



DATE: August 14, 2023

Behavioral Health Information Notice No: 23-036

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 Association of Social Rehabilitation Agencies  
California Consortium of Addiction Programs and Professionals  
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: CalAIM Behavioral Health Payment Reform Allocation

PURPOSE: This Behavioral Health Information Notice informs Mental Health Plans, Drug Medi-Cal Organized Delivery System (DMC-ODS) Counties, and Drug Medi-Cal (DMC) Counties of Special Fund 3420 and the State General Funds allocated to counties to support the transition from Certified Public Expenditures (CPE) to Intergovernmental Transfers (IGTs) under CalAIM's Behavioral Health Payment Reform Initiative.

REFERENCE: Welfare and Institutions Code, Sections [14184.403](#), [14184.102](#) and BHIN [23-026](#)

**BACKGROUND:**

Welfare and Institutions Code, Section 14184.403 requires DHCS to implement Behavioral Health Payment Reform no sooner than July 1, 2022. Behavioral Health Payment Reform includes transitioning from a cost-based reimbursement methodology to an IGT-based reimbursement methodology that uses prospective reimbursement rates for Medi-Cal Specialty Mental Health Services (SMHS), DMC Services, and DMC-ODS Services. Before behavioral health payment reform, counties were reimbursed for these programs through the interim rate payment process according to Medicaid CPE methodologies. The county reimbursements were then later reconciled through cost settlements.

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**POLICY:**

DHCS implemented an IGT process on July 1, 2023 pursuant to BHIN 23-026. With the IGT process, counties will need to transfer the county portion of their submitted claims to draw down matching Federal Financial Participation for payments. The State Controller's Office has established a new Special Fund for the IGT process, titled the Medi-Cal County Behavioral Health Fund, or Special Fund 3420.

To address counties' cash flow concerns, the California Legislature appropriated \$250,000,000 one-time in State General Funds to utilize as the non-federal match of claims. These funds will be used as the non-federal share for direct service payments until the funds have been fully liquidated. Once the funds have been liquidated for a delivery system, counties funds will be used as the non-federal match. To ensure that county claims can be paid without a delay, Counties should begin transferring county funds to the state, pursuant to BHIN 23-026, prior to September 1, 2023.

The Enclosure details the amounts allocated to each county for DMC, DMC-ODS and SMHS. DHCS determined the allocation using each county's percentage of actual submitted claims from 2019 to 2022.

Please reach out to [BH-IGT@dhcs.ca.gov](mailto:BH-IGT@dhcs.ca.gov) with any questions related to this BHIN.

Sincerely,

Original signed by

Brian Fitzgerald, Chief  
Local Governmental Financing Division