder request, DHCS extended the draft transition plan comment period to September 2, 2011. Twenty-two stakeholders and other interested parties attended the August 22, 2011 meeting in person, and 58 participated by telephone. DHCS placed a summary stakeholder comments from the meeting on the DHCS website.

[Insert text here for 4th stakeholder meeting series, September 19th]

Website:

To ensure easy public access to information about the transfer of the Drug Medi-Cal Treatment Program, DHCS developed a new Drug Medi-Cal Treatment Program transfer 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 copies 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 staff review the inbox daily and referred any comments beyond the scope of the transfer of the Drug Medi-Cal Treatment Program to the appropriate DHCS staff person for handling. To ensure transparency throughout this process and protect privacy, DHCS removes personally identifying information from stakeholder inbox comments then places weekly groupings on its website.

DADP and DHCS staff as stakeholders:

DADP and DHCS consider their staff as stakeholders in the transition of the Drug Medi-Cal Treatment Program; therefore, the departments sent affected staff the same “five questions” document that had been provided to external stakeholders (clients, providers, counties, legislative staff). 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. The DADP management team submitted a thoughtful and thorough response for DHCS’s consideration based on comments submitted by DADP staff. Please see Part B of this transition plan for more information relating to communication with DADP staff regarding the transfer.

Working with stakeholders after the transition is under way

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

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

assess the existing stakeholder groups and processes that DADP currently maintains and determine how it may integrate some of them into the program after the transfer is complete. DHCS acknowledges the importance of stakeholder input regarding all aspects of the Drug Medi-Cal Treatment Program, including business practices, and commits to on-going communication with our external partners.

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

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

The Team has an 'Issues and Risk Management' tracking database, and members 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 directly communicate 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 is taking a proactive approach to ensure it answers DADP transferring employee questions and ease any uncertainty. DHCS has scheduled meetings with affected employees to address staff questions and concerns. As part of the transition process, 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 through the Intranet and will forward them to affected employees.

The first meeting will serve 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 will schedule subsequent 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 it is easily accessible to DADP staff. DHCS's Office of Public Affairs (OPA) maintains the site.

The Webpage contains an excerpt of AB 106, 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 arise in other forums, such as the staff meetings. Documents related to and presented at each staff meeting are also available for viewing and downloading on this transition site. The Webpage has a link to the "Welcome to DHCS Mail Box" under "Contact Us" for 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 sender, letting them know that DHCS has received their question and that they will receive a response as soon as possible. Questions are sent to a DHCS subject-matter expert who drafts a response, and OPA finalizes the response and sends it to the employee who asked the question.

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

Information Technology

DADP’s Drug Medi-Cal Treatment Program accounting and management information system called SMART will transition 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 cost reporting system that counties use to submit cost data and DADP uses to settle cost reports. 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 will be the safest, easiest, and cheapest option and will help ensure that there are no interruptions to DMC

payments. DHCS will port Paradox 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 is 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 Information Technology (IT) shop is working on HIPAA 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 physically move by this date so they will have full access to the 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. Stakeholder input is being assessed for this process, and ad hoc meetings will take place prior to any major systems changes.

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	12/01/11	3.0
Analysis & Design	12/01/11	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. DHCS Administration is also 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. DHCS will complete the space evaluation and review any subsequent restacking by March 2012. The goal is to complete all space planning activities by June 2012. During this evaluation process, DHCS 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 ensure a smooth transition of their contracts to DHCS 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 contract transitions.

Budget:

DADP will transfer the budget related to the Drug Medi-Cal Treatment 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 dollars and position authority will transfer to DHCS. In addition, DHCS is evaluating budget and staffing needs to effectively run the program.

Claims Payment:

The claims payment will transition to DHCS effective July 1, 2012. Counties and direct providers submit claims for reimbursement through the Short-Doyle Medi-Cal II System. The intent of the transition is to make a seamless change of the payer of the claim from DADP to DHCS; therefore, there is no plan at this time for change to the county interface system. In order to facilitate this transfer, DHCS and DADP created an internal workgroup to identify the systems and processes that would transfer to DHCS. The workgroup is currently evaluating opportunities for efficiencies that would improve the payment timelines for the claims. The departments will carefully consider stakeholder input during this process and seek additional stakeholder participation as necessary.

Employee Transition:

DADP employees will transfer 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/forms, establishment of new employee accounts in the CalATERS travel system for travel reimbursement and establishment of budget allotments for the former-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 Treatment Program duties are incrementally spread across multiple DADP positions. For example, four full-time DADP positions, each funded 25 percent by Drug Medi-Cal Treatment Program funds, perform Drug Medi-Cal Treatment Program-related duties 25 percent of the time and non-Drug Medi-Cal Treatment Program-related duties 75 percent of the time. DADP must develop criteria to determine which one of the four employees will transfer to DHCS with 100 percent Drug

Medi-Cal Treatment Program funding to perform 100 percent Drug Medi-Cal Treatment Program-related duties. DADP will work with the Department of Personnel Administration and DHCS to develop the DADP-to-DHCS employee identification and transfer protocol. DHCS will secure all personnel 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 (the 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 completion of all forms required of employees new to DHCS. On an ongoing basis, DHCS Human Resources will consult with program staff on the new organizational structure, position classifications, and any change to the essential functions of the transferring positions. On an 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 the departments provide transferring employees with adequate notice of physical moves from one facility to another.

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. It is unknown at this time if any DADP employees will transfer to FFDMB; DADP staff that currently provide data and other information for the estimate process may go 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 is 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 Treatment Program services and providers – the Compliance Branch and the Audit

Services Branch. DHCS anticipates that cost report acceptance and settlement functions may also integrate 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 DADP 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
7. 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. The Team will use stakeholder input on an ad hoc basis.

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. A&I and DADP management shall conduct meetings *before and after* the transition to discuss policies and procedures associated with the DADP functions transitioning to A&I. They will also utilize weekly “hot lists” and issue memorandums to ensure they adequately address issues of significance.
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 – A&I shall use completed flowcharts to evaluate DADP processes that will transitioned to 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 DADP 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 Treatment 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 DADP and DHCS activities. A&I and DADP subject matter experts will provide consultation and stakeholder input will be sought as appropriate.

Risks and Assumptions

The risk exists 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.	4/1/12	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.	4/1/12	6/15/12	2.5
Duration of project	8/10/11	6/15/12	10.5

APPENDIX A

MEDI-CAL AND ALCOHOL AND DRUG TREATMENT SERVICES IN CALIFORNIA

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. The federal and state governments jointly fund Medicaid, and a federal formula determines the state share. A state's participation in the Medicaid program is voluntary, but if it chooses to participate, it must provide federally specified mandatory benefits and serve mandatory populations. Each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program, all within broad national guidelines established by federal statutes, regulations, and policies. California's Medicaid program, called Medi-Cal, provides benefits beyond the federal minimum and has similarly expanded coverage to populations beyond the federal mandates.

All states participating in Medicaid must have a State Plan, which serves as a contractual agreement between the State and the federal government. The State must administer the State Plan in conformity with specific requirements of federal law and regulations. The State Plan contains all information necessary for the federal Centers for Medicare and Medicaid Services (CMS) to determine if the State can receive federal reimbursement. California's State Plan describes the nature and scope of the Medi-Cal program in addition to authorization or other requirements associated with covered benefits. All services covered under the State Plan must be medically necessary. The Drug Medi-Cal Treatment Program, as currently funded in FY 2011-12, 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.⁷ Under EPSDT, federal law requires a Medicaid-participating state to provide any medically necessary health care service listed in Section 1905(r)(5) of the Social Security Act, even if the state did not elect to include the service in its State Plan.

California must provide assurances in its State Plan that its Medicaid program meets certain federal requirements contained in the Social Security Act such as

⁷ 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.

Statewideness, Comparability of Services, and Freedom of Choice.⁸ 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 C for descriptions of current DHCS responsibilities for the Drug Medi-Cal Treatment Program.)

DADP contracts with counties and direct service providers for the provision of Drug Medi-Cal Treatment Program services. County participation in the Drug Medi-Cal Treatment 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 Treatment 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, for EPSDT-eligible beneficiaries and pregnant and postpartum women only)
- *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

⁸ 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]⁹ 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, but do not necessarily “match” services provided under the Drug Medi-Cal Treatment Program. For example, a physician may be authorized via Medi-Cal’s Treatment Authorization Request (TAR) process to provide a drug therapy that is outside the formulary of the Drug Medi-Cal Treatment Program, but may not receive TAR approval to provide the counseling services associated with that therapy.

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. While DADP is responsible for the licensure of the program to provide heroin detoxification services, reimbursement of such services is managed by DHCS.

Medi-Cal Managed Care plans exclude from their contracts all services available under the Drug Medi-Cal Treatment 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.

⁹ 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.)

APPENDIX B

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:

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 DHCS 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, i.e. late submission of claims and Conlan-specific 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 settlement of Drug Medi-Cal Treatment Program cost reports.

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 by providing billing, payment and cost report settlement data.

APPENDIX C

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 D

ASSEMBLY BILL 106

Excerpt addressing the transfer of the Drug Medi-Cal Treatment 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 E

CURRENT AND PLANNED DHCS ORGANIZATIONAL CHARTS

**See PDF attachments sent with announcement regarding
September 19, 2011 stakeholder meeting**

DRAFT

APPENDIX F

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’; 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 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 (representatives of the Legislature invited to each meeting)
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 to July 27 onto website
August 3, 2011	DHCS places stakeholder inbox comments received July 28 to August 2 onto website

August 8, 2011	DHCS places summary stakeholder comments from July 22 meeting onto website
August 10, 2011	DHCS places stakeholder inbox comments received August 3 to August 10 onto website
August 18, 2011	DHCS sends meeting agenda #3 and draft transition plan
August 19, 2011	DHCS places stakeholder inbox comments received August 11 to August 18, and meeting #3 documents onto website
August 22, 2011	DHCS convenes stakeholder meeting #3 regarding draft transition plan
August 30, 2011	DHCS sends “save-the-date” notice for 4 th stakeholder meeting
August 31, 2011	DHCS places the September 19 stakeholder meeting “save-the-date,” the summary of August 22 meeting notes, and stakeholder inbox comments received August 24 to 30 onto DHCS website
Sept. 2, 2011	DHCS-requested due date for stakeholders to provide feedback on draft transition plan
Sept. 12, 2011	DHCS places stakeholder inbox comments received August 31 to September 9, 2011 onto website
Sept. 13, 2011	DHCS sends meeting #4 agenda, and final draft transition plan to stakeholders and places documents on its website
Sept. 19, 2011	DHCS convenes stakeholder meeting #4 and presents October 1 transition plan
Sept. 20-29, 2011	Final revisions to October 1 transition plan; Agency review and approval
Sept. 30, 2011	Submit transition plan to Legislature
Nov. '11- June '12	(proposed) Bi-monthly updates to Legislature and ad hoc meetings with stakeholders