



DATE:

Behavioral Health Information Notice No. 25-0XX

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 Program
California Association of Mental Health Peer Run Organizations
California Association of Social Rehabilitation Agencies
California Consortium of Addiction Programs and Professional
California Council of Community Behavioral Health Agencies
California Hospital Association
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: BH-CONNECT Activity Funds Initiative

PURPOSE: To provide guidance to County Behavioral Health plans (BHPs) on the BH-CONNECT Activity Funds Initiative

REFERENCE: California Welfare and Institutions Code Division 9, Part 3, Chapter 7, Article 5.51: 14184.400(c)(1), 14181.102(d), and 14184.402(i); [BH-CONNECT Section 1115\(a\) Special Terms and Conditions](#)

BACKGROUND:

The Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) initiative is designed to increase access to and strengthen the continuum of community-based behavioral health services for Medi-Cal members living with significant behavioral health needs. BH-CONNECT is comprised of a five-year Medicaid Section 1115 Demonstration and State Plan Amendments to expand coverage of evidence-based practices available under Medi-Cal, as well as complementary guidance and policies to strengthen behavioral health services statewide.



The Activity Funds initiative is a key component of BH-CONNECT, as approved in the [Section 1115 \(a\) Demonstration](#) and supported in part with federal Medicaid funds. The Activity Funds initiative will cover some or all of the cost of allowable activities and specified items beyond traditional therapies to support eligible Medi-Cal enrolled children and youth with a behavioral health condition or at high risk of a behavioral health condition who are involved in the child welfare system.

POLICY:

No sooner than October 1, 2025, consistent with the [BH-CONNECT 1115\(a\) Demonstration Special Terms and Conditions](#),¹ all county behavioral health plans (BHPs) must ensure eligible Medi-Cal members with child welfare system involvement have access to Activity Funds, which will cover some or all of the cost of allowable activities and specified items beyond traditional therapies to support an eligible member's inclusion in the community and promote improved physical and behavioral health outcomes. Activity Funds are designed to help participants find a form of expression beyond words or traditional therapies in an effort to support age-appropriate development and reduce the need for more intensive clinical intervention.

The BHP must ensure that eligible members are assessed, as part of the standardized Specialty Mental Health Services (SMHS) assessment process,² and ultimately connected to activity providers. The services and/or items provided under the Activity Funds initiative must clearly link to an assessed need established in an eligible member's clinical record and must be determined to meet member need by a Licensed Mental Health Professional (LMHP).³

¹STC 7, pp. 30-32.

² Hereinafter, the use of the word "assessment" or "assess" in this BHIN refers to the standardized SMHS assessment process, as outlined in [BHIN 23-068](#) and as further described in section C.1 of this BHIN.

³ As defined in the [State Plan](#), a LMHP means Licensed Physicians, Licensed Psychologists (includes waived psychologists); Licensed Clinical Social Worker (includes Waivered/Registered clinical social workers), Licensed Professional Clinical Counselor (includes Waivered/Registered professional clinical counselors), Licensed Marriage and Family Therapist (includes Waivered/Registered marriage and family therapists); Registered Nurses (includes certified nurse specialists and nurse practitioners); and Licensed Occupational Therapists.

A. Member Eligibility for Activity Funds Services and Items

Activity Funds services and/or items are only available to Medi-Cal members who meet the criteria below for both child welfare involvement and behavioral health conditions.⁴

- To meet the child welfare involvement requirement, a member must meet at least one of the following criteria:
 - Are under age 21 and currently involved in the child welfare system in California;
 - Are under age 21 and previously received care through the child welfare system in California or another state within the past 12 months, as measured from the last day of the last month during which child welfare was involved;⁵
 - Have aged out of the child welfare system up to age 26 (having been in foster care on their 18th birthday or later) in California or another state;
 - Are under age 18 and are eligible for and/or in California's Adoption Assistance Program; or
 - Are under age 18 and are currently receiving or have received services from California's Family Maintenance program within the past 12 months, as measured from the last day of the last month in which these services were received.
- To meet the behavioral health requirement, a member must meet at least one of the following criteria:
 - Have a diagnosed behavioral health condition as identified via the standardized SMHS assessment process⁶ or
 - Determined to need the service by a LMHP and at high risk for a behavioral health condition still being assessed per the standardized SMHS assessment process.⁷

DHCS will issue forthcoming guidance for BHPs on how to validate the above eligibility criteria.

⁴ [BH-CONNECT Section 1115\(a\) Demonstration Special Terms and Conditions](#), (STC 7.1, pp. 30-31).

⁵ Youth involved in foster care through juvenile probation also meet the Activity Funds eligibility criteria.

⁶ [BHIN 23-068](#)

⁷ [BHIN 23-068](#)

B. Eligible Services and Items

As part of forthcoming guidance, DHCS will issue and maintain a list of allowable activity and item types, consistent with applicable [BH-CONNECT 1115\(a\) Demonstration Special Terms and Conditions](#).⁸

Activity Funds cover services and items that promote physical wellness (e.g., gym memberships and sport club fees) and facilitate participation in strength-developing activities (e.g., music lessons and therapeutic summer camps) as indicated in a member's clinical record by a qualified provider.

Activity Funds must directly align with assessed clinical needs and must be used for services and/or items that:

- Promote inclusion in the community, and/or increase the member's safety in their home environment and
- Facilitate the member's age-appropriate participation or autonomy to make decisions to improve their physical or behavioral health outcomes.

Funds shall not be used for:

- Solely recreational or entertainment purposes;
- Tobacco or alcoholic products;
- Items of the same type (e.g., multiple keyboards or multiple ballet shoes) for the same member unless there is a documented change in the member's needs that warrant replacement; or
- Activities that are illegal or prohibited by federal or state laws.

C. Eligible Providers, Roles and Responsibilities

A LMHP must document the need for Activity Funds services and/or items in a member's clinical record and coordinate delivery of the activity in collaboration with the member, their caregiver(s) and social worker or case worker, as appropriate.

As further detailed below, the LMHP is responsible for completion of the following activities:

- i. Assessing an eligible member's need for Activity Funds services and/or items;
- ii. Identifying appropriate services and/or items for eligible members;
- iii. Documenting identified services and/or items in the member's clinical record; and
- iv. Connecting the eligible member with an approved activity provider.

Under the direction of the LMHP, other eligible non-licensed providers:

⁸ STC 7.2, pp. 3.

- May support the LMHP in completion of activities i–ii listed above (e.g., may help gather information from the youth and families to help support assessments and identify appropriate activities and items) and
- May directly connect the eligible member with an approved activity provider.

1. Assessment of Member's Need

The need for Activity Funds services and/or items must be documented by the LMHP as part of conducting or updating a SMHS assessment as outlined in [BHIN 23-068](#). The LMHP is not required to conduct a distinct assessment to ascertain whether a member needs Activity Funds services and/or items.

2. Identification of Appropriate Activities for Eligible Members

The LMHP will identify Activity Funds services and/or items for an eligible member. These services and/or items must meet the criteria outlined above for eligible services and/or items and be based on the individual member's clinical needs.

3. Documentation of the Identified Activity in the Member's Clinical Record

The LMHP must clearly document the following in an eligible member's clinical record:

- A behavioral health diagnosis or a high risk of behavioral health diagnosis, which is still being assessed;
- The identified Activity Funds services and/or items; and
- A clear link between behavioral health diagnosis/risk of behavioral health diagnosis and the need for the identified services and/or items based on observed behaviors and presenting symptoms (e.g., how the identified activity or item will improve the assessed behavioral health condition/risk for a behavioral health condition).

Documentation of Medi-Cal services rendered by the LMHP must adhere to the requirements and standards specified in [BHIN 23-068](#).

4. Connecting to Activity Providers

To support connecting eligible members to activity providers, DHCS will issue forthcoming guidance on how a LMHP or other eligible behavioral health provider (e.g., case manager or care coordinator) working under the direction of the LMHP may connect an eligible member to activity providers. DHCS will also develop and maintain a

list of enrolled activity provider types along with instructions on how to enroll as an activity provider under this initiative.

D. Activity Funds Allocation and Disbursement

Each eligible member shall be allowed no more than \$1,000 per year in Activity Funds. Further details will be provided in forthcoming guidance. DHCS will contract with a third-party administrator that will disburse funds directly to activity providers for services and/or items furnished under this initiative. DHCS will issue forthcoming guidance that further details the process for disbursing funds to activity providers.

E. Activity Funds Initiative Medi-Cal Claiming and Billing

As discussed above, DHCS will contract with a third-party administrator to disburse Activity Funds and will pay the third-party administrator for the Activity Funds disbursed. Therefore, MHPs will not need to submit claims to DHCS for Activity Funds.

SMHS assessment services can be claimed using existing Current Procedural Terminology (CPT) and Healthcare Common Procedure Coding System (HCPCS) codes. Please visit the [MedCCC](#) webpage and consult the most current service table for available CPT and HCPCS codes.

Medi-Cal members must access other sources of funding, including other federal funding, before accessing Activity Funds. Medi-Cal Activity Funds are considered a payer of last resort for children and youth's activities, even when a member meets the eligibility criteria.

F. Compliance and Monitoring

BHPs must update policies and/or procedures as needed to ensure compliance with this BHIN and must communicate this policy to relevant contracted providers as necessary. BHPs are responsible for monitoring and overseeing the compliance of their contracted providers. The monitoring processes established by BHPs must adhere to the following guidelines, including but not limited to:

- State and federal law;
- Medicaid guidance including the [CalAIM 1915b and 1115 Waivers](#) and the [Medicaid State Plan](#);
- Provider contracts;
- DHCS Guidance on Activity Funds and any subsequent requirements.

DHCS will continue to carry out its responsibility to monitor and oversee BHPs and their operations as required by state and federal law. DHCS will monitor BHPs for compliance with the requirements outlined above, and deviations from the requirements

may require corrective action plans. This oversight will include verifying that services provided to Medi-Cal members are medically necessary, and that documentation complies with the applicable state and federal laws, regulations, the BHP contract and forthcoming Activity Funds guidance. Recoupment shall be focused on identified overpayments and fraud, waste, and abuse.

Please direct any questions to BH-CONNECT@dhcs.ca.gov.

Sincerely,

Original signed by

Ivan Bhardwaj, Chief
Medi-Cal Behavioral Health-Policy Division