



DATE: November 04, 2025 (revised November 21, 2025) **DRAFT REVISION**
May 15, 2026

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 Professional
California Behavioral Health Association
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 waiver and Medicaid 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 the cost of allowable activities and specified items, up to \$1,000 per year, 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:

Beginning [BHIN effective date] all county behavioral health plans (BHPs)¹ must ensure eligible Medi-Cal members with child welfare system involvement have access to Activity Funds, which will pay up to \$1,000 per year to cover some, or all, of the cost of allowable activities and 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 to support age-appropriate development and reduce the need for more intensive clinical intervention.

A. Member Eligibility for Activity Funds Services and Items

¹ 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.

Up to \$1,000 per year of Activity Funds services and/or items are 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.² These service-specific criteria build on the SMHS delivery system access criteria described in [BHIN 26-002](#).³

1. To meet the Activity Funds criteria for child welfare involvement, 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;⁴
- 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;
- 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.

AND

² [BH-CONNECT Section 1115\(a\) Demonstration Special Terms and Conditions](#), (STC 7.1, pp. 30-31).

³ Per [BHIN 26-002](#), medically necessary and clinically appropriate covered SMHS services shall be provided to enrolled Medi-Cal members who have involvement in the child welfare system. Under the BH-CONNECT Special Terms and Conditions (STCs), youth who receive Activity Funds must meet the Activity Funds criteria for behavioral health conditions as described in (2) above in addition to meeting the criteria for child welfare involvement.

⁴ Youth involved in foster care through juvenile probation also meet this Activity Funds eligibility criteria.

2. 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 process⁵; or
- Is determined to need the service by a Licensed Mental Health Professional (LMHP)⁶ and at high risk for a behavioral health condition still being assessed per the standardized SMHS assessment process.

B. Eligible Services and Items⁷

Items and services provided under the Activity Funds initiative shall clearly link to the member's assessed clinical needs as indicated in their clinical record, as determined by a qualified provider (see Section D of this BHIN). In addition, the funds shall meet at least one of the below criteria:

- 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.

There are two categories of Activity Funds:

1. Physical wellness and healthy lifestyle (e.g., sports club fees and gym memberships, bicycles, scooters, roller skates and related safety equipment); and
2. Strengths-developing activities (e.g., music lessons, art lessons, therapeutic summer camps)

⁵ 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](#).

⁶ For the purposes of this BHIN, an LMHP is defined on p. 21 of the Supplement 3 to Attachment 3.1-A of the California Medicaid State Plan.

⁷ STC 7.2, p. 31.

Funds shall not be used for:

- Items used solely for 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;
- Activities that are illegal or otherwise prohibited by federal or state regulations;
- Activities that duplicate what is available to an individual under the Medicaid State Plan;
- Items that are non-transportable (e.g. construction or building improvements that cannot relocate with the child or youth); or
- Electronics or computer-related hardware (e.g., laptops, tablets, phones) that do not exclusively support an allowable activity.
- Transportation to and from activities and related expenses (gas, Uber, Lyft, taxi fares, parking).

A list of example activities and supplies, allowable and nonallowable, consistent with applicable [BH-CONNECT 1115\(a\) Demonstration Special Terms and Conditions](#), can be found in Enclosure 1.⁸

C. County BHP Roles and Responsibilities

The BHP is responsible for monitoring network provider implementation of Activity Funds and compliance with the terms in this BHIN. BHPs shall coordinate with the LMHP as needed to ensure members meet the eligibility requirements for Activity Funds (see 'Member Eligibility for Activity Funds Services and Items'). The BHP must also ensure that eligible members receive a standardized SMHS assessment, consistent with current SMHS requirements, and that members are ultimately connected to appropriate activity providers. The BHP is responsible for addressing grievances and appeals associated with Activity Funds, in compliance with the requirements outlined in [BHIN 25-014](#)

⁸ STC 7.4, p. 32.

D. LMHP Roles and Responsibilities

As further detailed below, an LMHP who is qualified to direct SMHS under California's Medicaid State Plan is responsible for completing the following tasks in collaboration with the member, their caregiver(s) and social worker or case worker, as appropriate:⁹

- i. Assessing an eligible member's need for Activity Funds services and/or items.
- ii. Documenting the need for Activity Funds services and/or items as part of conducting or updating an SMHS assessment as outlined in [BHIN 23-068](#). The LMHP is not required to conduct a distinct assessment to ascertain whether a member needs Activity Funds services and/or items.
- iii. Verifying that a member meets eligibility requirements for behavioral health conditions/risk (see 'Member Eligibility for Activity Funds Services and Items')_and coordinating with the BHP as needed to ensure that child welfare eligibility requirements are also met.
- iv. Identifying appropriate services and/or items for eligible members. 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;
 - Be based on the individual member's clinical needs and preferences including cultural and linguistic considerations; and
 - Meet the criteria in Section B of this BHIN.
- v. Documenting identified services and/or items in the member's clinical record; and in the Activity Funds portal administered by the fiscal intermediary.

Under the direction and supervision of the LMHP:

⁹ STC 7.3, p. 32.

- A Clinical Trainee¹⁰, acting within the scope of their supervised practice and training, may directly administer all tasks listed above.
 - Other non-licensed providers acting within their scopes of practice may support the LMHP with completion of tasks (i)-(v) listed above (e.g., help gather information from the youth and the families to support assessment, documentation and identification of appropriate activities).

E. Documentation of Activity Funds

The LMHP and care team must clearly document the following in an eligible member's clinical record:¹¹

- 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).
- The method used to verify member eligibility for Activity Funds (e.g. documentation received, date and manner of verification with child welfare agency, AID codes reviewed, etc.).

Documentation of Medi-Cal SMHS must adhere to the requirements and standards specified in [BHIN 23-068](#) or superseding policies.

F. Fiscal Intermediary Roles and Responsibilities

DHCS is contracting with Public Partnerships LLC (PPL), as the fiscal intermediary for Activity Funds. The fiscal intermediary, acting on behalf of DHCS, is responsible for:

¹⁰ For the purposes of this BHIN, a Clinical Trainee is defined on p. 21 of [Supplement 3 to Attachment 3.1-A](#) of the California Medicaid State Plan.

¹¹ STC 7.3, p. 32.

i. Developing and Maintaining an Online Portal for County BHPs, LMHPs, Members and Their Caregivers, and Activity Providers

The portal will enable LMHPs to refer members to Activity Funds; allow members and their caregiver(s) to find an activity provider, request specific service providers to be enrolled as activity providers, request supplies, track a member's fund spending and balance; and allow service providers to request to enroll as activity providers and receive payments.

Note: Service providers are individuals or organizations paid to deliver a child or youth activity. Activity providers are service providers who have been enrolled and approved by the fiscal intermediary to offer these activities to eligible children and youth through the Activity Funds Initiative.

ii. Tracking LMHP Referrals and Member Eligibility

The fiscal intermediary will allow LMHPs to attest to a member's eligibility. Member referrals will be tracked in the online portal.

iii. Enrollment and Management of Activity Providers

The fiscal intermediary will work directly with prospective activity providers to enroll them to provide services funded by Activity Funds. Members and their caregivers will be able to request that service providers be approved as activity providers by the fiscal intermediary.

iv. Fund Disbursement

The fiscal intermediary will pay activity providers directly using an approved payment method. Funds will never be disbursed directly to a member or their caregiver(s).¹² The fiscal intermediary will manage processes for members and their caregivers to purchase allowable services, equipment, and supplies.

v. Reporting

The fiscal intermediary will collect data on utilization and funding collected through the Activity Funds Portal to report to DHCS to support DHCS' CMS

¹² STC 7.4, p. 32.

reporting requirements. The fiscal intermediary, with DHCS approval, may also report data directly to BHPs.

G. Medi-Cal Claiming and Billing

The fiscal intermediary will disburse Activity Funds. BHPs will not submit claims to DHCS for Activity Funds.

SMHS assessment services can be claimed in the Short-Doyle Medi-Cal (SD/MC) system using existing Current Procedural Terminology (CPT) and Healthcare Common Procedure Coding System (HCPCS) codes. These codes include:

- 90791 – Psychiatric diagnostic evaluation (without medical services)
- 90792 – Psychiatric diagnostic evaluation (with medical services)
- Additional therapy or assessment codes as listed in the Medi-Cal SMHS service table located on the [MedCCC Library](#) webpage.

Please refer to guidance outlined in the most updated SMHS service table for available CPT and HCPCS codes; these tables can be found on the Medi-Cal County Customer Services (MedCCC) webpage.

If other sources of federal funding exist for eligible Activity Funds items or services, those funds must be exhausted prior to the state paying for them with Medicaid or CHIP funding. Medicaid and CHIP are payers of last resort.¹³

H. Compliance and Monitoring

BHPs are responsible for monitoring contracted providers for compliance with the terms of the BHP contract, including policies and program requirements outlined in this BHIN. BHPs must update policies and/or procedures as needed to ensure compliance and must communicate this policy to relevant contracted providers as necessary.

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. This oversight may include verifying that services

¹³ STC 7.4, p. 32

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provided to Medi-Cal members are medically necessary and that documentation complies with the applicable state and federal laws, regulations, the BHP contract, and Activity Funds guidance. DHCS may impose a corrective action plan, as well as administrative and/or monetary sanctions for non-compliance. For additional information regarding administrative and monetary sanctions, see [BHIN 25-023](#), and any subsequent guidance on this topic.

Handbooks for LMHPs, members, and Activity Providers, along with FAQs and other training resources will be released with the final BHIN guidance. Please direct any questions to BH-CONNECT@dhcs.ca.gov.

Sincerely,

Original signed by

Ivan Bhardwaj, Chief

Medi-Cal Behavioral Health-Policy Division

Department of Health Care Services