



NOTICE OF GENERAL PUBLIC INTEREST

RELEASE DATE: June 14, 2024

PROPOSED BH-CONNECT SECTION 1115 DEMONSTRATION ADDENDUM APPLICATION

The California Department of Health Care Services (DHCS) is providing public notice of its intent to (1) submit to the Centers for Medicare & Medicaid Services (CMS) an addendum to the pending Section 1115 [Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment \(BH-CONNECT\) demonstration](#) that aims to further strengthen the continuum of care for Medi-Cal members with significant behavioral health conditions; and (2) hold two public hearings to receive public comments on this request.

DHCS is soliciting public input on the Section 1115 demonstration addendum application. A full draft of the proposed BH-CONNECT Addendum application is available on the [DHCS website](#).

Overview

In October 2023, California submitted the pending BH-CONNECT demonstration application, which seeks to establish a robust continuum of evidence-based community services for people with significant mental health conditions and/or substance use disorders, with key supports for fidelity monitoring and implementation of treatment interventions. Through ongoing work with stakeholders and individuals with lived experience in late 2023 and through 2024, California identified additional opportunities to expand the continuum of care for Medi-Cal members with significant behavioral health needs who are experiencing long stays in an institutional setting, who are or who are at risk of experiencing homelessness, or who need recovery-oriented residential care. These individuals have historically faced expansive challenges when leaving institutional settings or while experiencing homelessness, and are exactly the members who stand most to gain in terms of recovery and community-stabilization by accessing



services provided through BH-CONNECT, including those envisioned in this addendum.

To address these challenges, California is now seeking to add an addendum to the BH-CONNECT application to further strengthen the continuum of behavioral health care. The addendum will offer two new options for county behavioral health plans to cover the following:

1. **Community Transition In-Reach Services** to support individuals with significant behavioral health conditions who are experiencing long-term stays in institutions in returning to the community; and/or
2. **Room and Board in Enriched Residential Settings** for up to six months for individuals with significant behavioral health conditions and specified risk factors. These settings will be limited in size to 16 beds or less and must be unlocked and voluntary; provide Medi-Cal covered, voluntary, recovery-oriented services; and meet statewide standards established by DHCS in consultation with individuals with lived experience, advocacy groups, stakeholders, and tribal partners.

Summary of the BH-CONNECT Addendum

Through this BH-CONNECT Addendum, California seeks to further expand the care continuum for Medi-Cal members with the most complex behavioral health issues and risk factors. Specifically, California proposes to enable county behavioral health plans to opt in to one or both of two new opportunities tailored to the unique needs of Medi-Cal members who live with the most complex and significant behavioral health conditions:

1. **Community Transition In-Reach Services.** County Mental Health Plans (MHPs) will have the option to establish community-based, multi-disciplinary care transition teams that provide intensive pre- and post-discharge care planning and transitional care management services. Medi-Cal members who reside in an opt-in county, with significant behavioral health conditions, and who are experiencing or at risk of experiencing extended lengths of stay (120 days or more) in inpatient, residential, or subacute settings (including IMDs) will qualify for Community Transition In-Reach Services for up to 180 days prior to discharge and for a transitional period after discharge.

- 2. Room and Board in Enriched Residential Settings.** DHCS is seeking authority to provide Room and Board in Enriched Residential Settings for up to six months for individuals with significant behavioral health conditions and specified risk factors (e.g., experiencing or at risk of homelessness, transitioning out of institutional settings, or transitioning from carceral settings). These settings will be limited in size to 16 beds or less and must be unlocked and voluntary; provide Medi-Cal covered, voluntary, recovery-oriented services; and meet statewide standards established by DHCS in consultation with individuals with lived experience, advocacy groups, stakeholders, and tribal partners.

In conjunction with the BH-CONNECT addendum, DHCS is sharing its intent to clarify coverage of High Fidelity Wraparound (HFW) as a Medi-Cal service. HFW is an evidence-based treatment modality for children and adolescents with the most complex and significant mental health conditions. When clinically appropriate, it can be used as an alternative to residential treatment. HFW already is provided to some of the children and youth who meet the clinical criteria for the service, but providers typically must bill for discrete elements of the service; there is no consistent way to bill for the service across the state. While HFW does not require Medicaid 1115 demonstration authority, DHCS views it as an important element of BH-CONNECT like the other child and youth-focused services already mentioned in the original BH-CONNECT application (i.e., Multisystemic Therapy (MST), Functional Family Therapy (FFT), and Parent-Child Interaction Therapy (PCIT)).

A. Eligibility Requirements

There are no changes to eligibility for Medi-Cal enrollment or for any current Medi-Cal services under the proposed BH-CONNECT demonstration, however, the new services described above have their own service-specific eligibility criteria.

- **Community Transition In-Reach Services** – Medi-Cal members who reside in an opt-in county, meet access criteria for SMHS, are aged 18 years or older or are an

emancipated minor¹, and who are experiencing or at risk of experiencing extended LOS (120 days or more) in inpatient, residential, or subacute settings (including IMDs) will qualify for Community Transition In-Reach Services for up to 180 days prior to discharge and for a transitional period upon discharge.

- **Room and Board in Enriched Residential Settings** – Medi-Cal members with significant behavioral health conditions who are 18 years or older or emancipated minors for whom Enriched Residential Settings are clinically appropriate will be eligible for Room and Board in Enriched Residential Settings, if they:
 - Meet the US Department of Housing and Urban Development’s (HUD’s) current definition of homeless or the definition of individuals who are at risk of homelessness as defined in 24 CFR part 91.5, with two modifications:
 - If exiting an institution, individuals are considered homeless if they were homeless immediately prior to entering that institutional stay, regardless of the length of the institutionalization; and
 - The timeframe for an individual or family who will imminently lose housing is extended from 14 days for individuals considered homeless and 21 days for individuals considered at risk of homelessness under the current HUD definition to 30 days.² **OR**
 - Are transitioning out of an institutional care or institutional residential setting, including but not limited to an inpatient hospital stay, an inpatient

¹ California defines emancipated minor as a person under the age of 18 years that meets any of the following criteria: (a) has entered a valid marriage; (b) is on active duty with US armed forces; or (c) has received a declaration of emancipation pursuant to §7122. (Div. 11, Part 6, Ch. 1, §7002).

² In alignment with the definition of homelessness and at risk of homelessness used for Community Support services authorized through CalAIM and proposed for transitional rent services under BH-CONNECT and CalAIM.

or residential substance use disorder treatment or recovery facility, an inpatient or residential mental health treatment facility, or nursing facility.

OR

- Are transitioning out of a state prison, county jail, or youth correctional facility.

In operationalizing these eligibility standards for the Room and Board in Enriched Residential Settings, DHCS may leverage [California's Enhanced Care Management \(ECM\) Populations of Focus \(POF\)](#) to facilitate alignment with the existing CalAIM initiative and care coordination resources. Specifically, California may align the eligibility criteria for Room and Board in Enriched Residential Settings with the ECM POFs such that Room and Board in Enriched Residential Settings is eligible for:

- Adults who meet SMHS or DMC/DMC-ODS access criteria and also meet the ECM POF of adults experiencing homelessness (ECM POF 1a);
- Adults who meet SMHS or DMC/DMC-ODS access criteria and also meet the ECM POF of adults transitioning from incarceration (ECM POF 4); and
- Adults who meet SMHS or DMC/DMC-ODS access criteria and are transitioning directly from an inpatient or residential BH facility.

B. Delivery System and Benefits

The demonstration will modify Medi-Cal benefits and Medi-Cal behavioral health delivery systems by permitting counties to provide two options tailored to the unique needs of Medi-Cal members who live with the most complex and significant behavioral health conditions.

C. Cost Sharing

There is no cost sharing in the proposed BH-CONNECT Addendum.

BH-CONNECT Addendum Goals

In alignment with the goals of BH-CONNECT, this addendum seeks to support Californians experiencing inequity as a result of their behavioral health needs to live with dignity and integrity in the communities of their choice and access care in the least

restrictive, appropriate settings. Through the BH-CONNECT Addendum, California seeks to advance the goals of Medicaid by:

- Advancing BH-CONNECT’s goals of strengthening the continuum of community-based behavioral health services and improving health outcomes for Medi-Cal members with the most complex and significant behavioral health conditions;
- Ensuring members are served in the least restrictive settings possible, on a voluntary basis;
- Shortening lengths of stay in, and reducing the need for, care in institutional settings, incarceration, and homelessness;
- Supporting successful transitions to community-based care settings and community reintegration; and
- Reducing utilization of acute care or crisis related services following successful, stable transition to a community-based care setting.

Enrollment Projections

The State is not proposing any changes to Medi-Cal eligibility requirements in this Section 1115 addendum request. As such, the BH-CONNECT Addendum is not expected to affect enrollment trends, which will continue to be determined largely by demographic changes and economic conditions. Even though this Section 1115 request does not propose to otherwise expand eligibility, the BH-CONNECT Addendum is expected to improve care for Medi-Cal members in participating counties who meet the eligibility criteria for the demonstration components. The State anticipates the BH-CONNECT Addendum will serve a subset of the approximately 606,000 Medi-Cal members that utilize the SMH delivery system and 113,000 Medi-Cal members that utilize the DMC-ODS delivery system each year.

Financing and Budget Neutrality

Based on the programmatic details described above, California has estimated projected spending for the BH-CONNECT Addendum. Consistent with CMS’ budget neutrality approach for pre-release in-reach services in justice-involved settings, California is seeking hypothetical budget neutrality treatment for the Community Transition In-Reach Services in inpatient, residential, and subacute settings. Consistent with CMS’

budget neutrality framework for HRSN services and the approved budget neutrality approach for recuperative care and short-term post hospitalization housing, California is seeking capped hypothetical budget neutrality treatment for Room and Board in Enriched Residential Settings. The following table shows the with waiver expenditures across the five Demonstration Years (DYs).

Table 1. Projected Expenditures for BH-CONNECT Addendum Components

| Projected Expenditures (millions) | Type | DY 1 | DY 2 | DY 3 | DY 4 | DY 5 |
|---|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | 1/1/25 – 12/31/25 | 1/1/26 – 12/31/26 | 1/1/27 – 12/31/27 | 1/1/28 – 12/31/28 | 1/1/29 – 12/31/29 |
| Community Transition In-Reach Services | Per Capita Cap | \$3,876 | \$4,077 | \$4,289 | \$4,512 | \$4,747 |
| Room and Board in Enriched Residential Settings | Aggregate | \$280,463,000 | \$372,691,000 | \$392,071,000 | \$412,459,000 | \$433,907,000 |

Waiver and Expenditure Authorities

California is requesting a waiver of the following sections of the Social Security Act, to the extent necessary, to support implementation of the BH-CONNECT Addendum. To the extent that CMS advises the state that additional authorities are necessary to implement the programmatic vision and operational details described above, the state is requesting such waiver or expenditure authority, as applicable. California’s negotiations with the federal government could lead to refinements in these lists as the state works with CMS to establish Special Terms and Conditions for the BH-CONNECT Addendum.

A. Waiver Authority Requests

Under the authority of Section 1115(a)(1) of the act, the following waivers shall enable California to implement this Section 1115 Demonstration from January 1, 2025 through December 31, 2029.

Table 2. Waiver Authority Requests

| Waiver Authority | Use for Waiver |
|--|--|
| § 1902(a)(1) Statewideness | To enable the State to operate Community Transition In-Reach Services and Room and Board in Enriched Residential Settings on a county-by-county basis. |
| § 1902(a)(10)(B) and 1902(a)(17) Amount, Duration, and Scope and Comparability | To enable the State to provide Community Transition In-Reach Services and Room and Board in Enriched Residential Settings to qualifying Medi-Cal members with significant behavioral health needs that are otherwise not available to all members in the same eligibility group. |

B. Expenditure Authority Requests

Under the authority of Section 1115(a)(2) of the act, California is requesting expenditure authorities so that the items identified below, which are not otherwise included as expenditures under Section 1903 of the act, shall, through December 31, 2029, be regarded as expenditures under the state's Title XIX plan.

These expenditure authorities promote the objectives of Title XIX in the following ways:

1. Expenditure authority 1 (Table 4 below) promotes the goals of Title XIX by shortening lengths of stay in, and reducing the need for, care in institutional settings for Medi-Cal members, supporting successful transitions to community-based care and housing settings, supporting community reintegration for Medi-Cal members with significant behavioral health conditions in institutional settings, and improving health outcomes for Medi-Cal members with complex behavioral health conditions.
2. Expenditure authority 2 promotes the goals of Title XIX by ensuring members are served in the least restrictive settings possible on a voluntary basis, supporting successful transitions to community-based care and housing settings, supporting

community reintegration for Medi-Cal members with significant behavioral health conditions and risk factors, and improving health outcomes for Medi-Cal members with complex behavioral health conditions.

Table 3. Expenditure Authority Requests

| Expenditure Authority | Use for Expenditure Authority |
|--|---|
| 1. Expenditures related to Community Transition In-Reach Services | Expenditure authority for Community Transition Team services, as described in the resulting STCs, for qualifying Medi-Cal members experiencing or at risk of experiencing extended LOS (120 days or more) in inpatient, residential, or subacute settings (including IMDs) who reside in participating counties for up to 180 days prior to and on a temporary basis following discharge. |
| 2. Expenditures related to Room and Board in Enriched Residential Settings | Expenditures for Room and Board in Enriched Residential Settings, as outlined in the resulting STCs, to qualifying Medi-Cal members in participating counties. |

BH-CONNECT Addendum Hypotheses and Evaluation Plan

The table below provides a preliminary plan to evaluate the BH-CONNECT addendum and its achievement of the proposed goals:

- Advancing BH-CONNECT’s goals of strengthening the continuum of community-based behavioral health services and improving health outcomes for Medi-Cal members with the most complex and significant behavioral health conditions;
- Ensuring members are served in the least restrictive settings possible on a voluntary basis;
- Shortening lengths of stay in, and reducing the need for, care in institutional settings; incarceration, and homelessness;

- Supporting successful transitions to community-based care settings and community reintegration; and
- Reducing utilization of acute care or crisis related services following successful, stable transition to a community-based care setting.

These hypotheses and plan are subject to change and will be further defined as California works with an independent evaluator and CMS to develop an evaluation design consistent with the resulting STCs and CMS policy.

Table 4. Preliminary Evaluation Plan for BH-CONNECT Addendum

| # | Hypothesis | Evaluation Approach | Data Sources |
|---|---|---|---|
| 1 | Demonstration will improve health outcomes among Medi-Cal members in opt-in counties with complex and significant behavioral health conditions who are eligible for addendum services | The State will compare the following metrics across Pilot enrollees and a comparison group: <ul style="list-style-type: none"> • Patient reported outcomes (PRO) • Experience of care • Quality of care metrics • Morbidity and mortality metrics • State of chronic non-behavioral health diseases (e.g., hypertension or diabetes) | <ul style="list-style-type: none"> • Pre- and post-implementation surveys to track changes and progress over time • Focus groups /interviews of Medi-Cal members receiving addendum services on their experience with care • CMS Core Set Measures and other clinical outcomes metrics |
| 2 | Demonstration will help Medi-Cal members in opt-in counties with significant health needs and who are eligible for addendum services avert health care expenditures in more costly and restrictive settings | The State will analyze: <ul style="list-style-type: none"> • Retention rate of community living • Utilization of institutional settings • Rates of incarceration | <ul style="list-style-type: none"> • Pre- and post-implementation surveys to track changes and progress over time • Claims data • California Department of Corrections and |

| # | Hypothesis | Evaluation Approach | Data Sources |
|---|---|--|---|
| | | | Rehabilitation data and public record data |
| 3 | Demonstration will help Medi-Cal members with significant health needs who are eligible for addendum services to improve quality of life over the course of the demonstration | <p>The State will analyze:</p> <ul style="list-style-type: none"> • Improvement in life satisfaction while in an institutional setting/homeless/incarcerated vs. in community living • Level of community integration • Reductions in, returns to, and length of homelessness | <ul style="list-style-type: none"> • Pre- and post-implementation surveys to track changes and progress over time • Focus groups /interviews of Medi-Cal members experience with community living • Homeless Management Information System (HMIS) data |
| 4 | Community Transition In-Reach Services will reduce LOS in inpatient, subacute, and residential facilities | The State will compare the LOS and percentage of successful discharges from inpatient, subacute, and residential settings among eligible individuals with complex behavioral health conditions served by Community Care Teams over a period of time (e.g., 3 months/6 months) against the LOS and percentages of successful discharges among similar Medi-Cal members who are not eligible for in-reach services | <ul style="list-style-type: none"> • Claims data |

| # | Hypothesis | Evaluation Approach | Data Sources |
|---|---|---|--|
| | | (e.g., who reside in non-participating counties) | |
| 5 | Room and Board in Enriched Residential Settings will enable successful discharges of Medi-Cal members eligible for the services with complex behavioral health conditions leaving incarceration, institutional care, or homelessness. | <p>The State will analyze the:</p> <ul style="list-style-type: none"> Number of individuals who have successfully entered into a community-based living arrangement of the person’s choice after leaving the Enriched Residential Settings | <ul style="list-style-type: none"> County reporting |

Public Review and Comment Process

The 30-day public comment period for the BH-CONNECT Addendum application is from June 14, 2024 to July 14, 2024. All comments must be received no later than 11:59 PM (Pacific Time) on July 14, 2024.

All information regarding the BH-CONNECT Addendum can be found on the DHCS website at: <https://www.dhcs.ca.gov/CalAIM/Pages/BH-CONNECT.aspx>. DHCS will update this website throughout the public comment and application process. BH-CONNECT Addendum application will also be circulated via DHCS’ relevant electronic mailing lists, including the [DHCS Stakeholder Email List](#), Behavioral Health Stakeholder Updates List, Legislative and Government Affairs List, and Tribal/Indian Health Program List.

DHCS will host the following public hearings to solicit stakeholder comments. The public hearings will take place in-person and have online video streaming and telephonic conference capabilities to ensure accessibility.

- Tuesday, June 25, 2024 – First Public Hearing
 - 3:30 – 4:30 PM PT

- Department of Health Care Services
 - 1700 K Street, Room 1014, Sacramento, CA 95814
- Register for Zoom conference link:
 - https://manatt.zoom.us/webinar/register/WN_WmtEKY7YQ9WI9Y2KOE3b
 - [A](#)
 - Please register in advance if you plan to attend in-person or if you plan to attend by Zoom to receive your unique login details and a link to add the hearing to your calendar
- Call-in information: 833 548 0276 (Toll Free)
 - Webinar ID: 915 1321 2168
 - Passcode: 062524
 - Callers do not need an email address to use the phone option and do not need to register in advance
- Tuesday, July 2, 2024 – Second Public Hearing
 - 3:30 – 4:30 PM PT
 - Department of Health Care Services
 - 1515 K Street, Room 204, Sacramento, CA 95814
 - Register for Zoom conference link:
 - https://manatt.zoom.us/webinar/register/WN_MbBcSeVHQCC3GBrc7DPyX
 - [W](#)
 - Please register in advance if you plan to attend in-person or if you plan to attend by Zoom to receive your unique login details and a link to add the hearing to your calendar
 - Call-in information 833 928 4608 (Toll Free)
 - Webinar ID: 924 7133 3204
 - Passcode: 070224
 - Callers do not need an email address to use the phone option and do not need to register in advance

If you would like to view the BH-CONNECT Addendum application or notices in person, you may visit your local county welfare department (addresses and contact information available at: <https://www.dhcs.ca.gov/services/medi-cal/Pages/CountyOffices.aspx>). You may request a copy of the proposed BH-CONNECT Addendum and/or a copy of submitted public comments related to the BH-CONNECT Addendum by sending a written request to the mailing or email address listed below.

Written comments may be sent to the following address; please indicate "BH-CONNECT Addendum" in the written message:

Department of Health Care Services
Director's Office
Attn: Tyler Sadwith
P.O. Box 997413, MS 0000
Sacramento, California 95899-7413

Comments may also be emailed to 1115waiver@dhcs.ca.gov. Please indicate "BH-CONNECT Addendum" in the subject line of the email message.

To be assured consideration prior to submission of the BH-CONNECT Addendum application to CMS, comments must be received no later than 11:59 PM (Pacific Time) on July 14, 2024. Please note that comments will continue to be accepted after July 14, 2024, but DHCS may not be able to consider those comments prior to the initial submission of the BH-CONNECT Addendum application to CMS.

After DHCS reviews comments submitted during this State public comment period, the BH-CONNECT Addendum will be submitted to CMS. Interested parties will also have the opportunity to officially comment on the BH-CONNECT Addendum during the federal public comment period; the submitted application will be available for comment on the CMS website at: <https://www.medicaid.gov/medicaid/section-1115-demo/demonstration-and-waiver-list/index.html>.