

## **TRANSITION PLAN**

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  
(Chapter 32, Statutes of 2011)

October 1, 2011



State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

To: All Stakeholders

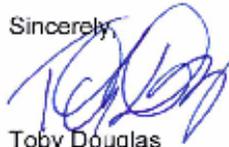
Thank you to the many people who helped in the development of the October 1, 2011, transition plan for the transfer of the Drug Medi-Cal Treatment Program from the Department of Alcohol and Drug Programs to the Department of Health Care Services (DHCS). We especially thank the clients, family members, providers, county representatives, legislative staffers, and others who provided compelling input that helped us create this transition plan.

This transfer touches services that we know are so critically important in many people's lives. For this reason, we will work hard to prevent gaps in services to clients and families during this transfer, and we hope this will be a seamless process for all people who use or provide these services.

Communication is critical during this transfer. This plan is an important milestone, and we commit to giving you updates every two months beginning November 15, 2011, and continuing through May, 2012. We will continue to invite clients, families, counties, and providers to help us make a successful transfer and identify ways to improve services over time. Your knowledge and experience is invaluable to us.

I encourage you to visit the DHCS website at [www.dhcs.ca.gov](http://www.dhcs.ca.gov) to find regular updates to the plan. With your help, we have a promising start.

Sincerely,



Toby Douglas  
Director

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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 sought input on this transfer at the same time that DADP sought 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 crucial 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 created 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 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.<sup>1</sup>

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.<sup>2</sup> 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 requires the departments to use this consultation to 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 transition plan and before DHCS's submission of the plan to the Legislature on October 1, 2011.

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

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<sup>1</sup> **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.

<sup>2</sup> See **Appendix D** for the text of AB 106 that addresses this transfer

- "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 DADP.<sup>3</sup>
- 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.<sup>4</sup>
- A description of how stakeholders were included in the initial planning process to formulate the transition plan, and a description of how DHCS will consider their feedback 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; however 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 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

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<sup>3</sup> See Appendix B

<sup>4</sup> See Appendix E1 for current DHCS organization Chart, and Appendix E2 for Proposed DHCS Organization Chart

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 prominence 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 additional 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 will bring a vital perspective to the analysis. DHCS will also 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, 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.*

## Monthly Billing

The immediate concern for stakeholders in this area was that DHCS ensure 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 Drug Medi-Cal Treatment Program's IT systems 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 prevent disruption of client services or provider/county reimbursement. DHCS is in process of 'flow charting' the entire invoicing and billing process as part of this evaluation. 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 uninterrupted services to stakeholders. DADP's SMART system 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 conduct 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 federal Centers for Medicare and Medicaid Services (CMS) Freedom of Choice waiver to mirror how the State currently structures specialty mental health services; and opined that a change in policy to allow same-day billing for two different services would positively improve the quality of service. In addition, stakeholders asked DHCS 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. Providers informed DHCS that the paperwork demands for the Drug Medi-Cal Treatment Program have caused some providers to halt their participation in the program.

The issues of access and quality of service are important to DHCS, yet they are complex and challenging, with no easy or quick solution. The addition of a substance use disorder expert to the DHCS executive team will assure proper examination of the issues related to appropriate benefits that reflect effective practices. In the interim, DHCS will carefully evaluate recommendations and will work with stakeholders to seek further clarification of their concerns as well as their ideas for resolution. It is important that DHCS explores whether changes may result in unintended, negative consequences, so it must appropriately evaluate all approaches. For example, changing the Drug Medi-Cal Treatment Program to mirror managed care, as suggested by some stakeholders, would likely result in increased quality management and assurance demands on providers and counties. These quality requirements are valuable, but they will result in additional responsibilities for counties, and if this affects small providers' workload, they may find it affects their ability to provide services to their clients. This example and other suggestions for amending the Drug Medi-Cal Treatment Program will need a full vetting.

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.

*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 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), Information Technology (IT), audits and investigations, and program oversight. These workgroups are reviewing all aspects of the Drug Medi-Cal Treatment Program to ensure that DHCS is appropriately informed prior to the transfer in June 2012. 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/medical/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. 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 July 1, 2012; 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, interdepartmental collaboration of staff 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 transfer the DADP staff, 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
  - o DHCS will collaborate with DADP to develop a distribution list of Drug Medi-Cal Program stakeholders that includes representatives of clients/families, client advocates, providers, and counties. (Completed July 2011)
  - o DHCS shall augment the stakeholder list as it receives new contact information. (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 period:
    - 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 ensure 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, develop a duty statement and begin recruitment. (Completed) DHCS will have the new Deputy Director in place before July 1, 2012, to provide critical leadership during the transition of staff and programming.
  - Within 30 days of appointment, 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 from the July to September 2011 process.
    - By December 2011, begin assessment of the recommendations for feasibility and to determine priority.
    - By February 2012, develop work plans for implementation of 'short term' items.
    - By April 2012, develop work plans for implementation of 'long term' items.

7. By December 2011, meet with staff of each major operational program area coming to DHCS to identify major issues and risks to consider and address during the transfer.
8. Legal Issues and Court Decisions
  - o Beginning 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.)
  - o 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.)
  - o By January 2012, DHCS and DADP will review state statute, and identify areas that require amendment to facilitate DHCS's administration of the Drug Medi-Cal Treatment Program
  - o By March 2012 DHCS OLS will review all legal matters applicable to the Drug Medi-Treatment Cal Program.
9. 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:
  - o Title 9 and Title 22 of the California Code of Regulations
  - o State laws
  - o Federal regulations and laws to clarify requirements
  - o DADP policy letters, information notices, bulletins and other similar documents
  - o Develop timelines for implementation.
10. DHCS/DADP Transition Team
  - o 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)
  - o The transition team will provide regular updates to the respective Directors and Agency on the status of the transition. (Ongoing through transition period)
  - o The transition team will assist in development of regular updates to the Legislature on the status of the transition. (Ongoing through transition period)
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:
  - o Cost settlements
  - o Cost reports and other required reports
  - o Audit processes and overlaps
  - o County encumbrance and payments
  - o Drug Medi-Cal Treatment Program provider certification
  - o Maintenance of the Master Provider File

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

- Fiscal and program audits
- Cost settlements
- Outstanding invoices
- Contract status
- Claims processing
- Develop timeline for completion or transfer of outstanding workload

13. 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.

14. County and 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:
  - Contact counties without a current Drug Medi-Cal Treatment Program to discuss plans to assure provision of services.

15. 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 FYs 2010-11 and 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.

16. Administrative Issues

- DHCS and DADP shall collaborate to:
  - Develop a prioritized process for transferring staff
  - Provide Drug Medi-Cal Treatment Program training for DHCS
- 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.)

## 17. 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.

## 18. Contact Information

- By June 2012 identify the points of contact with DHCS for consultation with counties regarding specific Medicaid regulatory, policy and other critical county and stakeholder business and operational issues. (ongoing, update as needed)

## 19. 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)

20. 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)

21. By March 2012, evaluate support resources transferring from DADP to DHCS.

*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 other entities' (e.g. Little Hoover Commission) review of 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 they generally expressed appreciation for the existence of the program, they also provided a substantial list of recommendations for program improvements, both in basic benefits and reimbursement rates, which they voiced as necessary to achieve better access and outcomes. Stakeholder comments varied greatly, but most 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. DHCS is not able to immediately identify the programmatic and fiscal impacts of recommended changes or efficiencies but will do so as it completes its analyses. Most of the concerns and recommendations gathered from the July-September 2011 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. Examples include: 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 analyzing these stakeholder recommendations but notes that this is a process that will best be handled in partnership with DADP or 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 and evidenced-based practices, 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 current regulations interfere with the delivery of appropriate health care. They stated that the regulations no longer make use of current, 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 and 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 or 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 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 or whether there might be other alternatives to address these concerns. 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 these issues and is working with DADP to gain an understanding from the state perspective. DHCS has listed evaluation of Drug Medi-Cal Treatment Program billing procedures as a key milestone activity and will 'flow chart' this process.

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 mentioned pervasive problems with claim denials, challenges regarding recoupment of funds, lengthy claims processing and reimbursement, and an inability to communicate and resolve issues with the State.

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 claims processing on the list of key milestones for evaluation, and is 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 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 DHCS successfully transfers the Drug Medi-Cal Treatment Program and becomes fully knowledgeable of the systems in place, it will perform on-going evaluations to ensure that the systems are efficient, effective, and user friendly, and will meet with affected stakeholders on an ad hoc basis to obtain their input.

### *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 rate methodologies may vary (e.g. benefit specific, facility specific or prospective payment), the Medi-Cal program does not have any rate setting 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 since 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 has the greatest expenditures among 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 a review of

California's current State Plan regarding reimbursement methodologies and reporting requirements, as well as identifying the reimbursement method for all of the above mentioned services (e.g. fee-for-service versus bundled) as this information 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 must first focus its major efforts on the 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 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.

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. DHCS included stakeholder identification and ongoing stakeholder engagement as two key milestones of the transition plan. Also, given the difficulty in obtaining client participation, it will 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 has 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 of the operational and administrative divisions and offices; and three program Deputy Directors who report directly to the Director. Each program 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 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, but 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. The Administration's plan for realignment of alcohol, drug and

mental health program functions in 2012 and the coming major health care reform in 2014 add to these significant changes.

#### *Placement of DADP Program Staff*

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

#### *Leadership*

Stakeholders placed strong emphasis on DHCS having leadership that reports directly to the Director and has experience in the disciplines of substance use disorders as well as mental health. Some stated the new Deputy Director should also be able to advocate for and facilitate increased use of other state programs such as housing and rehabilitation services to sustain clients in their recovery. 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 objected to DHCS's use of the term "behavioral health" in the proposed new Deputy Director title, and requested a title that clearly describes both disciplines. They pointed 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 stated 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 prominent upon transfer to DHCS, and to address the above issues raised by stakeholders, DHCS is adding a new Deputy Director of Mental Health and Substance Use Disorder Services to the executive management team. It is not feasible to appoint two deputy directors; however, the new Deputy Director will report directly to the DHCS Director. The incumbent will be a Governor's Appointee 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, however they will also benefit from the co-location that will facilitate better coordination and focus on integration of services over time. A Career Executive Assignment will lead each division/office.

DHCS has begun recruitment for the new Deputy Director 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.

Finally, this transition plan incorporates the transfer of DADP staff who currently work in the Drug Medi-Cal Treatment Program, thereby bringing appropriate knowledge and expertise in administering this program. 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, accompanied by a decrease in staff at DADP. Some 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 they may 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 to the new Substance Use Treatment Services Division/Office. They will continue to administer the Drug Medi-Cal Treatment Program as currently structured unless and until such time that DHCS updates the program's policies and processes.

The current and 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 STAKEHOLDERS<sup>5</sup>

*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 stakeholder representatives for the following categories: 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](http://www.dhcs.ca.gov). DADP posted this same information on their website [www.adp.ca.gov](http://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.

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

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<sup>5</sup> See Appendix F for the DHCS timeline related to stakeholder participation and transition plan development.

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. Four people attended the county representatives meeting in person, and 43 callers participated by 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 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.

DHCS convened the fourth and final stakeholder meeting of the series on September 13, 2011. Fifteen stakeholders attended the meeting in person, and 28 participated through the operator-assisted teleconference. During this meeting DHCS presented the revised transition plan, and highlighted the key areas of change since the August 22, 2011 meeting – especially transition plan reorganization, operational steps, timelines, and key milestones for the transfer. Following presentation of the transition plan, stakeholders had the opportunity to provide their comments orally, or in writing through the stakeholder email inbox, which will remain active until July 2012. DHCS thanked all stakeholders for their time and interest; committed to continuing an open communication process; and informed stakeholders of the 'next steps' for the transition plan, including bi-monthly updates beginning November 15, 2011.

#### Website:

To ensure easy public access to information about the transfer, DHCS developed a new Drug Medi-Cal Treatment Program transfer link on the department website [www.dhcs.ca.gov](http://www.dhcs.ca.gov) under the "Hot Topics" section of the homepage. DHCS regularly updated the web site and placed meeting notices on the site, generally within 24 hours of their release. 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](mailto:DHCSDRUGMEDI-CALTRANSFER@DHCS.CA.GOV). DHCS staff review the inbox daily and refer 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, and legislative staff). DADP and DHCS staff had 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, Administrative Transition” 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

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 projects resources. The DHCS Transition Team and project manager directly communicate to ensure they identify all areas and deal with them promptly. The Team uses status reports and the project plan to track the progress of the DHCS reorganization and will notifies management of any delays as early as possible.

All phases of the DHCS reorganization project will follow standard processes for project quality through 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 answer DADP transferring employee questions and ease any uncertainty. DHCS will schedule 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 discuss the following topics:

- Reason for the transition
- Transferring functions and positions
- Timeframes for the transition
- Background and culture of DHCS
- Frequently asked questions and identify resources
- 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 will 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 transfer. The site is housed on the California Health and Human Services Agency Intranet where DADP staff can easily access it. DHCS's Office of Public Affairs (OPA) maintains the site. The Webpage contains the legislation that prompted the transfer, links to information about DHCS, and frequently asked questions (FAQs). OPA updates 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, informing them that DHCS has received their question and that they will receive a response as soon as possible. Questions go to a DHCS subject-matter expert who drafts a response, which OPA finalizes and sends to the requestor.

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 and 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. Paradox, a second DADP application, is a cost reporting system that counties use to submit cost data and DADP uses to settle cost reports. DHCS's preliminary analysis has shown that this system will need to be upgraded to a new platform such as SQL Reports, or other 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. ITWS is undergoing review as part of the mental health services transfer required by AB 102.

### *Goals and Objectives*

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

1. "Lift and Shift" the SMART system 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 application 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.
3. DHCS will need to determine if DADP is transitioning help desk or personal computer (PC) and network support positions.
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 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 performing 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.

<b>Activity</b>	<b>Start Date</b>	<b>End Date</b>	<b>Duration (months)</b>
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 User ID, 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
<b>Duration of project</b>	<b>9/01/11</b>	<b>8/15/12</b>	<b>11.5</b>

## 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. TLFU will help 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 reviewing and evaluating available space in the East End Complex (EEC) and will work 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 working 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 are currently working with DADP to ensure a smooth transition of their contracts to DHCS by July 2012. DHCS Office of Legal Services (OLS) will review and helping to resolve any contract novation and amendment issues. The DHCS Contracts Management Unit and OLS are researching the option of developing assignment language for contract transitions.

#### *Budgets:*

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 spread across multiple DADP positions. For example, four full-time DADP positions, each funded 25 percent by Drug Medi-Cal Treatment (DMC) Program funds, perform DMC-related duties 25 percent of the time and non-DMC 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 DMC funding to perform 100 percent DMC-related duties. DHCS will work with the Department of Personnel Administration and DADP 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 no later than 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. DHCS has not yet determined if transferring DADP employees will be placed in FFDMB; DADP staff that currently provide data and other information for the estimate process may go elsewhere in DHCS but will continue to provide estimate development support.

*Fiscal Forecasting and Data Management - Data Analysis and Research:*

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

RASS gain an understanding of the entirety of the DADP 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 has reviewed 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. DADP's Drug Medi-Cal 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 the Drug Medi-Cal Treatment Program and ensure billings accurately depict the services delivered to its beneficiaries. Activities performed by the Drug Medi-Cal Monitoring Unit focus on treatment program compliance, and billing. The Audit Services Branch addresses fraud risk by ensuring that providers comply with generally accepted government auditing standards. The Branch performs detailed fiscal audits to review and analyze financial and client records to verify that reimbursements comply with laws and regulations. Audits performed by this branch focus on provider fiscal compliance. While both DADP branches perform separate functions, each serves to recover funds and identify suspected fraud.

#### *Goals and Objectives*

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

1. Facilitate a smooth transition of DADP A&I-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 for details):

- Integration of DADP Audit and Investigation Functions into A&I
  - A&I and DADP management shall:
    - Conduct meetings *before and after* the transition to discuss policies and procedures associated with DADP functions transitioning to A&I.
    - Utilize weekly “hot lists” and issue memorandums to ensure they adequately address issues of significance.
  - DADP Process Review & Integration
    - Review and flowchart DADP audit and investigations processes.
    - Review and flowchart cost report acceptance and settlement processes.
    - Process evaluation and implementation – A&I shall use completed flowcharts to evaluate DADP processes that will transition 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
  - DADP Process Review & Integration
    - 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.
  - Process evaluation and implementation
    - Completed flowcharts will help evaluate DADP processes that will be transitioned to and implemented within DHCS.
    - 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.

ESTIMATED SCHEDULE

Activity	Start Date(Est.)	End Date (Est.)	Duration (months)
<b><u>Integration of DADP Audit &amp; Investigation Functions Into A&amp;I</u></b>			
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
<b><u>Review of Global DADP Functions</u></b>			
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
<b>Duration of project</b>	8/10/11	6/15/12	10.5

*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.

## APPENDIX A

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.<sup>6</sup> 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 Statewideness, Comparability of Services, and Freedom of Choice.<sup>7</sup> If a state wishes

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<sup>6</sup> 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.

<sup>7</sup> 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.

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 screening, and monthly pregnancy tests of female levoacetylmethadol [LAAM])<sup>8</sup>

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<sup>8</sup> 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.)

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.

## 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

### **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.

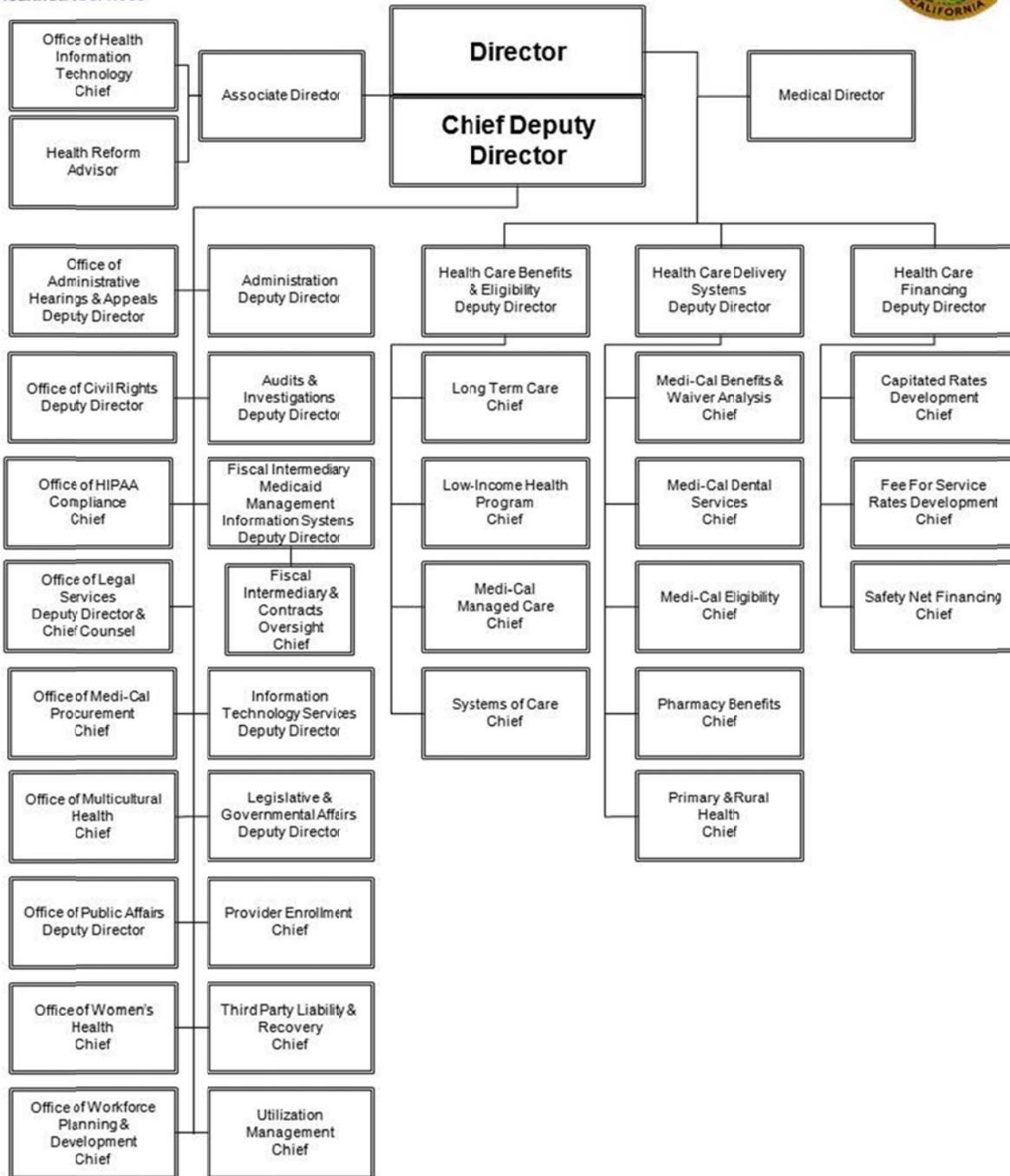
- (B) A detailed description of the Drug Medi-Cal administrative functions currently performed by the State Department of Alcohol and Drug programs.
- (C) Explanations of the operational steps, timelines, and key milestones for determining when and how each of these functions will be transferred. These 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.



# Department of Health Care Services

## Current

### Appendix E 1

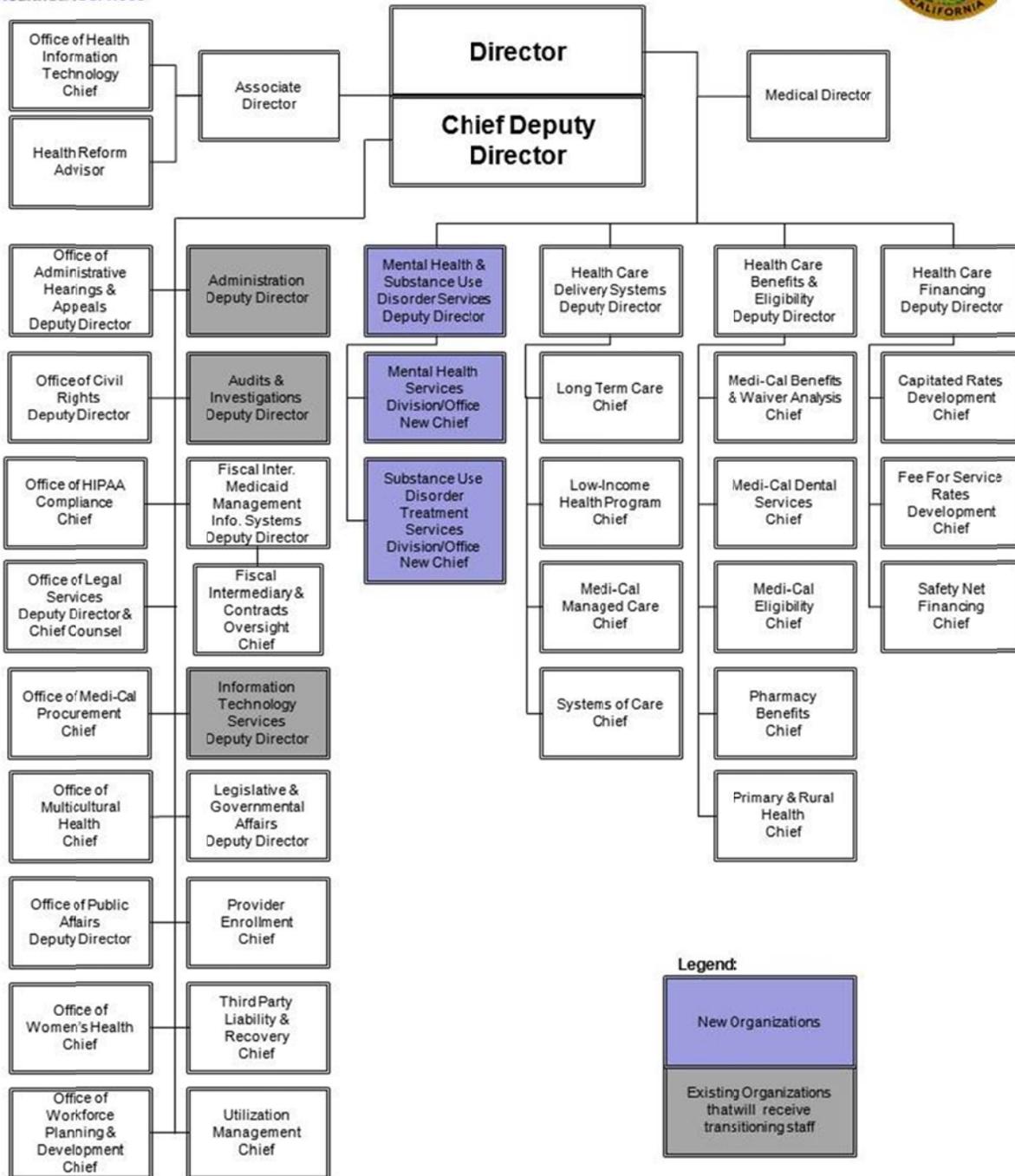




# Department of Health Care Services

## Proposed

### Appendix E 2



## APPENDIX F

### DHCS Timeline: Stakeholder participation and transition plan development

<u>Date</u>	<u>Activity</u>
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 meeting #2 “save-the-date” 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 meeting #1 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; DHCS sends meeting #3 “save-the-date” notice on web.
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 meeting #3 onto website
August 10, 2011	DHCS places stakeholder inbox comments received August 3 - 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 meeting #3 regarding draft transition plan
August 30, 2011	DHCS sends "save-the-date" notice for 4 <sup>th</sup> stakeholder meeting
August 31, 2011	DHCS places meeting #4 "save-the-date" notice, the summary of meeting #3, 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, 2011	DHCS places stakeholder meeting #4 PowerPoint slides on website
Sept. 21, 2011	DHCS-request date for stakeholder comments on transition plan
Sept. 22, 2011	DHCS places stakeholder email inbox comments received September 10-22, and a summary of stakeholder comments from meeting #4 on website.
Sept. 20-29, 2011	Final revisions to transition plan; Agency review and approval
Oct. 1, 2011	Submit transition plan to Legislature
Nov. '11- June '12	(proposed) Bi-monthly updates to Legislature and ad hoc meetings with stakeholders