



DATE: December 29, 2023

Behavioral Health Information Notice No: 24-004

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: Quality Measures and Performance Improvement Requirements

PURPOSE: This Behavioral Health Information Notice (BHIN) is to notify all Mental Health Plans (MHPs) and Drug Medi-Cal Organized Delivery Systems (DMC-ODS) of DHCS' updates to the policy regarding Quality Measures and Performance Improvement requirements resulting from the California Advancing and Innovating Medi-Cal (CalAIM) Act.

REFERENCE: Managed Care Final Rule, Federal Register, Vol. 81, No. 88; Title 42 Code of Federal Regulations (CFR) Part 438 Managed Care, Subpart E Quality Measurement and Improvement; External Quality Review. Welfare and Institutions Code (W&I) sections 14184.100 and 14197.7, and 14184.102, subd. (d).

**BACKGROUND:**

Improving quality outcomes, reducing health disparities, and driving delivery system transformation and innovation through value-based initiatives, modernization of systems, and payment reform is one of the goals of the California Advancing and Innovating Medi-Cal (CalAIM) Act.<sup>1</sup> Additionally, the Medicaid and Children's Health

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<sup>1</sup> W&I 14184.100, subd. (a)(3)



Insurance Program Managed Care Final Rule (42 CFR, 438.340) requires each state Medicaid agency to produce a written quality strategy to assess and improve the quality of health care and services provided by all Medicaid managed care entities in that state. In response to this requirement, DHCS authored [the 2018 Medi-Cal Managed Care Quality Strategy](#) report. DHCS has since updated the 2018 Medi-Cal Managed Care Quality Strategy report with the [2022 Comprehensive Quality Strategy \(CQS\) report](#), which builds upon the policy framework outlined in CalAIM.<sup>2</sup>

The CQS report outlines DHCS' process for developing and maintaining a broader quality strategy to assess the quality of care that all Medi-Cal beneficiaries receive, regardless of delivery system. It also defines measurable goals, emphasizes Centers for Medicare & Medicaid Services (CMS) Core Set measures, and tracks improvement. The CQS report covers all Medi-Cal managed care delivery systems, including Medi-Cal Managed Care Plans, county MHPs, DMC-ODS Plans, and dental managed care plans, as well as non-managed care departmental programs.

The DMC-ODS Interagency Agreements and MHP contracts require county behavioral health plans (BHPs) to establish Quality Improvement Systems and to collect and submit performance measurement data required by the Department.<sup>3</sup> Further, Title 9 of the California Code of Regulations Section 1810.440 requires that MHPs establish Quality Management Programs, consisting of a Quality Improvement Program, a Utilization Management Program, and a documentation and medical records system.

This BHIN clarifies DHCS requirements for the BHPs' Quality Improvement Systems. As a part of the Comprehensive Quality Strategy (CQS) 2022 and in compliance with the CalAIM Section 1915(b) waiver Special Terms and Conditions,<sup>4</sup> DHCS has identified measures that county BHPs shall report to DHCS as a part of their Quality Improvement Systems. These measures shall be reported to DHCS on an annual basis, starting for

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<sup>2</sup> Comprehensive Quality Strategy 2022: <https://www.dhcs.ca.gov/services/Documents/Formatted-Combined-CQS-2-4-22.pdf>

<sup>3</sup> DMC-ODS Interagency Agreement, Exhibit A, Article II, F, JJ, SS, VV; MHP contract, Exhibit A, Attachment 5. These contractual requirements implement Title 42 CFR, sections 438.330 and 438.340(b)(3)(i), which require MHPs and DMC-ODS counties to establish and implement an ongoing Quality Improvement System through which MHPs and DMC-ODS counties monitor, evaluate, take effective action to address any needed improvements in the quality of care delivered to their beneficiaries, and provide quality metrics and performance targets to DHCS to be used in measuring performance and improvement.

<sup>4</sup> [California Advancing & Innovating Medi-Cal \(CalAIM\) Section 1915\(b\) Waiver Special Terms and Conditions](#), #15 on page 5.

Measurement Year (MY) 2023 (January through December). The CQS 2022 describes the measures that BHPs are required to report to DHCS in Table 4 and Table 5.<sup>5</sup>

**POLICY:**  
**Quality Performance Measures**

As part of their Quality Improvement Systems, BHPs shall report to DHCS annually on a set of required quality performance measures selected by DHCS for the evaluation of performance. A timeline of annual reporting is detailed in Attachment A.<sup>6</sup> DHCS has identified high priority metrics to drive annual improvements in quality outcomes. This set of required performance measures for BHPs are identified in Attachment B for Measurement Year (MY) 2023 and the Behavioral Health Accountability Set (BHAS) for future years.<sup>7</sup> BHPs are required to report annually and meet the Minimum Performance Level (MPL) of the performance measures in Attachment B for MY 2023 and the BHAS going forward beyond MY 2023. For subsequent performance measures sets, DHCS will issue additional guidance on an annual basis to inform BHPs of any changes to the required measure set.

For MY 2022, DHCS will calculate performance measure rates on behalf of the BHPs. MY 2022 rates calculated by DHCS will only be used as a baseline; BHPs will not be held to the MPL. Effective MY 2023, BHPs will be required to begin reporting their own rates and will be held to the MPL for performance measures. For MY 2023, BHPs shall calculate performance measure rates according to timelines determined by the External Quality Review Organization (EQRO).<sup>8</sup> The EQRO will conduct Performance Measure Validation in three phases: audit validation, audit review, and follow-up and reporting. The EQRO will instruct BHPs on how to report performance measure rates and what mechanisms shall be used in accordance with the timeline outlined in Attachment A.

The MPL for each required measure is defined as the National Committee for Quality Assurance (NCQA) national Medicaid 50<sup>th</sup> percentile for applicable measure, as reported in NCQA's Quality Compass.<sup>9,10</sup> Additionally, for measures for which CMS is

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<sup>5</sup> [Formatted Combined CQS 2.4.22.pdf \(ca.gov\)](#)

<sup>6</sup> Although submission timelines for claims are up to 6 months for DMC-ODS and up to 12 months for Specialty Mental Health Services per BHINs 23-013 and 22-046, BHPs are required to calculate quality performance rates by March 31 of the RY to ensure Quality Measure data are complete for the EQRO audit and validation process, which is completed by April 30<sup>th</sup> of the RY.

<sup>7</sup> BHAS: <https://www.dhcs.ca.gov/dataandstats/reports/Pages/MgdCareQualPerfEAS.aspx>

<sup>8</sup> BHC: <https://www.caleqro.com/mh-eqro>

<sup>9</sup> See Attachment B for additional information on DHCS expectations for improvement when a plan fails to achieve the 50<sup>th</sup> percentile for MY 2023.

<sup>10</sup> NCQA Quality Compass: <https://www.ncqa.org/programs/data-and-information-technology/data-purchase-and-licensing/quality-compass/>

the steward, the national median (50th percentile) as calculated by CMS will be utilized as the MPL. DHCS may establish alternative benchmarks in years when national Medicaid results are not available, but for the purposes of this Behavioral Health Information Notice, any alternative benchmarks (established by DHCS and communicated to BHPs in future years) will also be referred to as MPLs.

As stated above, the first year is considered a baseline year and are not subject to enforcement action; however, the first-year performance may result in additional quality improvement projects. During the second year of reporting (MY 2023) and ongoing, the BHPs shall meet the MPLs and continue engage in required quality improvement work related to performance for the measure. A BHP's failure to meet the MPL will result in quality improvement projects as defined by DHCS in the and may result in technical assistance, corrective action, and sanctions (see additional discussion below).

BHPs are further encouraged to meet or exceed the High-Performance Levels (HPLs) for performance measures. While meeting the HPL is not a requirement, DHCS establishes an HPL for each required performance measure that is also an NCQA measure and publicly acknowledges BHPs that meet or exceed the HPLs. The current HPL for all performance measures is the national Medicaid 90<sup>th</sup> percentile, as reported in NCQA's Quality Compass or by CMS.

DHCS publicly reports on its website the performance measure findings for each BHP and includes comparisons to national data, as applicable, for each required performance measure.<sup>11 12</sup>

### **Quality Improvement Requirements**

BHPs are required to comply with the following Quality Improvement System components:

#### **General Requirements**

- **Designated Contacts:** BHPs must designate a contact lead and back-up, who will be the designated liaison(s) between the county and DHCS. The designated liaison contact information should be provided to DHCS upon request.
- **Technical Assistance (TA):** DHCS and/or its EQRO will periodically convene technical assistance conference calls for BHPs. The TA conference

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<sup>11</sup>Medi-Cal Managed Care Plan Quality Improvement Projects:

<https://www.dhcs.ca.gov/dataandstats/reports/Pages/MgdCareQualPerfEQRTR.aspx>

<sup>12</sup> Quality performance rates will be suppressed to satisfy the Health Insurance Portability and Accountability Act of 1996 Privacy Rule's de-identification standards.

calls will be for DHCS and/or its EQRO to provide updates in performance measure methodology or process and to provide guidance to BHPs that are requesting TA or have quality improvement measures below the MPL. BHPs are required to have their Designated Contacts and any other relevant personnel attend these TA conference calls.

- **Data Exchange:** BHPs shall utilize data exchange capabilities with the Managed Care Plans (MCPs) operating within their counties to sufficiently calculate and report the quality performance measures. The data exchange capability may be implemented by executing data sharing agreements with local MCPs, signing the CalHHS Data Exchange Framework *data sharing agreement*, or otherwise participating in a Health Information Exchange.

#### Quality and Health Equity (QHE) Workplan

- Annually starting with MY 2022, DHCS will notify BHPs of the measures that fall below the MPL. BHPs are required to submit to DHCS approved QHE Workplan for these measures as part of Corrective Action Plan (CAP). Details for these projects are as follows and can be found within the Behavioral Health Plans Quality Improvement and Health Equity Policy Guide.<sup>13</sup>
  - DHCS will also notify BHPs of the specific QHE Workplan requirements, including but not limited to, the number of reports and progress updates that shall be submitted, and due dates for submissions. However, BHPs should conduct ongoing evaluations of measure performance and engage in related QI activities regardless of if performance measures fell below the MPL or not.
  - BHPs under a CAP pursuant to failure to meet the MPLs must discuss additional QI related strategies and progress requirements with DHCS in the TA conference calls. See below for additional information about CAP requirements.

#### Exceptions for QHE Workplan Requirements to DHCS

- **Changes to Technical Specifications:** DHCS does not require BHPs to submit a QHE Workplan for measures in which NCQA or CMS have made changes to the technical specifications. DHCS will notify the BHPs, before the measurement year starts, if it has determined that NCQA or CMS have made changes to the technical specifications.
- **Additional Exceptions:** DHCS may also determine that QHE Workplan are not required for other reasons. DHCS will notify the BHPs if it makes such a

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<sup>13</sup> BHPs Quality Improvement & Health equity Policy Guide:  
<https://www.dhcs.ca.gov/dataandstats/reports/Pages/MgdCareQualPerfEAS.aspx>

determination.

### Performance Improvement Projects (PIPs)

In addition to meeting MPLs and conducting QQHE Workplan Projects as discussed above and CAPs as discussed below, BHPs are required to conduct or participate in a minimum of two PIPs per year that focus on both clinical and non-clinical areas and meet the requirements in subdivision (d) of section 438.330 of the CFR.

EQRO/DHCS may provide guidance to the plan on PIP topic selection; however, BHPs shall conduct PIPs in accordance with CMS requirements. BHPs shall consult with DHCS/EQRO to choose PIP topics. PIP topics shall align with any demonstrated areas of poor performance, such as low measure rates or Consumer Perception Survey or Treatment Perception Survey scores. DHCS will notify BHPs regarding the length of the PIP cycle that is compliant with CMS requirements. Upon completion of each PIP, the EQRO provides a confidence level on the validity and reliability of the results.

### Corrective Action Plans

DHCS is authorized to take enforcement actions, including imposing CAPs on BHPs that violate applicable state and federal laws or regulations, the terms of the State Plan or waiver, or violate the terms of their contracts with DHCS.<sup>14</sup> DHCS may begin taking these enforcement actions for MY 2022 quality rates.

CAP requirements may include, but are not limited to:

- Quality Improvement Projects and reporting, as described above.
- Collaborative projects
- Additional technical assistance calls.
- In-person meetings between BHPs and DHCS executive staff.

### Enforcement Actions

When BHPs fail to comply with the terms of their contract with DHCS, fail to comply with applicable state and federal laws and regulations, fail to comply with the state plan or approved waivers, or for good cause, DHCS may impose administrative and/or monetary sanctions in accordance with W&I section 14197.7.<sup>15,16</sup> Therefore, BHPs who fail to comply with the requirements of this BHIN may be subject to sanctions. As described in [BHIN 22-045](#), enforcement actions may be imposed on a BHP together with a CAP, in lieu of a CAP, or if the BHP fails to meet CAP requirements.<sup>17</sup>

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<sup>14</sup> W&I 14197.7, subd. (d)

<sup>15</sup> California Law Code is searchable at <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

<sup>16</sup> [BHIN 22-045 \(ca.gov\)](#)

<sup>17</sup> W&I section 14197.7, subd. (d) and (e)

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**Dissemination of Requirements to Subcontractors and Providers**

BHPs are responsible for ensuring that their subcontractors and network providers comply with all applicable state and federal laws and regulations, contract requirements, and other DHCS guidance, including BHINs. These requirements must be communicated by each BHP to all subcontractors and network providers.

If you have any questions regarding this BHIN, please contact [gapis@dhcs.ca.gov](mailto:gapis@dhcs.ca.gov).

Sincerely,

Original signed by

Palav Babaria  
Deputy Director  
Chief Quality Officer