CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

DATE: November 17, 2026

Behavioral Health Information Notice No. 26-036
Supersedes: BHIN 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

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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 the BH-CONNECT Section 1115 (a) Demonstration waiver. The Activity Funds initiative will cover the cost of allowable activities and specified items, up to $1,000 per year[1], 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 later than 60 calendar days after the publication date of this BHIN, all county behavioral health plans (BHPs)[2] must ensure eligible Medi-Cal members with child welfare system involvement have access to Activity Funds,[3] 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.

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[1] A year is defined as the 365-day period beginning on the date a licensed mental health professional recommends that a member receive Activity Funds through the Activity Funds portal.
[2] BHPs that administer SMHS are required to administer Activity Funds. For purposes of this BHIN, the Drug Medi-Cal program is not included in the definition of BHP.
[3] DHCS anticipates launching the Activity Funds portal in December 2026 and will notify BHPs and stakeholders when the portal becomes operable. SMHS providers may then begin to use the portal to recommend that eligible Medi-Cal members receive Activity Funds.

A. Member Eligibility for Activity Funds Services and Items

Up to $1,000 per year[4] 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.[5] These service-specific criteria build on the SMHS delivery system access criteria described in BHIN 26-002 or superseding guidance.

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;[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;
- 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.

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[4] Eligible members recommended to receive Activity Funds by a licensed mental health professional (LMHP) will have access to up to $1,000 in funds per year. Funds do not roll over from year to year. A member must be reassessed and Activity Funds recommended again by a LMHP to access an additional year of Activity Funds.

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

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

AND[7]

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 process[8]; or
- Is determined to need Activity Funds by a Licensed Mental Health Professional (LMHP)[9] and at high risk for a behavioral health condition still being assessed per the standardized SMHS assessment process.

Denials of Activity Funds are subject to the same grievances and appeals policy applied to other Medi-Cal SMHS, as outlined in BHIN 25-014.

B. Allowable Services and Items[10]

Items and services provided under the Activity Funds initiative shall clearly link to the member's assessed clinical need(s) as established in their clinical record, as determined by a LMHP (see Section D of this BHIN or superseding guidance). 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 under which activities and items must fall:

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[7] Members must meet both the child welfare involvement criteria and the behavioral health criteria described in item #2 above. Meeting access criteria for the specialty mental health services delivery system based on child welfare involvement alone, as outlined in BHIN 26-002 or superseding guidance, does not make a member eligible for Activity Funds.
[8] 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 or superseding guidance.
[9] For the purposes of this BHIN or superseding guidance, a Licensed Mental Health Professional (LMHP) is defined on p. 21 of the Supplement 3 to Attachment 3.1-A of the California Medicaid State Plan.
[10] STC 7.2, p. 31.

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).

As noted below, the LMHP shall recommend that the member receive Activity Funds in one or both categories, and the recommendation shall be linked to the member's assessed clinical need(s).

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 warrants 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);
- Electronics or computer-related hardware (e.g., laptops, tablets, phones) that do not exclusively support an allowed activity; or
- Transportation to and from activities and related expenses (e.g., gas, Uber, Lyft, taxi fares, parking).

A non-exhaustive list of allowable and non-allowable activities and items within each category, consistent with applicable BH-CONNECT 1115(a) Demonstration Special Terms and Conditions, can be found in Enclosure 1.[11]

[11] STC 7.4, p. 32.

Member requests for non-allowable activities and/or items, or for activities and/or items for which costs are determined to significantly exceed market rates, will not be approved and the Third-Party Administrator (TPA) acting on behalf of DHCS will contact the member and their care team to identify alternate activities or items that are clinically appropriate and can be covered. Requests for activities and items will be denied if the youth is not enrolled in Medi-Cal at the time the request is made.

C. County BHP Roles and Responsibilities

The BHP shall:

1. Monitor network provider implementation of Activity Funds and compliance with this BHIN or superseding guidance;
2. 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');
3. Ensure that eligible members receive a standardized SMHS assessment, consistent with current SMHS requirements;
4. Address grievances and appeals associated with Activity Funds, in compliance with the requirements outlined in BHIN 25-014 or superseding guidance;
5. Consistent with existing DHCS guidance, process claims for the time LMHPs spend completing covered assessments and care planning activities needed to recommend a member for Activity Funds (see section D of this BHIN or superseding guidance).

D. LMHP Roles and Responsibilities

As further detailed below, an LMHP who is qualified to direct SMHS under California's Medicaid State Plan shall complete the following tasks in collaboration with the member, their caregiver(s), Child and Family Team[12], and social worker or case worker, as appropriate:[13]

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[12] Child and Family Teams bring together loved ones and experts to support the child in reaching their potential and are dedicated to helping the family thrive. See https://www.cdss.ca.gov/inforesources/foster-care/child-and-family-teams for more information.
[13] STC 7.3, p. 32.

1. Assess eligible members' clinical needs for Activity Funds services and/or items.
2. Document members' need for Activity Funds services and/or items as part of conducting or updating an SMHS assessment as outlined in BHIN 23-068 or superseding guidance. The LMHP is not required to conduct a distinct assessment to ascertain whether a member needs Activity Funds services and/or items.
3. Verify that members meet eligibility requirements for behavioral health conditions/risk (see 'Member Eligibility for Activity Funds Services and Items') and coordinate with the BHP as needed to ensure that child welfare eligibility requirements are also met.
4. Based on the member's clinical needs, identify the activity category(ies) (physical health and wellness and/or strengths building) and corresponding examples of appropriate, allowable activities and items for the eligible member (See Section B of this BHIN or superseding guidance). 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.
5. Document the recommended activity category(ies) and identified examples of appropriate, allowable activities and items in the member's clinical record. Document the recommended activity category(ies) in the Activity Funds portal administered by the TPA.
6. Reassess the members' eligibility annually, and if still eligible, recommend them again for Activity Funds.

Under the direction and supervision of the LMHP:

1. A Clinical Trainee[14], acting within the scope of their supervised practice and training, may directly administer all tasks listed above.
2. Other non-licensed providers acting within their scopes of practice may support the LMHP with completion of tasks 1 – 6 listed above (e.g., help gather information from youth and families to support assessment, documentation and identification of appropriate activities).

[14] 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.

E. Documentation of Activity Funds

The LMHP and care team must clearly document the following in an eligible member's clinical record:[15]

1. A behavioral health diagnosis or a high risk of behavioral health diagnosis, which is still being assessed;
2. The activity category(ies) (physical health and wellness and/or strengths building) and identified examples of appropriate, allowable activities and items for each activity category;
3. A clear link between behavioral health diagnosis/risk of behavioral health diagnosis and the need for the identified services and 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). Records should clearly refer to the recommended Activity Funds category(ies) identified in the online portal; and
4. 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 guidance.

F. TPA Roles and Responsibilities

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

1. Developing and Maintaining an Online Portal for County BHPs, LMHPs, Members and their Caregiver(s), and Activity Providers
    a. The portal will enable LMHPs to recommend eligible members to receive Activity Funds. Members and/or their caregiver(s) will use the portal to find

[15] STC 7.3, p. 32.

Activity Providers or request that specific service providers be registered as Activity Providers, request items, and track fund spending and balance. Service providers will use the portal to request to register as Activity Providers and receive payments.

b. Note: Service providers are individuals or organizations paid to deliver a child or youth activity. Activity Providers are service providers who have been registered and approved by the TPA to offer these activities to eligible children and youth through the Activity Funds Initiative. Activity Funds providers that are eligible to enroll in Medi-Cal must also complete Medi-Cal provider enrollment.[16]

2. Tracking LMHP Recommendations and Member Eligibility
    a. The Activity Funds portal operated by the TPA will enable the TPA to track the status of recommendations and activity payments for members who have been recommended to receive Activity Funds.
    b. The TPA will require LMHPs to attest to a member's eligibility for Activity Funds when they recommend that the member receive the service. The TPA will check the member's Medi-Cal eligibility status on an ongoing basis. Members who lose Medi-Cal eligibility will not be able to access Activity Funds until eligibility is re-established.
    c. Members will be disenrolled from the Activity Funds portal when they turn 26, as members aged 26 and older no longer meet child welfare involvement eligibility criteria.
    d. Members will not have access to Activity Funds at the conclusion of one year unless the LMHP reassesses them, confirms they meet eligibility criteria, and recommends that they again receive Activity Funds through the Activity Funds portal, at which time they can use up to $1,000 in Activity Funds for another year.[17]
3. Registration and Management of Activity Providers

[16] For more information on Medi-Cal provider enrollment please visit: https://www.dhcs.ca.gov/providers-partners/provider-enrollment-options/.
[17] Eligible members can be recommended for Activity Funds annually through December 31, 2029.

a. The TPA will work directly with prospective Activity Providers to register them to provide services funded by Activity Funds. Members and their care teams, including their caregivers, members of their Child and Family Teams, and LMHPs can request that service providers be approved as Activity Providers by the TPA.

b. Activity Providers will be vetted by the TPA before they are added to the Activity Provider Directory, a centralized list of approved providers. To become an approved Activity Provider, an individual or organization will need to work with the TPA to complete a registration checklist that includes verification of background checks, business information, and any other required information.

4. Fund Disbursement
    a. The TPA will pay Activity Providers directly and will manage processes for members and their caregivers to purchase eligible services and items. Funds will never be disbursed directly to members or their caregivers.[18] Members and their caregivers will not be reimbursed for activities and items they purchase independently.
    b. Member requests for non-allowable activities and/or items, or for activities and/or items for which costs are determined to significantly exceed market rates, will not be approved and the TPA acting on behalf of DHCS will contact the member and their care team to identify alternate activities or items that are clinically appropriate and can be covered. Requests for activities and items will be denied if the youth is not enrolled in Medi-Cal at the time the request is made.
5. Reporting
    a. The TPA will collect data on utilization of Activity Funds through the Activity Funds Portal. Data will be reported to DHCS and will be used to

[18] STC 7.4, p. 32.

support DHCS' waiver reporting requirements. The TPA, with DHCS approval, may report data directly to BHPs.

G. Medi-Cal Claiming and Billing

The TPA will disburse Activity Funds. BHPs will not submit claims to DHCS for the activities and items purchased on behalf of members by the TPA.

BHPs may submit claims for covered SMHS assessment services, care planning, and other relevant services performed by LMHP-led care teams that assess and recommend members to receive Activity Funds. These claims can be submitted via the Short-Doyle Medi-Cal (SD/MC) system using existing Current Procedural Terminology (CPT) and Healthcare Common Procedure Coding System (HCPCS) codes. Example of applicable 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 Medi-Cal County Customer (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 MedCCC Library 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.[19]

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 or superseding guidance. BHPs must update policies and/or procedures as

[19] STC 7.4, p. 32

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 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 superseding guidance on this topic.

DHCS will release an LMHP handbook, member materials, FAQs and other training resources to support implementation. 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

Enclosure 1: Examples of Allowable and Non-Allowable Activities and Items