



MICHELLE BAASS  
DIRECTOR

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



GAVIN NEWSOM  
GOVERNOR

February 23, 2023

To: Tribal Chairpersons, Designees of Indian Health Programs,  
and Urban Indian Organizations

Subject: Notice of Proposed Change to the Medi-Cal Program

The purpose of this letter is to provide information regarding a proposed change to the Department of Health Care Services' (DHCS) Medi-Cal Program that will be submitted to the Centers for Medicare and Medicaid Services (CMS). DHCS is forwarding this information for your review and comment.

DHCS is required to seek advice from designees of Indian Health Programs and Urban Indian Organizations on Medi-Cal matters having a direct effect on Indians, Indian Health Programs or Urban Indian Organizations per the American Recovery and Reinvestment Act of 2009 (ARRA). DHCS must solicit the advice of designees prior to submission to CMS of any State Plan Amendment (SPA), waiver requests or modifications, or proposals for demonstration projects in the Medi-Cal program.

Please see the enclosed summary for a detailed description of this DHCS proposal.

**QUESTIONS AND COMMENTS**

Indian Health Programs and Urban Indian Organizations may also submit written comments or questions concerning this proposal within 30 days from the receipt of notice. Comments may be sent by email to [BHpaymentreform@dhcs.ca.gov](mailto:BHpaymentreform@dhcs.ca.gov) or by mail to the address below:

**Contact Information**

Department of Health Care Services  
ATTN: Local Governmental Financing Division  
Director's Office  
1500 Capitol Avenue, MS 0000  
Sacramento, CA 95814

Tribal Chairpersons, Designees of Indian Health Programs,  
and Urban Indian Organizations

Page 2

February 23, 2023

In addition to this notice, DHCS plans to cover this SPA in the next quarterly Medi-Cal Indian Health webinar. Please note that Indian Health Programs and Urban Indian Organizations may request a consultation on this proposal at any time as needed.

Sincerely,

Original Signed by

Andrea Zubiate, Chief  
Office of Tribal Affairs  
Department of Health Care Services

Enclosure



**Department of Health Care Services (DHCS)  
Tribal and Designees of Indian Health Programs Notice**

**Purpose**

To seek federal approval to modify the DHCS reimbursement methodology for Medi-Cal Behavioral Health services.

**Background**

DHCS is proposing changes to the State Plan to advance the Behavioral Health Payment Reform Initiative<sup>1</sup> under the California Advancing and Innovating Medi-Cal (CalAIM) Section 1115 demonstration and the CalAIM 1915 (b) waivers. Under the existing process, Behavioral Health Services, including Specialty Mental Health Services, Substance Use Disorder Treatment Services, and Expanded Substance Use Disorder Treatment Services are reimbursed on a cost basis through a process that requires interim rates, cost reports, and a cost reconciliation. This is a difficult process for counties to maintain. SPA 23-0015 proposes to replace the current reimbursement methodologies, cost reporting requirements and the reconciliation process with a prospective fee schedule.

**Summary of Proposed Changes:**

This SPA proposes to revise reimbursement methodologies that include interim rates, interim payments, cost reporting submission, and interim & final settlement for the following behavioral health services:

- Outpatient services
- Psychiatric Inpatient services
- Narcotic Treatment Programs
- Inpatient Withdrawal Management
- Day Treatment Intensive & Day Rehabilitation
- Drug Medi-Cal 24 Hour services
- Specialty Mental Health 24 Hour services
- Ambulatory Withdrawal Management
- Crisis Stabilization
- Therapeutic Foster Care
- Mobile Crisis

SPA 23-0015 will authorize reimbursement for these services through a county specific fee for allowable Medi-Cal Behavioral Health Services. The updated reimbursement rate is intended to be cost neutral, and county specific fee schedules will be established by DHCS on the basis of past county cost experience for the applicable services. Counties will continue to be required to negotiate appropriate rates with network providers and are not required to pay the same amount to providers that they are reimbursed by DHCS. Counties will also continue to be required to claim for services through DHCS's Short-Doyle Medi-Cal Claiming System. The proposed effective date of this SPA is July 1, 2023.

---

<sup>1</sup> [Welfare & Institution Code § 14184.403](#)

### **Impact to Tribal Health Programs (THPs)**

Counties will remain responsible to reimburse THPs as described in Behavioral Health Information Notices (BHIN) [22-020](#) and [22-053](#) for the Specialty Mental Health Services, (SMHS) and Drug Medi-Cal (DMC) services list above. As part of the reimbursement process THPs are not eligible to receive the Federal All-Inclusive Rate (AIR), when the service is not provided by one of the health professionals identified in Supplement 6 to Attachment 4.19-B of California's Medicaid State Plan. During these instances, THPs are currently entitled to payment at a cost-based methodology. Reimbursement under a cost-based methodology requires the submission of cost-reports by THPs. However, this SPA proposes to remove the methodology of cost-based reimbursement and will instead add a fee schedule for each service for times when the THP is not entitled to the AIR. The proposed change to the current reimbursement methodologies may eliminate the need for THPs to submit cost reports. There is no change in services county Behavioral Health Plans will be required to deliver under the Medi-Cal program. DHCS anticipates this SPA will positively impact THPs by removing administrative burdens associated with cost-reporting requirements.

### **Impact to Federally Qualified Health Center (FQHCs)**

Counties will remain responsible to reimburse Urban Indian Organizations enrolled in Medi-Cal as FQHCs as described in BHINs [22-020](#) and [22-053](#) or the SMHS and DMC services list above. As part of the reimbursement process, FQHCs are not eligible to receive their Prospective Payment System rate for these services because existing state law<sup>2</sup> requires that FQHCs carve-out SMHS and DMC services. Consequently, FQHCs are currently entitled to payment for these services at a cost-based methodology. Reimbursement under a cost-based methodology requires the submission of cost-reports by FQHCs. However, this SPA proposes to remove the methodology of cost-based reimbursement and will instead add a fee schedule for each service. The proposed change to the current reimbursement methodologies may eliminate the need for FQHCs to submit cost reports. There is no change in services county Behavioral Health Plans will be required to deliver under the Medi-Cal program. DHCS anticipates this SPA will positively impact FQHCs by removing administrative burdens associated with cost-reporting requirements.

### **Impact to Indian Medi-Cal Beneficiaries**

DHCS anticipates no impact to American Indian Medi-Cal beneficiaries as a result of this SPA because, as discussed in BHIN 22-020 and 22-053, beneficiaries remain eligible to access Specialty Mental Health Services, Substance Use Disorder Treatment Services, and Expanded Substance Use Disorder Treatment Services through an Indian Health Care Provider whether or not that provider is a part of the county's provider network.

### **Response Date**

Indian Health Programs and Urban Indian Organizations may submit written comments or questions concerning this proposal within 30 days from the receipt of this notice. Comment may be sent by email to [BHpaymentreform@dhcs.ca.gov](mailto:BHpaymentreform@dhcs.ca.gov) or by mail to the address below:

---

<sup>2</sup> [Welfare and Institutions Code 14132.100](#)

**Contact Information**

Department of Health Care Services

ATTN: Local Governmental Financing Division

Director's Office

1500 Capitol Avenue, MS 0000

Sacramento, CA 95814