

SMHS FOR CHILDREN

BASE POLICY CHANGE NUMBER: 69
IMPLEMENTATION DATE: 7/2012
ANALYST: Julie Chan
FISCAL REFERENCE NUMBER: 1779

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$728,307,000	\$758,674,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$728,307,000	\$758,674,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$728,307,000	\$758,674,000

DESCRIPTION

Purpose:

This policy change estimates the base cost for specialty mental health services (SMHS) provided to children (birth through 20 years of age).

Authority:

Welfare & Institutions Code 14680-14685.1
Specialty Mental Health Consolidation Program Waiver

Interdependent Policy Changes:

Not Applicable

Background:

The Medi-Cal SMHS program is “carved-out” of the broader Medi-Cal program and is administered by the Department under the authority of a waiver approved by the Centers for Medicare and Medicaid Services (CMS). The Department contracts with a Mental Health Plan (MHP) in each county to provide or arrange for the provision of Medi-Cal SMHS. All MHPs are county mental health departments.

SMHS are Medi-Cal entitlement services for adults and children that meet medical necessity criteria, which consist of having a specific covered diagnosis, functional impairment, and meeting intervention criteria. MHPs must certify that they incurred a cost before seeking federal reimbursement through claims to the State. MHPs are responsible for the non-federal share of Medi-Cal SMHS. Mental health services for Medi-Cal beneficiaries who do not meet the criteria for SMHS are provided under the broader Medi-Cal program either through managed care (MC) plans (by primary care providers within their scope of practice) or fee-for-service (FFS).

Children’s SMHS are provided under the federal requirements of the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) benefit, which is available to full-scope beneficiaries under age 21. The EPSDT benefit is designed to meet the special physical, emotional, and developmental needs of low income children. This policy change budgets the costs associated with SMHS for children. A separate policy change budgets the costs associated with SMHS for adults.

SMHS FOR CHILDREN

BASE POLICY CHANGE NUMBER: 69

The following Medi-Cal SMHS are available for children:

- Adult Residential Treatment Services*
- Crisis Intervention
- Crisis Stabilization
- Crisis Residential Treatment Services*
- Day Rehabilitation
- Day Treatment Intensive
- Medication Support Services
- Psychiatric Health Facility Services
- Psychiatric Inpatient Hospital Services
- Targeted Case Management
- Therapeutic Behavioral Services
- Therapy and Other Service Activities

*Children - Age 18 through 20

Reason for Change from Prior Estimate:

Changes are due to additional approved claims data and the elimination of the State Maximum Rate (SMA).

Methodology:

1. The costs are developed using 69 months of Short-Doyle/Medi-Cal (SD/MC) and 67 months Fee-For-Service Medi-Cal (FFS/MC) approved claims data, excluding disallowed claims. The SD/MC data is current as of June 30, 2013, with dates of service from July 2007 through March 2013. The FFS data is current as of August 23, 2013, with dates of service from July 2007 through January 2013.
2. Due to the lag in reporting of claims data, the most recent six months of data must be weighted (Lag Weights) based on observed claiming trends to create projected final claims and clients data.
3. Applying more weight to recent data necessitates the need to ensure that lag weight adjusted claims data (a process by which months of partial data reporting is extrapolated to create estimates of final monthly claims) is as complete and accurate as possible. The development and application of lag weights is based upon historical reporting trends of the counties.
4. The forecast is based on a service year of costs. This accrual cost is below:

(Dollars In Thousands)

	TF	SD/MC	FFS Inpatient
FY 2011-12	\$1,356,716	\$1,297,860	\$58,856
FY 2012-13	\$1,405,488	\$1,337,907	\$67,581
FY 2013-14	\$1,465,995	\$1,393,448	\$72,547
FY 2014-15	\$1,526,500	\$1,448,988	\$77,512

SMHS FOR CHILDREN

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5. Medi-Cal SMHS program costs are shared between federal funds participation (FFP) and county funds (CF). The accrual costs for FFP and CF are below:

(Dollars In Thousands)

	TF	FFP	CF
FY 2011-12	\$1,356,716	\$682,214	\$674,502
FY 2012-13	\$1,405,488	\$706,741	\$698,747
FY 2013-14	\$1,465,995	\$737,167	\$728,828
FY 2014-15	\$1,526,500	\$767,594	\$758,906

6. On a cash basis for FY 2013-14, the Department will be paying 1% of FY 2011-12 claims, 28% of FY 2012-13 claims, and 71% of FY 2013-14 claims for SD/MC claims. For FFS Inpatient children's claims, the Department will be paying 1% of FY 2011-12 claims, 20% of FY 2012-13 claims, and 79% of FY 2013-14 claims. The overall cash amounts for Children's SMHS are:

(Dollars In Thousands)

	TF	SD/MC	FFS Inpatient
FY 2011-12	\$13,568	\$12,979	\$589
FY 2012-13	\$388,027	\$374,848	\$13,179
FY 2013-14	\$1,046,778	\$989,104	\$57,674
Total FY 2013-14	\$1,448,373	\$1,376,931	\$71,442

7. On a cash basis for FY 2014-15, the Department will be paying 1% of FY 2012-13 claims, 28% of FY 2013-14 claims, and 71% of FY 2014-15 claims for SD/MC claims. For FFS Inpatient children's claims, the Department will be paying 1% of FY 2012-13 claims, 20% of FY 2013-14 claims, and 79% of FY 2014-15 claims. The cash amounts for Children's SMHS are:

(Dollars In Thousands)

	TF	SD/MC	FFS Inpatient
FY 2012-13	\$14,055	\$13,379	\$676
FY 2013-14	\$404,557	\$390,409	\$14,148
FY 2014-15	\$1,090,150	\$1,028,529	\$61,621
Total FY 2014-15	\$1,508,762	\$1,432,317	\$76,445

8. Medicaid Expansion Children's Health Insurance Program (M-CHIP) claims are eligible for federal reimbursement of 65%. Medi-Cal (MC) claims are eligible for 50% federal reimbursement.

(Dollars In Thousands)

Cash Estimate	TF	FFP	M-CHIP*	County
Total FY 2013-14	\$1,448,373	\$710,453	\$17,854	\$720,066
Total FY 2014-15	\$1,508,762	\$740,072	\$18,602	\$750,088

Funding:

100% Title XIX FFP (4260-101-0890)
 100% Title XXI FFP (4260-113-0890)*

SMHS FOR ADULTS

BASE POLICY CHANGE NUMBER: 70
IMPLEMENTATION DATE: 7/2012
ANALYST: Julie Chan
FISCAL REFERENCE NUMBER: 1780

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$502,241,000	\$512,977,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$502,241,000	\$512,977,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$502,241,000	\$512,977,000

DESCRIPTION

Purpose:

This policy change estimates the base cost for specialty mental health services (SMHS) provided to adults (21 years of age and older).

Authority

Welfare & Institutions Code 14680-14685.1
Specialty Mental Health Consolidation Program Waiver

Interdependent Policy Changes:

Not Applicable

Background:

The Medi-Cal SMHS program is “carved-out” of the broader Medi-Cal program and is administered by the Department under the authority of a waiver approved by the Centers for Medicare and Medicaid Services (CMS). The Department contracts with a Mental Health Plan (MHP) in each county to provide or arrange for the provision of Medi-Cal SMHS. All MHPs are county mental health departments.

SMHS are Medi-Cal entitlement services for adults and children that meet medical necessity criteria, which consist of having a specific covered diagnosis, functional impairment, and meeting intervention criteria. MHPs must certify that they incurred a cost before seeking federal reimbursement through claims to the State. MHPs are responsible for the non-federal share of Medi-Cal SMHS. Mental health services for Medi-Cal beneficiaries who do not meet the criteria for SMHS are provided under the broader Medi-Cal program either through managed care (MC) plans (by primary care providers within their scope of practice) or fee-for-service (FFS).

This policy change budgets the costs associated with SMHS for adults. A separate policy change budgets the costs associated with SMHS for children.

SMHS FOR ADULTS

BASE POLICY CHANGE NUMBER: 70

The following Medi-Cal SMHS are available for adults:

- Adult Residential Treatment Services
- Crisis Intervention
- Crisis Stabilization
- Crisis Residential Treatment Services
- Day Rehabilitation
- Day Treatment Intensive
- Medication Support Services
- Psychiatric Health Facility Services
- Psychiatric Inpatient Hospital Services
- Targeted Case Management
- Therapy and Other Service Activities

Reason for Change from Prior Estimate:

Changes are due to additional approved claims data and the elimination of the State Maximum Rate (SMA).

Methodology:

1. The costs are developed using 69 months of Short-Doyle/Medi-Cal (SD/MC) and 67 months of Fee-For-Service Medi-Cal (FFS/MC) approved claims data, excluding disallowed claims. The SD/MC data is current as of June 30, 2013, with dates of service from July 2007 through March 2013. The FFS data is current as of August 23, 2013, with dates of service from July 2007 through January 2013.
2. Due to the lag in reporting of claims data, the six most recent months of data are weighted (Lag Weights) based on observed claiming trends to create projected final claims and clients data.
3. Applying more weight to recent data necessitates the need to ensure that lag weight adjusted claims data (a process by which months of partial data reporting is extrapolated to create estimates of final monthly claims) is as complete and accurate as possible. The development and application of lag weights is based upon historical reporting trends of the counties.
4. The forecast is based on a service year of costs. This accrual cost is below:

(Dollars In Thousands)

	<u>Total</u>	<u>SD/MC</u>	<u>FFS Inpatient</u>
FY 2011-12	\$920,844	\$791,532	\$129,312
FY 2012-13	\$989,700	\$849,545	\$140,155
FY 2013-14	\$1,010,693	\$863,830	\$146,863
FY 2014-15	\$1,031,685	\$878,115	\$153,570

SMHS FOR ADULTS

BASE POLICY CHANGE NUMBER: 70

5. Medi-Cal SMHS program costs are shared between federal funds participation (FFP) and county funds (CF). The accrual cost for FFP and CF are below:

(Dollars In Thousands)

	Total	FFP	CF
FY 2011-12	\$920,844	\$460,422	\$460,422
FY 2012-13	\$989,700	\$494,850	\$494,850
FY 2013-14	\$1,010,693	\$505,347	\$505,346
FY 2014-15	\$1,031,685	\$515,843	\$515,842

6. On a cash basis for FY 2013-14, the Department will be paying 1% of FY 2011-12 claims, 28% of FY 2012-13 claims, and 71% of FY 2013-14 claims for SD/MC claims. For FFS Inpatient adult's claims, the Department will be paying 1% of FY 2011-12 claims, 20% of FY 2012-13 claims, and 79% of FY 2013-14 claims. The cash amounts for Adult SMHS are:

(Dollars In Thousands)

	Total	SD/MC	FFS Inpatient
FY 2011-12	\$9,208	\$7,915	\$1,293
FY 2012-13	\$265,353	\$238,021	\$27,332
FY 2013-14	\$729,922	\$613,168	\$116,754
Total FY 2013-14	\$1,004,483	\$859,104	\$145,379

7. On a cash basis for FY 2014-15, the Department will be paying 1% of FY 2012-13 claims, 28% of FY 2013-14 claims, and 71% of FY 2014-15 claims for SD/MC claims. For FFS Inpatient adult's claims, the Department will be paying 1% of FY 2012-13 claims, 20% of FY 2013-14 claims, and 79% of FY 2014-15 claims. The cash amounts for Adult SMHS are:

(Dollars In Thousands)

	Total	SD/MC	FFS Inpatient
FY 2012-13	\$9,897	\$8,495	\$1,402
FY 2013-14	\$270,663	\$242,023	\$28,640
FY 2014-15	\$745,394	\$623,308	\$122,086
Total FY 2014-15	\$1,025,954	\$873,826	\$152,128

8. Medi-Cal (MC) claims are eligible for 50% federal reimbursement.

(Dollars In Thousands)

Cash Estimate	TF	FFP	County
Total FY 2013-14	\$1,004,483	\$502,241	\$502,242
Total FY 2014-15	\$1,025,954	\$512,977	\$512,977

Funding:

100% Title XIX FFP (4260-101-0890)

SPECIALTY MENTAL HEALTH SVCS SUPP REIMBURSEMENT

REGULAR POLICY CHANGE NUMBER: 71
 IMPLEMENTATION DATE: 2/2014
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1458

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$293,819,000	\$107,898,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$293,819,000	\$107,898,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$293,819,000	\$107,898,000

DESCRIPTION

Purpose:

This policy change estimates the supplemental reimbursement based on certified public expenditures for Specialty Mental Health Services (SMHS).

Authority:

ABX4 5 (Chapter 5, Statutes of 2009)
 Welfare & Institution Code 14723

Interdependent Policy Changes:

Not Applicable

Background:

State law allows an eligible public agency receiving reimbursement for SMHS provided to Medi-Cal beneficiaries to receive supplemental reimbursement up to 100% of the allowable costs of providing the services. To receive the supplemental payments, the public agency must certify that they incurred the public expenditures.

The Supplemental Payment Program is pending approval from the Centers for Medicare and Medicaid Services (CMS).

Reason for Change from Prior Estimate:

There is no change.

Methodology:

1. The unreimbursed costs for county-operated providers was calculated based on the difference between the county operated provider's gross allowable cost and the gross schedule of statewide maximum allowance (SMA).
2. The amount of unreimbursed costs was increased by the ratio of county costs to total mental health plan costs to account for unreimbursed costs for contract providers.

**SPECIALTY MENTAL HEALTH SVCS SUPP
REIMBURSEMENT
REGULAR POLICY CHANGE NUMBER: 71**

3. The FY 2008-09 estimates were developed using the final filed cost reports received from each county mental health plan.
4. The FY 2009-10 estimates were developed using the final filed cost reports received from each county and are still under Department review.
5. Assume the FY 2010-11 supplemental payments will increase by 10% from the payment for FY 2009-10 and the FY 2011-12 supplemental payments will increase by 10% from the payment for FY 2010-11.

(Dollars In Thousands)

	<u>FFP - REGULAR</u>	<u>FFP - ARRA</u>	<u>TOTAL FFP</u>
FY 2008-09 FFP	\$51,463	\$12,079	\$63,542
FY 2009-10 FFP	\$89,172	\$20,484	\$109,656
FY 2010-11 FFP	\$98,089	\$22,532	\$120,621
Total for FY 2013-14	\$238,724	\$55,095	\$293,819
FY 2011-12 FFP	\$107,898	\$0	\$107,898
Total for FY 2014-15	\$107,898	\$0	\$107,898

Funding:

100% Title XIX FFP (4260-101-0890)

ELIMINATION OF STATE MAXIMUM RATES

REGULAR POLICY CHANGE NUMBER: 72
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1759

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$124,190,000	\$133,477,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$124,190,000	\$133,477,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$124,190,000	\$133,477,000

DESCRIPTION

Purpose:

This policy change estimates the elimination of the state maximum rates for Medi-Cal specialty mental health services.

Authority

Assembly Bill 1297 (Chapter 651, Statutes of 2011)

Interdependent Policy Changes:

Not Applicable

Background:

The Welfare and Institution Code, sections 5720 and 5724, limited reimbursement of specialty mental health services to the state maximum rates. The state maximum rate is a schedule of maximum allowances (SMA) for specialty mental health services. AB 1297 amended W& I Code, sections 5720 and 5724 to change the manner in which specialty mental health services are reimbursed. AB 1297 requires the Department to reimburse mental health plans based upon the lower of their certified public expenditures or the federal upper payment limit. The federal upper payment limit will be equal to the aggregate allowable cost or customary charge for all specialty mental health services provided by the mental health plan and its network of providers. These changes to the reimbursement methodology will result in an increase of federal reimbursement to mental health plans for specialty mental health services.

Reason for Change from Prior Estimate:

The change is due to an increase of 7.69% for payments made each year and the payment rates of claims paid during FY 2013-14.

Methodology:

1. The costs are developed using FY 2009-10 final filed cost reports received from each county.
2. The costs in excess of the SMA that was not reimbursed in the past but are eligible for

ELIMINATION OF STATE MAXIMUM RATES

REGULAR POLICY CHANGE NUMBER: 72

reimbursement under AB 1297, is budgeted in this policy change.

3. Assume each year there will be an increase of 7.69% from the payment for FY 2009-10, which is the most recent fiscal year for which cost reports are available.
4. The accrual estimates are:

(In Thousands)				
FY 2012-13	TF	FFP	M-CHIP	County
Children	\$129,552	\$63,016	\$2,288	\$64,248
Adults	\$104,440	\$52,220	\$0	\$52,220
Total	\$233,992	\$115,236	\$2,288	\$116,468

(In Thousands)				
FY 2013-14	TF	FFP	M-CHIP	County
Children	\$139,517	\$67,863	\$2,464	\$69,190
Adults	\$112,474	\$56,237	\$0	\$56,237
Total	\$251,991	\$124,100	\$2,464	\$125,427

(In Thousands)				
FY 2014-15	TF	FFP	M-CHIP	County
Children	\$150,249	\$73,083	\$2,654	\$74,512
Adults	\$121,126	\$60,563	\$0	\$60,563
Total	\$271,375	\$133,646	\$2,454	\$135,075

5. On a cash basis for FY 2013-14, the Department will be paying 29% of FY 2012-13 claims and 71% of FY 2013-14 claims. In FY 2014-15, the Department will be paying 29% of FY 2013-14 claims and 71% of FY 2014-15 claims.

(In Thousands)				
FY 2012-13	TF	FFP	M-CHIP*	County
Children	\$37,817	\$18,522	\$664	\$18,631
Adults	\$30,288	\$15,144	\$0	\$15,144
Total	\$68,105	\$33,666	\$644	\$33,775

(In Thousands)				
FY 2013-14	TF	FFP	M-CHIP*	County
Children	\$99,057	\$48,183	\$1,749	\$49,125
Adults	\$79,857	\$39,928	\$0	\$39,929
Total	\$178,914	\$88,111	\$1,749	\$89,054
Total FY 2013-14	\$247,019	\$121,777	\$2,413	\$122,829

ELIMINATION OF STATE MAXIMUM RATES

REGULAR POLICY CHANGE NUMBER: 72

(In Thousands)				
FY 2013-14	TF	FFP	M-CHIP*	County
Children	\$40,460	\$19,680	\$715	\$20,065
Adults	\$32,617	\$16,309	\$0	\$16,308
Total	\$73,077	\$35,989	\$715	\$36,373
(In Thousands)				
FY 2014-15	TF	FFP	M-CHIP*	County
Children	\$106,676	\$51,889	\$1,884	\$52,903
Adults	\$85,999	\$43,000	\$0	\$42,999
Total	\$192,675	\$94,889	\$1,884	\$95,902
Total FY 2014-15	\$265,752	\$130,878	\$2,599	\$132,275

Funding:

100% Title XIX FFP (4260-101-0890)

100% Title XXI FFP (4260-113-0890)*

TRANSITION OF HFP - SMH SERVICES

REGULAR POLICY CHANGE NUMBER: 73
 IMPLEMENTATION DATE: 1/2013
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1719

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$32,619,000	\$41,938,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$32,619,000	\$41,938,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$32,619,000	\$41,938,000

DESCRIPTION

Purpose:

This policy change estimates the federal reimbursement for specialty mental health benefits associated with transitioning the Healthy Families Program (HFP) subscribers into the Medi-Cal program.

Authority:

AB 1494 (Chapter 28, Statutes of 2012)

Interdependent Policy Changes:

Not Applicable

Background:

AB 1494 transitions all HFP subscribers into the Medi-Cal program using a phased-in approach beginning January 2013. Under the HFP, the mental health services provided to the Seriously Emotionally Disturbed (SED) enrollees are carved out and provided by county mental health plans. The Medi-Cal program does not have an "SED carve-out," but it does carve out from Medi-Cal managed care plans any mental health services beyond what a primary care physician can provide within their scope of practice; this includes Medi-Cal specialty mental health services. Children transitioning from the HFP to Medi-Cal will have access to the carved-out Medi-Cal specialty mental health services provided by county mental health plans if they meet medical necessity criteria for those services. County mental health plans are eligible to claim FFP through the Certified Public Expenditure (CPE) process.

The first group of children transitioned from HFP to Medi-Cal on January 1, 2013. The remaining groups will transition to Medi-Cal in phases throughout calendar year 2013 and upon CMS approval for each transition phase.

HFP subscribers that transition to the Medi-Cal program are considered Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) eligible and can receive the full array of Medi-Cal specialty mental health services based on medical necessity and their mental health needs.

TRANSITION OF HFP - SMH SERVICES

REGULAR POLICY CHANGE NUMBER: 73

Reason for Change from Prior Estimate:

Revision based on the updates to HFP caseload.

Methodology:

1. Beginning January 1, 2013, HFP subscribers transitioned to Medi-Cal.
2. The majority of mental health services provided to current SED enrollees will continue under the Medi-Cal specialty mental health services. As such, the current SED expenditures will shift from the HFP Families – SED policy change to the Children’s SMHS policy changes.
3. Additional EPSDT clients may be served by the mental health plans as a result of changing from SED criteria to Medi-Cal medical necessity criteria, which will increase utilization of outpatient services.
4. Additional psychiatric inpatient services will be provided by the mental health plans that were previously covered by the HFP managed care plans.

(In Thousands)

	TF	FFP	County
SED Services	\$26,878	\$17,471	\$9,407
Outpatient	\$37,814	\$24,579	\$13,235
Inpatient	\$12,369	\$8,040	\$4,329
FY 2013-14	\$77,061	\$50,090	\$26,971

(In Thousands)

	TF	FFP	County
SED Services	\$35,540	\$23,101	\$12,439
Outpatient	\$48,618	\$31,602	\$17,016
Inpatient	\$15,902	\$10,336	\$5,566
FY 2014-15	\$100,060	\$65,039	\$35,021

Funding:

100% Title XXI FFP (4260-113-0890)

KATIE A. V. DIANA BONTA

REGULAR POLICY CHANGE NUMBER: 74
 IMPLEMENTATION DATE: 1/2013
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1718

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$27,955,000	\$26,751,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$27,955,000	\$26,751,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$27,955,000	\$26,751,000

DESCRIPTION**Purpose:**

This policy change estimates the increase in costs due to the *Katie A. v. Diana Bontá* lawsuit.

Authority:

Katie A. v. Diana Bontá

Interdependent Policy Changes:

Not Applicable

Background:

On March 14, 2006, the U.S. Central District Court of California issued a preliminary injunction in *Katie A. v. Diana Bontá*, requiring the provision of Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program “wraparound” and “therapeutic foster care” (TFC) mental health services under the Specialty Mental Health Services waiver to children in foster care or “at risk” of foster care placement. On appeal, the Ninth Circuit Court reversed the granting of the preliminary injunction and remanded the case to District Court in order to review each component service to determine whether they are mandated Medicaid covered services, and if so, whether the Medi-Cal program provides each service effectively. The court ordered the parties to engage in further meetings with the court appointed Special Master. On July 15, 2011, the parties agreed to a proposed settlement that was subject to court approval and on December 2, 2011, the court granted final approval of the proposed settlement. Since October 13, 2011, the parties have met with the Special Master to develop a plan for settlement implementation. As a result of the lawsuit, beneficiaries meeting medical necessity criteria may receive an increase in existing services that will be provided in a more intensive and effective manner. In this context, these existing services are referred to as Intensive Care Coordination (ICC), Intensive Home-Based Services (IHBS), and Therapeutic Foster Care (TFC). The ICC and IHBS were available effective January 1, 2013, and TFC is anticipated to be available beginning January 1, 2014.

Reason for Change from Prior Estimate:

This estimate has been updated for an increase in the lag of claim payments.

KATIE A. V. DIANA BONTA
REGULAR POLICY CHANGE NUMBER: 74

Methodology:

1. The *Katie A.* cost estimate is based on two factors:
 - An increase in the penetration rate of children receiving specialty mental health services within the *Katie A.* subclass of clients; and
 - An increase in the cost of services per client for existing clients due to the availability of more intensive services.
2. This estimate assumes the increase in the cost of services per client for ICC, IHBS, and TFC.
3. The estimated annual cost for new clients is \$38,830,000 and the estimated annual increase in cost for existing clients is \$14,672,000, giving a total annual cost of \$53,502,000. These amounts are based on an accrual basis.
4. Assume the additional services began January 1, 2013.
5. In FY 2012-13 assume the accrual estimate is half of the full year costs.

$\$53,502,000 \div 12 \text{ months} \times 6 \text{ months} = \$26,751,000$
6. Based on historical claims received, assume 71% of the each fiscal year claims will be paid in the year the services occur. The remaining 29% is paid in the following year. Due to startup billing delays for FY 2012-13 services, assume 67% of the claims are paid in FY 2013-14.

(In Thousands)

Cash Estimate	<u>TF</u>	<u>FFP</u>	<u>County</u>
FY 2012-13	\$17,924	\$8,962	\$8,962
FY 2013-14	\$37,986	\$18,993	\$18,993
FY 2013-14	\$55,910	\$27,955	\$27,955
FY 2013-14	\$15,516	\$7,758	\$7,758
FY 2014-15	\$37,986	\$18,993	\$18,993
FY 2014-15	\$53,502	\$26,751	\$26,751

Funding:

100% Title XIX FFP (4260-101-0890)

HEALTHY FAMILIES - SED

REGULAR POLICY CHANGE NUMBER: 75
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1712

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$18,731,000	\$18,307,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$18,731,000	\$18,307,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$18,731,000	\$18,307,000

DESCRIPTION**Purpose:**

This policy change estimates the costs of providing services to Healthy Families enrollees who are Seriously Emotionally Disturbed (SED).

Authority:

California Insurance Code 12693.61 and 12694.1

Interdependent Policy Changes:

Not Applicable

Background:

The Healthy Families Program (HFP) provides low cost insurance for eligible children under the age of 19 whose families:

- Do not have health insurance,
- Do not qualify for zero share of cost Medi-Cal,
- Income is at or below 250 percent of the federal poverty level.

Mental health services for the HFP subscribers who are SED are "carved-out" of the HFP managed care health plans' array of covered services and are provided by county mental health departments. County mental health departments are responsible for the provision and payment of all treatment of SED conditions, with the exception of the first thirty days of psychiatric inpatient services per benefit year, which remain the responsibility of the HFP health plan. This covered benefit is referred to as the "HFP SED benefit."

When a county mental health department assumes responsibility for the treatment of the HFP subscriber's SED condition, it can submit claims to obtain federal reimbursement for the services. County mental health departments receive 65% FFP reimbursement for services provided to HFP subscribers and pay for the 35% match with realignment dollars or other local funds.

HEALTHY FAMILIES - SED

REGULAR POLICY CHANGE NUMBER: 75

On January 1, 2013, HFP ceased to enroll new subscribers and the current HFP subscribers were phased into the Medi-Cal program.

Reason for Change from Prior Estimate:

There is a decrease in FY 2013-14 expenditures due to updated claims data and a decrease in FY 2012-13 approved claims as a result of the HFP enrollees transition to Medi-Cal.

Methodology:

1. The costs are developed using 69 months of Short-Doyle/Medi-Cal (SD/MC) approved claims data, excluding disallowed claims. The SD/MC data is current as of June 30, 2013, with dates of service from July 2007 through March 2013.
2. Due to the lag in reporting of claims data, the most recent six months of data must be weighted (Lag Weights) based on observed claiming trends to create projected final claims and clients data.
3. Applying more weight to recent data necessitates the need to ensure that lag weight adjusted claims data (a process by which months of partial data reporting is extrapolated to create estimates of final monthly claims) is as complete and accurate as possible. The development and application of lag weights is based upon historical reporting trends of the counties.
4. Medi-Cal Specialty Mental Health programs costs are shared between federal funds (FFP) and a county match. State Children's Health Insurance Program (S-CHIP) claims are eligible for federal reimbursement of 65%.
5. The forecast is based on a service year of costs. This accrual cost is below:

(Dollars In Thousands)

Accrual Estimate	TF	FFP	County
FY 2011-12	\$31,558	\$20,513	\$11,045
FY 2012-13	\$29,245	\$19,009	\$10,236
FY 2013-14	\$28,609	\$18,596	\$10,013
FY 2014-15	\$27,973	\$18,182	\$9,791

6. On a cash basis for FY 2013-14, the Department will be paying 1% of FY 2011-12 claims, 28% of FY 2012-13 claims, and 71% of FY 2013-14 claims for SD/MC claims.

(Dollars In Thousands)

Cash Estimate	TF	FFP	County
FY 2011-12	\$316	\$205	\$111
FY 2012-13	\$8,189	\$5,323	\$2,866
FY 2013-14	\$20,312	\$13,203	\$7,109
TOTAL FY 2013-14	\$28,817	\$18,731	\$10,086

HEALTHY FAMILIES - SED
REGULAR POLICY CHANGE NUMBER: 75

7. On a cash basis for FY 2014-15, the Department will be paying 1% of FY 2012-13 claims, 28% of FY 2013-14 claims, and 71% of FY 2014-15 claims for SD/MC claims.

(Dollars In Thousands)

Cash Estimate	<u>TF</u>	<u>FFP</u>	<u>County</u>
FY 2012-13	\$292	\$190	\$102
FY 2013-14	\$8,011	\$5,207	\$2,804
FY 2014-15	\$19,861	\$12,910	\$6,951
TOTAL FY 2014-15	\$28,164	\$18,307	\$9,857

Funding:

100% Title XXI FFP (4260-113-0890)

INVESTMENT IN MENTAL HEALTH WELLNESS

REGULAR POLICY CHANGE NUMBER: 76
 IMPLEMENTATION DATE: 1/2014
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1805

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$12,400,000	\$24,800,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$12,400,000	\$24,800,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$12,400,000	\$24,800,000

DESCRIPTION

Purpose:

This policy change estimates the federal funds for mobile crisis support teams and triage personnel to enhance mental health services for community wellness.

Authority:

SB 82 (Chapter 34, Statutes of 2013) Investment in Mental Health Wellness Act of 2013

Interdependent Policy Changes:

Not Applicable

Background:

The Investment in Mental Health Wellness Act of 2013 specifies to add 25 mobile crisis support teams and at least 2,000 crisis stabilization and crisis residential treatment beds over the next two years to expand community-based resources and capacity. These resources would provide a comprehensive continuum of services to address short-term crisis, acute needs, and the longer-term ongoing treatment and rehabilitation opportunities of adults with mental health care disorders. The California Health Facilities Financing Authority within the State Treasurer's Office will implement grant programs for one-time funding to build supporting infrastructure. The anticipated federal fund reimbursements for mobile crisis support services of \$2.8 million annually may begin in January 2014, depending on approved grant applications.

This Act also specifies to add at least 600 triage personnel over the next two years to assist individuals in gaining access to medical, specialty mental health care, alcohol and drug treatment, social, educational, and other services. The Mental Health Services Oversight and Accountability Commission will implement an allocation process based on funding applications for Mental Health Services Act funds totaling \$32 million. The majority of the triage personnel costs are assumed to be Medi-Cal reimbursable. The total estimated federal reimbursement is \$22 million annually. The triage services may begin in January 2014, depending on approved funding applications.

INVESTMENT IN MENTAL HEALTH WELLNESS

REGULAR POLICY CHANGE NUMBER: 76

Reason for Change from Prior Estimate:

The federal fund reimbursements expenditures have been updated to begin January 2014.

Methodology:

1. The federal portion is shown below:

(Dollars In Thousands)

	FY 2013-14	FY 2014-15
Mobile Crisis Teams	\$1,400	\$2,800
600 Triage Personnel	\$11,000	\$22,000
Total	\$12,400	\$24,800

Funding:

Title XIX 100% FFP (4260-101-0890)

OVER ONE-YEAR CLAIMS

REGULAR POLICY CHANGE NUMBER: 77
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1717

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$3,000,000	\$3,000,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$3,000,000	\$3,000,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$3,000,000	\$3,000,000

DESCRIPTION

Purpose:

This policy change estimates the cost of claims that are submitted by county mental health plans for late eligibility determinations.

Authority:

Title 22, California Code of Regulations 50746 and 51008.5
 Welfare & Institutions Code 14680-14685.1
 Specialty Mental Health Services Consolidation Waiver

Interdependent Policy Changes:

Not Applicable

Background:

County mental health plans have begun submitting Medi-Cal specialty mental health service claims for clients with Letters of Authorization for late eligibility determinations. When an over one-year claim is determined as eligible by the Department, the county has 60 days to submit the claim for payment.

Reason for Change from Prior Estimate:

There is no change.

Methodology:

- One-year claims are based on actual claims received from the counties.

	(In Thousands)		
	<u>TF</u>	<u>FFP</u>	<u>County</u>
FY 2013-14	\$6,000	\$3,000	\$3,000
FY 2014-15	\$6,000	\$3,000	\$3,000

Funding:

100% Title XIX FFP (4260-101-0890)

SOLANO COUNTY SMHS REALIGNMENT CARVE-OUT

REGULAR POLICY CHANGE NUMBER: 78
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1716

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$2,270,000	\$2,270,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$2,270,000	\$2,270,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$2,270,000	\$2,270,000

DESCRIPTION

Purpose:

This policy change estimates the cost of Solano County exercising their right to assume responsibility for providing or arranging for Medi-Cal specialty mental health services (SMHS).

Authority:

Not Applicable

Interdependent Policy Changes:

Not Applicable

Background:

Prior to FY 2012-13, the Medi-Cal managed care program, Partnership Health Plan, "carved in" SMHS for Solano County.

Effective July 1, 2012, the Solano County mental health plan terminated its contractual relationship with Partnership Health Plan and assumed responsibility to provide or arrange for the provision of the full array of Medi-Cal SMHS to eligible Medi-Cal beneficiaries, with the exception of Partnership Health Plan enrollees that are Kaiser Permanente members. Partnership Health Plan will continue to capitate payments for Kaiser Permanente SMHS provided to Kaiser Permanente members, pursuant to the terms of a separate agreement between Partnership Health Plan and Kaiser Permanente.

The Medi-Cal managed care contract was reduced for the Solano County mental health services component. The 2011 Realignment funding for Solano County was increased by the amount needed (\$2,769,000) for services for all Medi-Cal beneficiaries in anticipation of Solano County assuming the entire provision of services role. Since it has not yet assumed responsibility for the Kaiser Permanente members, Solano County will provide the Department with the portion of its 2011 Realignment funds associated with the capitated amount provided by the Department to Partnership Health Plan for SMHS for Kaiser Permanente members (\$499,000).

SOLANO COUNTY SMHS REALIGNMENT CARVE-OUT

REGULAR POLICY CHANGE NUMBER: 78

Reason for Change from Prior Estimate:

The estimate is reduced by approximately \$1 million total funds (TF) for the annual amount paid to Kaiser Permanente in capitation payments. This amount is instead paid through the Medi-Cal Managed Care contract.

Methodology:

- Partnership Health Plan has identified that it pays out approximately \$4.5 million TF to Solano County Mental Health Plan in annual capitation payments for SMHS.

(In Thousands)

	<u>TF</u>	<u>FFP</u>	<u>County</u>
FY 2013-14	\$4,540	\$2,270	\$2,270
FY 2014-15	\$4,540	\$2,270	\$2,270

Funding:

100% Title XIX FFP (4260-101-0890)

SISKIYOU COUNTY MENTAL HEALTH PLAN OVERPAYMENT

REGULAR POLICY CHANGE NUMBER: 79
 IMPLEMENTATION DATE: 1/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1660

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$0	\$0
- STATE FUNDS	\$7,204,000	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$0	\$0
STATE FUNDS	\$7,204,000	\$0
FEDERAL FUNDS	-\$7,204,000	\$0

DESCRIPTION

Purpose:

This policy change estimates the cost of federal financial participation (FFP) repayments made to the Centers for Medicare and Medicaid Services (CMS) for improper claims for Medi-Cal services made by Siskiyou County Mental Health Plan. In addition, Siskiyou County General Fund (GF) reimbursements are also included in this policy change.

Authority:

Title 42, United States Code (USC) 1396b(d)(2)(C)

Interdependent Policy Changes:

Not Applicable

Background:

During the audit and cost settlement process, the Department identified overpayments to Siskiyou County Mental Health Plan as a result of improper Medi-Cal billing practices. Pursuant to federal statute, the Department must remit the overpaid FFP to CMS within a year of the discovery date. While the county acknowledged its Medi-Cal billing problems, it is unable to repay the amounts owed in a significant or timely manner. Consequently, the County will reimburse the Department in the amount of \$200,000 per year until it fulfills its obligation for repayment. The County submitted its first payment of \$200,000 in August 2012.

Reason for Change from Prior Estimate:

FY 2012-13 repayment amounts were moved to FY 2013-14 and the total repayment amount was reduced to account for the FFP due to the county during the cost settlement. Also, a repayment amount of \$1,131,000 was added as a result of a chart review audit.

Methodology:

1. The Department began making repayments to CMS in January 2012.
2. In FY 2013-14, a repayment amount of \$1,131,000 was added as a result of a chart review audit disallowing service claims for Heal Therapy.

**SISKIYOU COUNTY MENTAL HEALTH PLAN
OVERPAYMENT
REGULAR POLICY CHANGE NUMBER: 79**

3. Siskiyou County will reimburse the GF \$200,000 annually. As a result, of the total FFP repayment of \$7,204,000 that the Department will make in FY 2013-14, \$7,004,000 will be paid from the GF. Reimbursements are shown in the Management Summary.

<u>Date of Overpayment Discovery</u>	<u>FY 2013-14 Repayment</u>	<u>FY 2014-15 Repayment</u>
8/4/2011	\$2,090,000	
11/15/2011	\$ 586,000	
12/21/2011	\$ 95,000	
3/26/2012	\$443,000	
1/30/2013	\$2,859,000	
5/30/2013	\$1,131,000	
Total:	\$7,204,000	
	GF	(\$200,000) Reimbursement
	(\$200,000)	

Funding:

GF (4260-101-0001)

Title XIX FFP (4260-101-0890)

Reimbursement GF (4260-610-0995)

IMD ANCILLARY SERVICES

REGULAR POLICY CHANGE NUMBER: 80
 IMPLEMENTATION DATE: 7/1999
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 35

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	\$0	\$0
- STATE FUNDS	\$6,000,000	\$6,000,000
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	\$0	\$0
STATE FUNDS	\$6,000,000	\$6,000,000
FEDERAL FUNDS	-\$6,000,000	-\$6,000,000

DESCRIPTION

Purpose:

This policy change estimates the cost of federal financial participation (FFP) repayments that the Department must make to the Centers for Medicare and Medicaid Services (CMS) for inappropriately claimed ancillary services for Medi-Cal beneficiaries residing in Institutions for Mental Diseases (IMDs).

Authority:

Title 42, Code of Federal Regulations 435.1009
 Welfare & Institutions Code 14053.3

Interdependent Policy Changes:

PC 82 Reimbursement in IMD Ancillary Services Costs

Background:

Ancillary services provided to Medi-Cal beneficiaries who are ages 22 through 64 residing in IMDs are not eligible for state or federal reimbursement. These ancillary services are to be county-funded. The Department has instructed providers to bill the responsible county as indicated in the Medi-Cal Eligibility Data System (MEDS). Identifiers are currently not available in MEDS to indicate whether a Medi-Cal beneficiary is residing in an IMD. Consequently, the Department's Fiscal Intermediary (FI) may deny any claims that are ineligible for reimbursement for this reason. The Department uses data from the mental health Client Services Information (CSI) system to retrospectively identify the dates individuals were residents of an IMD for repayment of the FFP, as required by the Centers for Medicare & Medicaid Services (CMS). This information is not known at the time the claims were processed and paid by the FI. The Department matches the data from the CSI system to the claims data to determine which claims were inappropriately reimbursed while the individual was a resident of an IMD.

While the Department intends to develop eligibility and claiming processes to stop inappropriate claiming and reimbursement for ancillary services, the current inappropriately paid services must be repaid to CMS.

This policy change budgets the costs for the Department to repay the FFP portion of IMD costs to the CMS. A separate policy change, called Reimbursement in IMD Ancillary Services Costs, budgets the

IMD ANCILLARY SERVICES
REGULAR POLICY CHANGE NUMBER: 80

total reimbursement to be collected from the counties to repay the Department and CMS.

Reason for Change from Prior Estimate:

There is no change.

Methodology:

1. The FFP repayment for FY 2013-14 and FY 2014-15 is:

(Dollars in Thousands)

<u>Services Received</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
10/01/10 - 09/30/11	\$6,000	\$0
10/01/11 - 09/30/12	\$0	\$6,000
Total	\$6,000	\$6,000

Funding:

100% General Fund (4260-101-0001)

Title XIX FFP (4260-101-0890)

CHART REVIEW

REGULAR POLICY CHANGE NUMBER: 81
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1714

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	-\$1,475,000	-\$418,000
- STATE FUNDS	\$0	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	-\$1,475,000	-\$418,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	-\$1,475,000	-\$418,000

DESCRIPTION

Purpose:

This policy change estimates the recoupments due to the Department from disallowed claims. The disallowed claims are the result of the on-site chart reviews of inpatient and outpatient mental health providers.

Authority:

Title 9, California Code of Regulations 1810.380

Interdependent Policy Changes:

Not Applicable

Background:

Since January 2005, the Department has been conducting on-site chart reviews of mental health providers by comparing claims to the corresponding patient chart entries.

Reason for Change from Prior Estimate:

Fiscal estimates for FY 2013-14 includes recoupments from prior years.

Methodology:

1. The FY 2013-14 estimate includes recoupments from FY 2011-12, FY 2012-13, and FY 2013-14.
2. The FY 2014-15 estimate includes recoupments from FY 2013-14 and FY 2014-15.

(In Thousands)

	<u>TF</u>	<u>FFP</u>
FY 2013-14	(\$1,475)	(\$1,475)
FY 2014-15	(\$418)	(\$418)

Funding:

Title XIX 100% FFP (4260-101-0890)

REIMBURSEMENT IN IMD ANCILLARY SERVICES COSTS

REGULAR POLICY CHANGE NUMBER: 82
 IMPLEMENTATION DATE: 7/2013
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1711

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	-\$12,000,000	-\$12,000,000
- STATE FUNDS	-\$12,000,000	-\$12,000,000
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	-\$12,000,000	-\$12,000,000
STATE FUNDS	-\$12,000,000	-\$12,000,000
FEDERAL FUNDS	\$0	\$0

DESCRIPTION

Purpose:

This policy change reflects the General Fund (GF) reimbursement for inappropriately claimed Medi-Cal ancillary services provided to beneficiaries in Institutions for Mental Diseases (IMDs).

Authority:

Title 42, Code of Federal Regulations, section 435.1009
 Welfare & Institutions Code, section 14053.3

Interdependent Policy Changes:

Not Applicable

Background:

Ancillary services provided to Medi-Cal beneficiaries who are ages 22 through 64 residing in IMDs are not eligible for state or federal reimbursement. These ancillary services are to be county-funded. The Department has instructed providers to bill the responsible county, as indicated in the Medi-Cal Eligibility Data System (MEDS). Identifiers are currently not available in MEDS to indicate whether a Medi-Cal beneficiary is residing in an IMD. Consequently, the Department's Fiscal Intermediary (FI) may deny any claims that are ineligible for reimbursement for this reason. The Department uses data from the mental health Client Services Information (CSI) system to retrospectively identify the dates individuals were residents of an IMD for repayment of the FFP, as required by the Centers for Medicare & Medicaid Services (CMS). This information is not known at the time the claims were processed and paid by the FI. The Department matches the data from the CSI system to the claims data to determine which claims were inappropriately reimbursed while the individual was a resident of an IMD.

While the Department intends to develop eligibility and claiming processes to stop inappropriate claiming and reimbursement for ancillary services, the current inappropriately paid services must be recovered from the counties per section 14053.3 of WIC. The Department will begin the recovery process in FY 2013-14 beginning with service FY 2008-09, which is the budget year section 14053.3 was added per AB 1183 (Chapter 758, Statutes of 2008).

This policy change budgets the total reimbursement to be collected from the counties to repay the

REIMBURSEMENT IN IMD ANCILLARY SERVICES COSTS

REGULAR POLICY CHANGE NUMBER: 82

Department and CMS. A separate policy change, called IMD Ancillary Services, budgets for the Department to repay the FFP portion of IMD costs to the CMS.

Reason for Change from Prior Estimate:

There is no change.

Methodology:

1. The costs for ancillary services provided to beneficiaries in IMDs are in the Medi-Cal base estimate.
2. In FY 2013-14, the Department expects to collect costs beginning FY 2008-09. These costs will be determined using the inappropriately paid claims for IMD ancillary services and charged to the county responsible for the beneficiary as indicated in MEDS.
3. The GF reimbursement includes repayment for both FFP and any state funds paid for the ancillary services provided to residents of IMDs.

(In Thousands)

Dates of Service	FY 2013-14	FY 2014-15
FY 2008-09	(\$12,000)	\$0
FY 2009-10	\$0	\$(12,000)
Total	(\$12,000)	(\$12,000)

Funding:

100% General Fund (4260-101-0001)

Reimbursement (4260-610-0995)

INTERIM AND FINAL COST SETTLEMENTS - SMHS

REGULAR POLICY CHANGE NUMBER: 83
 IMPLEMENTATION DATE: 7/2013
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1713

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FULL YEAR COST - TOTAL FUNDS	-\$41,760,000	\$0
- STATE FUNDS	\$27,777,000	\$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	-\$41,760,000	\$0
STATE FUNDS	\$27,777,000	\$0
FEDERAL FUNDS	-\$69,537,000	\$0

DESCRIPTION

Purpose:

This policy change estimates the interim and final cost settlements for specialty mental health services (SMHS).

Authority:

Welfare & Institution Code 14705(c)
 Title 9, California Code of Regulations 1840.105

Interdependent Policy Changes:

Not Applicable

Background:

The Department reconciles interim settlements to county cost reports for mental health plans (MHPs) for children, adults, and Healthy Families SMHS. The Department completes interim settlements within two years of the end of the fiscal year. Final settlement is completed within three years of the last amended county cost report the MHPs submit to the Department.

The reconciliation process for each fiscal year may result in an overpayment or underpayment to the county and will be handled as follows:

- For counties that have been determined to be overpaid, the Department will recoup any overpayments.
- For counties that have been determined to be underpaid, the Department will make a payment equal to the difference between the counties cost report and the Medi-Cal payments.

Reason for Change from Prior Estimate:

FY 2013-14 expenditures have been updated to include new final cost settlements, unpaid interim and final cost settlements from FY 2012-13, and updated FY 2009-10 interim cost settlement amounts.

INTERIM AND FINAL COST SETTLEMENTS - SMHS

REGULAR POLICY CHANGE NUMBER: 83

Methodology:

1. Interim cost settlements are based upon the difference between each county MHP's filed cost report and the payments they received from the Department.
2. Final cost settlement is based upon the difference between each county MHP's final audited cost report and the payments they received from the Department.
3. Cost settlements for services, administration, utilization review/quality assurance, and mental health Medi-Cal administrative activities are each determined separately.

(Dollars In Thousands)

	<u>Underpaid</u>	<u>Overpaid</u>	<u>Net</u>
Interim Settlement (FY 2008-09)			
Children and Adults	\$0	(\$24,540)	(\$24,540)
M-CHIP*	\$69	(\$1,419)	(\$1,350)
Healthy Families*	\$1,307	(\$2,353)	(\$1,046)
Interim Settlement (FY 2009-10)			
Children and Adults	\$56,470	(\$76,075)	(\$19,605)
M-CHIP*	\$2,983	(\$2,052)	\$931
Healthy Families*	\$89	(\$3,886)	(\$3,797)
Interim Settlement (FY 2010-11)			
Children and Adults	\$51,645	(\$73,696)	(\$22,051)
M-CHIP*	\$802	(\$2,646)	(\$1,844)
Healthy Families*	\$1,051	(\$1,952)	(\$901)
Final Settlement (Multi-Years)			
Children and Adults	\$46,576	(\$42,259)	\$4,317
M-CHIP*	\$959	(\$219)	\$740
Healthy Families*	\$1,436	(\$1,827)	(\$391)
Total FY 2013-14	\$163,387	(\$232,924)	(\$69,537)

4. Cost settlements prior to realignment may consist of General Fund (GF) and federal financial participation (FFP).

(Dollars In Thousands)

	<u>TF</u>	<u>GF</u>	<u>FFP</u>
Children and Adults	(\$34,102)	\$27,777	(\$61,879)
M-CHIP*	(\$1,523)	\$0	(\$1,523)
Healthy Families*	(\$6,135)	\$0	(\$6,135)
Total FY 2013-14	(\$41,760)	\$27,777	(\$69,537)

INTERIM AND FINAL COST SETTLEMENTS - SMHS

REGULAR POLICY CHANGE NUMBER: 83

Funding:

Title XIX FFP (4260-101-0890)

Title XXI FFP (4260-113-0890)*

100% General Fund (4260-101-0001)

COUNTY SPECIALTY MENTAL HEALTH ADMIN

OTHER ADMIN. POLICY CHANGE NUMBER: 3
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1721

	FY 2013-14	FY 2014-15
TOTAL FUNDS	\$137,795,000	\$155,785,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$137,795,000	\$155,785,000

DESCRIPTION

Purpose:

This policy change estimates the county administrative costs for the Specialty Mental Health Medi-Cal Waiver, Medicaid Children's Health Insurance Program, and Healthy Families Program administered by county mental health departments.

Authority:

Welfare & Institutions Code 14711(c)

Interdependent Policy Changes:

Not Applicable

Background:

Counties may obtain federal reimbursement for certain costs associated with administering a county's mental health program. Counties must report their administration costs and direct facility expenditures quarterly.

Reason for Change from Prior Estimate:

Administrative costs for SMHS for FY 2013-14 decreased in Medi-Cal based on updated expenditure data.

Methodology:

- Mental Health administration costs are based on historical trends. Below are the costs on an accrual basis for Medi-Cal (MC), Healthy Families Program (HFP), and Medicaid Children's Health Insurance Program (M-CHIP). Due to the transition of HFP to Medi-Cal, the HFP costs will entirely shift to M-CHIP in FY 2014-15.

(Dollars In Thousands)

Fiscal Year	MC	HFP	M-CHIP	Total
FY 2011-12	\$228,641	\$1,728	\$844	\$231,213
FY 2012-13	\$255,988	\$1,935	\$844	\$258,767
FY 2013-14	\$287,592	\$34	\$2,261	\$289,887
FY 2014-15	\$323,313	\$0	\$2,131	\$325,444

COUNTY SPECIALTY MENTAL HEALTH ADMIN

OTHER ADMIN. POLICY CHANGE NUMBER: 3

(Dollars In Thousands)

<u>Fiscal Year</u>	<u>Total</u>	<u>FFP</u>	<u>County</u>
FY 2011-12	\$231,213	\$115,992	\$115,221
FY 2012-13	\$258,767	\$129,800	\$128,967
FY 2013-14	\$289,887	\$145,288	\$144,599
FY 2014-15	\$325,444	\$163,042	\$162,402

2. Based on historical claims received, assume 60% of each fiscal year claims will be paid in the year the services occur. Assume 39% is paid in the following year and an additional 1% in the third year.

(Dollars In Thousands)

<u>Fiscal Year</u>	<u>Accrual</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
MC	\$255,988	\$99,835	\$2,560
HFP	\$1,935	\$755	\$19
M-CHIP	\$844	\$329	\$8
FY 2012-13	\$258,767	\$100,919	\$2,587
MC	\$287,592	\$172,555	\$112,161
HFP	\$34	\$20	\$13
M-CHIP	\$2,261	\$1,357	\$882
FY 2013-14	\$289,887	\$173,932	\$113,056
MC	\$323,313	\$0	\$193,988
M-CHIP	\$2,131	\$0	\$1,279
FY 2014-15	\$325,444	\$0	\$195,266

3. Mental Health administration costs are shared between federal funds (FFP) and county funds. Healthy Families (HF) claims are eligible for federal reimbursement of 65%. Medi-Cal (MC) claims are eligible for 50% federal reimbursement.

(Dollars In Thousands)

<u>Claims</u>	<u>FY 2013-14</u>			<u>FY 2014-15</u>		
	<u>TF</u>	<u>FFP</u>	<u>County</u>	<u>TF</u>	<u>FFP</u>	<u>County</u>
MC	\$272,391	\$136,195	\$136,195	\$308,709	\$154,354	\$154,354
HFP*	\$775	\$504	\$271	\$33	\$21	\$11
M-CHIP*	\$1,686	\$1,096	\$590	\$2,169	\$1,410	\$759
Total	\$274,851	\$137,795	\$137,057	\$310,910	\$155,785	\$155,125

Funding:

100% Title XIX FFP (4260-101-0890)

100% Title XXI FFP (4260-113-0890)*

INTERIM AND FINAL COST SETTLEMENTS-SMHS

OTHER ADMIN. POLICY CHANGE NUMBER: 5
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1757

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
TOTAL FUNDS	\$47,779,000	\$13,321,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$47,779,000	\$13,321,000

DESCRIPTION

Purpose:

This policy change estimates the federal funds for the interim and final cost settlements on specialty mental health services (SMHS) administrative expenditures.

Authority:

Welfare & Institution Code 14705(c)

Interdependent Policy Changes:

Not Applicable

Background:

The Department reconciles interim settlements to county cost reports for mental health plans (MHPs) for utilization review/quality assurance (UR/QA), mental health Medi-Cal administrative activities (MH MAA), and administration. The Department completes interim settlements within two years of the end of the fiscal year. Final settlement is completed within three years of the last amended cost report the county MHPs submit to the Department.

The reconciliation process for each fiscal year may result in an overpayment or underpayment to the county and will be handled as follows:

- For counties that have been determined to be overpaid, the Department will recoup any overpayments.
- For counties that have been determined to be underpaid, the Department will reimburse the federal funds.

Reason for Change from Prior Estimate:

Processing the claims for the cost settlement payments for FY 2008-09 were delayed and not paid in FY 2012-13. These payments will be paid in FY 2013-14.

Methodology:

1. Interim cost settlements are based upon the difference between each county MHP's filed cost report and the payments they received from the Department.
2. Final cost settlement is based upon the difference between each county MHP's final audited cost report and the payments they received from the Department.

INTERIM AND FINAL COST SETTLEMENTS-SMHS

OTHER ADMIN. POLICY CHANGE NUMBER: 5

3. Cost settlements for services, administration, UR/QA, and MH MAA are each determined separately.

(Dollars In Thousands)

	<u>Underpaid</u>	<u>Overpaid</u>	<u>Net FFP</u>
Interim Settlements (FY 2008-09)			
SMH Admin	\$26,316	(\$14,481)	\$11,835
UR/QA	\$13,341	(\$1,103)	\$12,238
MH MAA	\$1,787	(\$1,728)	\$59
Interim Settlements (FY 2009-10)			
SMH Admin	\$24,686	(\$17,985)	\$6,701
M-CHIP*	\$1,347	\$0	\$1,347
UR/QA	\$15,452	(\$3,744)	\$11,708
MH MAA	\$11,252	(\$13,433)	(\$2,181)
Healthy Families*	\$1,568	\$0	\$1,568
Interim Settlements (FY 2010-11)			
SMH Admin	\$22,970	(\$21,736)	\$1,234
M-CHIP*	\$489	\$0	\$489
UR/QA	\$12,774	(\$1,241)	\$11,533
MH MAA	\$1,419	(\$2,689)	(\$1,270)
Healthy Families*	\$1,335	\$0	\$1,335
Final Settlements (Multi-Years)			
SMH Admin	\$1,540	(\$7,841)	(\$6,301)
M-CHIP*	\$0	\$0	\$0
UR/QA	\$795	(\$4,689)	(\$3,894)
MH MAA	\$5,568	(\$4,218)	\$1,350
Healthy Families*	\$59	(\$32)	\$27
Total FY 2013-14	\$142,699	(\$94,920)	\$47,779

(Dollars in Thousands)

	<u>Underpaid</u>	<u>Overpaid</u>	<u>Net FFP</u>
Interim Settlements (FY 2011-12)			
SMH Admin	\$22,970	(\$21,736)	\$1,234
M-CHIP*	\$489	\$0	\$489
UR/QA	\$12,774	(\$1,241)	\$11,533
MHMAA	\$1,419	(\$2,689)	(\$1,270)
Healthy Families	\$1,335	\$0	\$1,335
Total FY 2014-15	\$38,987	(\$25,666)	\$13,321

INTERIM AND FINAL COST SETTLEMENTS-SMHS

OTHER ADMIN. POLICY CHANGE NUMBER: 5

Funding:

100% Title XIX FFP (4260-101-0890)

100% Title XXI FFP (4260-113-0890)*

SMH MAA

OTHER ADMIN. POLICY CHANGE NUMBER: 7
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1722

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
TOTAL FUNDS	\$28,193,000	\$25,966,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$28,193,000	\$25,966,000

DESCRIPTION**Purpose:**

This policy change budgets the federal financial participation (FFP) for claims submitted on behalf of specialty mental health plans (MHPs) for Medicaid administrative activities.

Authority:

Welfare & Institutions Code 14132.47
 AB 2377 (Chapter 147, Statutes of 1994)

Interdependent Policy Changes:

Not Applicable

Background:

AB 2377 authorized the State to implement the Medi-Cal Administrative Claiming Process. The Specialty Mental Health Waiver program submits claims on behalf of MHPs to obtain FFP for Medicaid administrative activities necessary for the proper and efficient administration of the specialty mental health waiver program. These activities ensure that assistance is provided to Medi-Cal eligible individuals and their families for the receipt of specialty mental health services.

Reason for Change from Prior Estimate:

Fiscal Year 2012-13 has been increased by \$12,512,000 to account for one county whose claims were filed later than normal.

Methodology:

1. County mental health plans submit claims for reimbursement on a quarterly basis. Claims may be submitted up to six months after the close of a fiscal year (FY).
2. Based on claims from FY 2005-06 through FY 2011-12, the average annual increase in mental health (MH) Medi-Cal administrative activities (MAA) claims was 5.78%.
3. Assume claims will continue to increase by 5.78% each year for FY 2012-13, FY 2013-14, and FY 2014-15.

SMH MAA

OTHER ADMIN. POLICY CHANGE NUMBER: 7

4. In FY 2011-12, the Department received \$36,844,000 in MH MAA claims on an accrual basis.

(Dollars in Thousands)

Fiscal Years	Expenditures	Growth	Increase	Revised Expenditures
FY 2011-12	\$36,844	5.78%	\$2,130	\$38,973
FY 2012-13	\$38,973	5.78%	\$2,253	\$41,226
FY 2013-14	\$41,226	5.78%	\$2,383	\$43,609
FY 2014-15	\$43,609	5.78%	\$2,521	\$46,129

5. Based on historical claims received, assume 49.63% of fiscal year claims will be paid in the year the services occur. The remaining 50.37% is paid in the following year. Fiscal Year 2012-13 has been increased by \$12,512,000 to account for one county whose claims were filed later than normal. This pattern is not expected to continue in FYs 2013-14 and 2014-15.

(Dollars in Thousands)

Fiscal Years	Accrual	FY 2013-14	FY 2014-15
FY 2012-13	\$51,485	\$25,933	\$0
FY 2013-14	\$41,226	\$20,460	\$20,765
FY 2014-15	\$43,609	\$0	\$21,966
Total	\$136,320	\$46,393	\$42,731

6. MH MAA total expenditures are shared between FFP and county funds. Skilled professional medical personnel are eligible for enhanced federal reimbursement of 75%. All other personnel are eligible for 50% federal reimbursement.

(Dollars in Thousands)

Fiscal Year	TF	FY 2013-14		TF	FY 2014-15	
		FFP	County		FFP	County
MAA expenditures	\$46,393	\$28,193	\$18,200	\$42,731	\$25,966	\$16,765

Funding:

100% Title XIX FFP (4260-101-0890)

COUNTY UR & QA ADMIN

OTHER ADMIN. POLICY CHANGE NUMBER: 14
 IMPLEMENTATION DATE: 7/2012
 ANALYST: Julie Chan
 FISCAL REFERENCE NUMBER: 1729

	FY 2013-14	FY 2014-15
TOTAL FUNDS	\$16,558,000	\$17,203,000
STATE FUNDS	\$0	\$0
FEDERAL FUNDS	\$16,558,000	\$17,203,000

DESCRIPTION

Purpose:

This policy change estimates the county utilization review (UR) and quality assurance (QA) administrative costs.

Authority:

Welfare & Institutions Code 14711

Interdependent Policy Changes:

Not Applicable

Background:

UR and QA activities safeguard against unnecessary and inappropriate medical care. Federal reimbursement for these costs is available at 75% for skilled medical personnel and 50% for all other personnel claims.

Reason for Change from Prior Estimate:

The percentage of payments made during each fiscal year has been updated based on historical paid claims data.

Methodology:

1. UR and QA expenditures are shared between federal funds (FFP) and county funds (CF).
2. UR and QA costs are based on historical trends. UR and QA costs on an accrual basis are:

(Dollars in Thousands)

Fiscal Year	TF	FF	CF
FY 2012-13	\$25,271	\$16,455	\$8,816
FY 2013-14	\$25,957	\$16,901	\$9,056
FY 2014-15	\$26,740	\$17,411	\$9,329

COUNTY UR & QA ADMIN

OTHER ADMIN. POLICY CHANGE NUMBER: 14

3. Based on historical claims received, assume 60% of the each fiscal year claims will be paid in the year the services occur. Assume 39% is paid in the following year and 1% is paid in the third year.

(Dollars in Thousands)

<u>Fiscal Year</u>	<u>Accrual</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
FY 2012-13	\$25,271	\$9,856	\$253
FY 2013-14	\$25,957	\$15,574	\$10,123
FY 2014-15	\$26,740	\$0	\$16,044
Total		\$25,430	\$26,420

4. Skilled professional medical personnel (SPMP) are eligible for enhanced federal reimbursement of 75%. All other personnel are eligible for 50% federal reimbursement.
5. Based on historical claims received, assume 40% of the total claims are Other personnel costs and the remaining 60% are SPMP.

(Dollars in Thousands)

<u>Personnel</u>	<u>TF</u>	<u>FY 2013-14</u>		<u>TF</u>	<u>FY 2014-15</u>	
		<u>FFP</u>	<u>CF</u>		<u>FFP</u>	<u>CF</u>
Other	\$10,058	\$5,029	\$5,029	\$10,449	\$5,225	\$5,225
Medical	\$15,372	\$11,529	\$3,843	\$15,971	\$11,978	\$3,993
Total	\$25,430	\$16,558	\$8,872	\$26,420	\$17,203	\$9,217

Funding:

100% Title XIX FFP (4260-101-0890)