



DATE: November 4, 2025

Behavioral Health Information Notice No. 25-037

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 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: BH-CONNECT Activity Funds Initiative

PURPOSE: To provide guidance to County Behavioral Health plans 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](#)

California Department of Health Care Services

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State of California

Gavin Newsom, Governor



California Health and Human Services Agency

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 and a required Specialty Mental Health Services (SMHS) benefit while the approved BH-CONNECT [Section 1115 \(a\) Demonstration](#) waiver remains in effect. 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 January 1, 2026, consistent with the [BH-CONNECT 1115\(a\) Demonstration Special Terms and Conditions](#),¹ all county behavioral health plans (BHPs)² 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

¹STC 7, pp. 30-32.

² Activity Funds are a SMHS, and only BHPs that administer SMHS are required to administer Activity Funds. For purposes of this BHIN, Drug Medi-Cal Organized Delivery System plans that are not operating under an integrated plan contract are not referenced in the definition of BHPs. The Drug Medi-Cal program is also not included in the definition of BHP.

The BHP must ensure that eligible members are assessed as part of the standardized SMHS assessment process³ and that members are 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 the member's needs by a qualified service provider, as defined in Section B of this BHIN.

DHCS will contract with a third-party administrator (TPA) to support BHPs in implementing this program. Forthcoming guidance will provide additional operational guidance and details on the scope of the TPA.

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 or risk for behavioral health conditions.⁴ These criteria are consistent with the SMHS access criteria described in [BHIN 21-073](#):⁵

- To meet the child welfare involvement requirement for Activity funds, a member must meet at least one of the following criteria:
 - Is under age 21 and currently involved in the child welfare system in California;
 - Is 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;⁶
 - Has 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;

³ 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.

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

⁵ Per [BHIN 21-073](#), covered SMHS services shall be provided to enrolled beneficiaries who have involvement in the child welfare system.

⁶ Youth involved in foster care through juvenile probation also meet the Activity Funds eligibility criteria.

- Is under age 18 and eligible for and/or is in California's Adoption Assistance Program; or
- Is under age 18 and currently receiving or had 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 Activity Funds criteria for behavioral health conditions, a member must meet at least one of the following criteria:
 - Has a diagnosed behavioral health condition as identified via the standardized SMHS assessment process; or
 - Determined to need the service by a qualified service provider (as defined in Section B of this BHIN) and at high risk for a behavioral health condition still being assessed per the standardized SMHS assessment process.

A. Eligible Services and Items

Activity Funds cover services and items that promote physical wellness and a healthy lifestyle (e.g., sports club fees and gym memberships, bicycles, scooters, roller skates and related safety equipment) and/or strengths-developing activities (e.g., music lessons, art lessons, therapeutic summer camps) as indicated in a member's clinical record by a qualified provider.

Services and items covered with Activity Funds must directly align with assessed clinical needs and must:

- Promote inclusion in the community, and/or increase the member's safety in their home environment; and/or
- 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 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.

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](#).⁷

B. Qualified Service Providers, Roles and Responsibilities

As further detailed below, a Licensed Mental Health Professional (LMHP)⁸ who is qualified to direct SMHS under the California Medicaid State Plan is responsible for completion of the following tasks in collaboration with the member, their caregiver(s) and social worker or case worker, as appropriate:

- 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:

- A Clinical Trainee⁹, acting within the scope of their supervised practice and training, may directly administer all tasks listed above (i-iv)
- Other non-licensed providers acting within their scopes of practice may:
 - Support the LMHP with completion of tasks i-iii listed above (e.g., help gather information from the youth and the families to support assessment, documentation and identification of appropriate activities); and
 - Directly connect the eligible member with an approved activity provider.

1. Assessment of Member's Need

⁷ STC 7.4, pp. 32.

⁸ For the purposes of this BHIN, a LMHP is defined on page 21 of [Supplement 3 to Attachment 3.1-A](#) of the California Medicaid State Plan.

⁹ For the purposes of this BHIN, a Clinical Trainee is defined on page 21 of [Supplement 3 to Attachment 3.1-A](#) of the California Medicaid State Plan.

The need for Activity Funds services and/or items must be documented as part of conducting or updating a SMHS assessment as outlined in [BHIN 23-068](#). The qualified service provider (as defined in Section C of this BHIN) 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 qualified service provider (as defined in Section C of this BHIN) must 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 and preferences that take into account cultural and linguistic considerations.

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

The qualified service provider (as defined in Section C of this BHIN) must clearly document the following in an eligible member's clinical record: ¹⁰

- 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 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 that describes how the qualified service provider (as defined in Section C of this BHIN) may connect an eligible member to activity providers. DHCS will

¹⁰ STC 7.3, pp. 32.

work with the TPA to develop and maintain a list of enrolled activity provider types that meet requirements to receive Medi-Cal Activity Funds payments.¹¹

C. Activity Funds Allocation and Disbursement

Each eligible member shall be allowed no more than \$1,000 per year in Activity Funds. Funds will be paid directly to activity providers for services and/or items furnished under this initiative. No funds shall be disbursed directly to a child, youth, or family member.¹² DHCS will issue forthcoming guidance on payment details.

D. Activity Funds Initiative Medi-Cal Claiming and Billing

As discussed above, DHCS will contract with a TPA to disburse Activity Funds and will pay the TPA for the Activity Funds disbursed. Therefore, BHPs 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.

Other sources of federal funding for eligible Activity Funds items must be exhausted prior to the state paying for them with Medicaid or CHIP funding. Medicaid and CHIP are payors of last resort.¹³

E. 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;

¹¹ STC 7.4, pp. 32.

¹² STC 7.4, pp. 32.

¹³ STC 7.4, pp. 32.

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- Medicaid guidance including the [CalAIM 1915b and 1115 Waivers](#) and the [Medicaid State Plan](#);
- Provider contracts; and
- 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; 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