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



GAVIN NEWSOM  
GOVERNOR

DATE: April 30, 2020

Behavioral Health Information Notice No: 20-024

TO: California Alliance of Child and Family Services  
California Association for Alcohol/Drug Educators  
California Association of Alcohol & Drug Program Executives, Inc.  
California Association of DUI Treatment Programs  
California Consortium of Addiction Programs and Professionals  
California Council of Community Behavioral Health Agencies  
California Opioid Maintenance Providers  
California State Association of Counties  
Coalition of Alcohol and Drug Associations  
County Behavioral Health Directors  
County Behavioral Health Directors Association of California  
County Drug & Alcohol Administrators

SUBJECT: Payment/Reimbursement Flexibilities Related to Specialty Mental Health Services and Substance Use Disorder Services during the COVID-19 Public Health Emergency

## PURPOSE

This Behavioral Health Information Notice (BHIN) clarifies for county Mental Health Plans (MHPs), Drug Medi-Cal (DMC) State Plan counties, and DMC organized delivery systems (DMC-ODS) guidance related to: (1) existing options for increasing reimbursement for non-county providers during the novel coronavirus (COVID-19) public health emergency; and (2) additional interim payment flexibilities that the Department of Health Care Services (DHCS) is seeking from the federal Centers for Medicare & Medicaid Services (CMS).

## BACKGROUND

DHCS has received information from multiple counties, non-county providers, and other sources that counties and non-county providers are facing mounting fiscal challenges due to the COVID-19 public health emergency. This information includes reports that: although counties and providers are working to provide telehealth services wherever possible, fewer Medi-Cal beneficiaries are attending appointments or engaging in services due to social distancing recommendations and shelter-in-place/stay-at-home

directives; many counties and providers are rendering fewer services and experiencing higher costs per unit of service; some providers are beginning to reduce, or consider reducing, their workforce to adjust for the decrease in demand and revenue; and multiple counties and non-county providers have initiated discussions to increase reimbursement levels or modify reimbursement arrangements to reflect higher costs per unit of service and/or maintain access to needed specialty mental health services and substance use disorder services.

DHCS is concerned about the potential negative impact of these trends on Medi-Cal beneficiaries' ability to access needed services in the short and long terms. DHCS supports efforts by counties and non-county providers to explore financial strategies to mitigate these negative impacts within the framework of the flexibilities afforded by existing Medi-Cal policy and, if applicable, additional flexibilities that may become available under future Section 1135 waiver or related approvals.

## **POLICY:**

### **I. Existing flexibilities related to reimbursement of non-county providers**

This section outlines flexibilities that are currently available to counties under existing Medi-Cal policy related to reimbursement of non-county providers through the current interim payment methodologies. All payments will be subject to interim and final reconciliations.

#### *Medi-Cal Specialty Mental Health Services*

The approved [Medi-Cal Specialty Mental Health Services Certified Public Expenditure \(CPE\) Protocol](#) describes the reimbursement methodology for Medi-Cal specialty mental health services. MHPs are expected to negotiate rates with their contract providers and, subject to the terms of the agreement between the MHP and a contract provider, may modify the rates at any time without pre-approval from DHCS or enter into alternative (e.g., non-fee-for-service-based) reimbursement arrangements such as, but not limited to, making estimated payments to contract providers and reconciling those payments at a later date.

DHCS reimburses MHPs the non-county share of the amount the MHP certifies as a public expenditure for each claim. Pursuant to the CPE Protocol, MHPs shall certify public expenditures for services provided by a non-county provider as follows:

- Except for privately-operated individual providers, privately-operated group providers, privately-operated administrative service organizations,<sup>1</sup> and therapeutic behavioral services providers, the amount the MHP certifies to the State as a public expenditure may not exceed the lowest of (1) the amount the MHP actually paid the provider for the service rendered, (2) a reasonable approximation of the provider's allowable cost to render the service based upon its most recently filed cost report, or (3) the provider's usual and customary charge for rendering the service.
- For privately operated individual providers, privately operated group providers, privately operated administrative service organizations, and therapeutic behavioral service providers, the amount the MHP certifies to the State as a public expenditure must equal the amount the MHP paid the provider.

Interim reimbursement may be limited by the county contract rate(s), if any, previously established by the MHP pursuant to [Mental Health and Substance Use Disorder Services \(MHSUDS\) IN 19-015](#). MHPs who seek to update or remove previously established county contract rate limits may do so by submitting to DHCS the [County Contract Rate form](#) provided with MHSUDS IN 19-015. Once the form is received, DHCS will process an update to the Short-Doyle Medi-Cal claiming system to adjudicate claims with the new rate limit(s) or no rate limit, as applicable.

DHCS monitors interim payments to MHPs for services provided by contract providers on a quarterly basis to identify potential over-claiming. DHCS compares the MHPs' claimed amounts against a control rate that is calculated for each contract provider based upon the contract provider's most recently filed cost report. If the claimed rate exceeds the control rate by more than ten percent, DHCS will contact the MHP to confirm that the MHP is, in fact, paying the provider at this higher rate. However, DHCS does not use the control rate to limit interim payments for services rendered by contract providers.

#### Medi-Cal Substance Use Disorder Services

The approved [DMC-ODS County CPE Protocol](#) describes the reimbursement methodology for DMC-ODS services. For non-Narcotic Treatment Program (NTP) modalities of service, DMC-ODS counties reimburse contract providers at county-specific negotiated rates, which are proposed annually as part of the county's fiscal plan and reviewed and approved by DHCS. For NTP services, DMC-ODS counties reimburse contract providers the lower of the Uniform Statewide Daily Reimbursement (USDR) rate or the provider's usual and customary charge to the general public for the

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<sup>1</sup> For definitions of these provider types, see the [Specialty Mental Health Services Certified Public Expenditure Protocol Effective July 1, 2012](#).

same or similar services. DHCS reimburses a county the non-county share of the county's certified public expenditures for each claim, not to exceed the approved county interim rate for non-NTP services, or the USDR rate for NTP services, as applicable.

[California's Medicaid State Plan](#) describes the reimbursement methodology for DMC State Plan services in DMC State Plan counties. DHCS annually calculates Statewide Maximum Allowance (SMA) rates for non-NTP modalities of service and the USDR rate for the NTP modality of service. DHCS reimburses a county the non-county share of the county's certified public expenditures for each claim, not to exceed the SMA rate or USDR rate, as applicable.

Counties have the authority to adjust their reimbursement of contract providers for substance use disorder services. However, DHCS is currently unable to reimburse counties above the thresholds described in the preceding paragraphs.

## **II. Additional payment flexibilities requested by DHCS related to COVID-19**

In response to the COVID-19 public health emergency, DHCS is seeking approval from CMS for additional flexibilities related to interim payments for specialty mental health services and substance use disorder services. On March 19, 2020, DHCS submitted to CMS a request for Section 1135 waivers of the following interim payment methodologies:

- For specialty mental health services provided by county-operated providers, DHCS' interim payments to counties are limited to the interim rates established annually in accordance with the methodology described in the Specialty Mental Health Services CPE Protocol.
- For DMC-ODS services, DHCS' interim payments to counties are limited to interim rates that are developed in accordance with the methodology described in the DMC-ODS County CPE Protocol.
- For non-Narcotic Treatment Program (non-NTP) services in DMC State Plan counties, DHCS' interim payments to counties are limited to the SMA rate for the service rendered.

On April 3, 2020, DHCS submitted [State Plan Amendment 20-0024](#) and a [Section 1115 waiver](#) request to further support these requests. DHCS is also seeking flexibility to settle payments for specialty mental health outpatient services and non-NTP outpatient services to allowable costs, suspending other limitations (such as usual and customary charges) where applicable, for services provided during the COVID-19 public health emergency. If these requests are approved, DHCS will issue additional guidance related to the implementation of these additional flexibilities.

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## **QUESTIONS**

Questions regarding this BHIN may be directed to the Local Governmental Financing Division, Behavioral Health Financing Section, Support Unit, by email to [MedCCC@dhcs.ca.gov](mailto:MedCCC@dhcs.ca.gov) or by phone call to (916) 650-6525.

Sincerely,

### **Original signed by**

Rafael Davtian, Chief  
Local Governmental Financing Division