

AMENDED IN ASSEMBLY APRIL 19, 2021

CALIFORNIA LEGISLATURE—2021–22 REGULAR SESSION

**ASSEMBLY BILL**

**No. 942**

---

---

**Introduced by Assembly Member Wood**

February 17, 2021

---

---

An act to amend Section 14059.5 of, to add Sections 14124.245 and 14724 to, to add Sections 14184.400, 14184.401, 14184.402, 14184.403, and 14184.404 to, and to add Article 3.3 (commencing with Section 14124.3) to Chapter 7 of Part 3 of Division 9 of, the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 942, as amended, Wood. Specialty mental health services and substance use disorder treatment.

(1) Existing law establishes the Medi-Cal program, which is administered by the State Department of Health Care Services, under which qualified low-income individuals receive health care services, including mental health and substance use disorder services, pursuant to a schedule of benefits. The Medi-Cal program is, in part, governed and funded by federal Medicaid program provisions.

Under existing law, for individuals 21 years of age and older, a service is “medically necessary” if it is reasonable and necessary to protect life, to prevent significant illness or significant disability, or to alleviate severe pain. Existing law provides that for individuals under 21 years of age, “medically necessary” or “medical necessity” standards are governed by the definition in federal law.

This bill would provide that the above-specified medical necessity standards do not preclude coverage for, and reimbursement of, a clinically appropriate and covered mental health or substance use

disorder assessment, screening, or treatment service *under specified circumstances, including before a provider renders a diagnosis— their diagnosis. The bill would provide that the above-described medical necessity criteria for a Medi-Cal beneficiary under 21 years of age is applicable to the Drug Medi-Cal Treatment Program and the Drug Medi-Cal organized delivery system. For the 2022–23 and 2023–24 fiscal years, the bill would require the department to include as part of the Medi-Cal program assumptions and estimates certain information relating to Medi-Cal specialty mental health services, including changes to the department’s clinical auditing standards. The bill would require the department to develop, in consultation with specified individuals, including certain Medi-Cal providers, standardized screening tools and statewide transition tools, and to require the use of these tools after those tools have been field tested. The bill would authorize the department to implement these provisions by various means, including provider bulletins, and, by July 1, 2023, would require the department to promulgate regulations, as necessary, on these provisions.*

(2) For purposes of the Medi-Cal program, behavioral health services, which encompass specialty mental health services and substance use disorder treatment are provided under the Medi-Cal Specialty Mental Health Services Program, the Drug Medi-Cal Treatment Program, and the Drug Medi-Cal organized delivery system, respectively. Under existing law, specialty mental health services and substance use disorder treatment are funded through certified public expenditures. Existing law requires the department to implement managed mental health care for purposes of delivering specialty mental health services to Medi-Cal beneficiaries through contracts with county mental health plans.

Existing law, the Medi-Cal 2020 Demonstration Project Act, requires the department to implement specified components of a Medi-Cal demonstration project, including the Global Payment Program, the Whole Person Care pilot program, and the Dental Transformation Initiative, consistent with the Special Terms and Conditions approved by the federal Centers for Medicare and Medicaid Services. Pursuant to existing law, the department has created a multiyear initiative, the California Advancing and Innovating Medi-Cal (*CalAIM*) initiative, for purposes of building upon the outcomes of various Medi-Cal pilots and demonstration projects, including the Medi-Cal 2020 demonstration project.

This bill would require the department to establish, implement, and administer the Behavioral Health Quality Improvement Program to

assist county mental health plans and counties that administer the Drug Medi-Cal Treatment Program or the Drug Medi-Cal organized delivery system for purposes of preparing those entities for implementation of the behavioral health components included in the California Advancing and Innovating Medi-Cal initiative, *CalAIM*, and would establish in the State Treasury the Behavioral Health Quality Improvement Account to fund those efforts. The bill would require the department to determine the methodology and distribution of funds appropriated to those entities. The bill would authorize the department to implement these provisions by various means, including provider bulletin, without taking regulatory action, and to enter into contracts that would be exempt from specified provisions of state contracting requirements. The bill would condition the implementation of these provisions to the extent that the department determines that federal financial participation is not jeopardized.

~~(3) Existing law provides that any county, political subdivision of the state, or other governmental entity in the state may elect to transfer funds in the form of cash or loans to the department in support of the Medi-Cal program, and provides the department discretion to accept or not accept any elective transfer from a county, political subdivision, or other governmental entity for obtaining federal financial participation. Pursuant to this provision, existing law authorizes the Director of Health Care Services to maximize federal financial participation to provide access to services provided by hospitals that are not reimbursed by certified public expenditure by authorizing the use of intergovernmental transfers to fund the nonfederal share of supplemental payments as permitted under federal law, and requires the department to establish various intergovernmental transfer programs, including the Nondesignated Public Hospital Intergovernmental Transfer Program.~~

~~For purposes of the Medi-Cal Specialty Mental Health Services Program, the Drug Medi-Cal Treatment Program, and the Drug Medi-Cal organized delivery system, this bill would require the department to design and implement an intergovernmental transfer program to fund the nonfederal share of supplemental payments and to replace claiming based on certified public expenditures. The bill would require each transferring entity, upon providing any intergovernmental transfer of funds, to certify that the transferred funds qualify for federal financial participation, and would provide that participation in the intergovernmental transfer program is voluntary. The bill would prohibit the director from implementing an intergovernmental transfer program if they determine that the payments do not comply with federal Medicaid~~

~~program requirements, and would authorize the director to adjust payments to comply with those federal requirements. The bill would require the department to obtain federal approvals and federal matching funds, to implement these provisions by various means, including policy letters, and, by January 1, 2023, and annually thereafter, to provide a status update on the implementation of these provisions.~~

*For purposes of the CalAIM initiative, commencing January 1, 2022, this bill would require the department to continue to implement the Medi-Cal Specialty Mental Health Services Program and the Drug Medi-Cal organized delivery system, as a component of CalAIM and consistent with the Special Terms and Conditions approved by the federal Centers for Medicare and Medicaid Services. Commencing no sooner than July 1, 2022, the bill would require each Medi-Cal behavioral health delivery system to comply with the behavioral health payment reform provisions approved in the CalAIM Terms and Conditions. As a component of these payment reforms, the bill would require the department to design and implement, at a minimum, an intergovernmental transfer-based reimbursement methodology to replace the use of certified public expenditures for specified claims provided through Medi-Cal behavioral health delivery systems. Commencing no sooner than July 1, 2022, the bill would require the nonfederal share of any payments associated with Medi-Cal behavioral health systems to consist of voluntary intergovernmental transfers of funds provided by eligible governmental agencies or public entities associated with those systems. The bill would require the department to establish and implement prospective reimbursement rate methodologies utilizing past county cost experience for specified covered services provided through Medi-Cal behavioral health delivery systems. Commencing January 1, 2027, the bill would require a county, or counties acting jointly, to provide and administer covered behavioral health Medi-Cal benefits under a single Medi-Cal behavioral health delivery system contract pursuant to the CalAIM Terms and Conditions.*

*(3) The bill would make its provisions severable and would make other legislative findings and declarations.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. Section 14059.5 of the Welfare and Institutions~~  
2 ~~Code is amended to read:~~  
3     ~~14059.5. (a) For an individual 21 years of age or older, a~~  
4 ~~service is “medically necessary” or a “medical necessity” when it~~  
5 ~~is reasonable and necessary to protect life, to prevent significant~~  
6 ~~illness or significant disability, or to alleviate severe pain.~~  
7     ~~(b) (1) For an individual under 21 years of age, a service is~~  
8 ~~“medically necessary” or a “medical necessity” if the service meets~~  
9 ~~the standards set forth in Section 1396d(r)(5) of Title 42 of the~~  
10 ~~United States Code.~~  
11     ~~(2) The department and its contractors shall update any model~~  
12 ~~evidence of coverage documents, beneficiary handbooks, and~~  
13 ~~related material to ensure the medical necessity standard for~~  
14 ~~coverage for an individual under 21 years of age is accurately~~  
15 ~~reflected in all materials.~~  
16     ~~(3) Notwithstanding Chapter 3.5 (commencing with Section~~  
17 ~~11340) of Part 1 of Division 3 of Title 2 of the Government Code,~~  
18 ~~the department, without taking any further regulatory action, shall~~  
19 ~~implement, interpret, and make specific this subdivision by means~~  
20 ~~of all-county letters, plan letters, plan provider bulletins, manuals,~~  
21 ~~plan contract amendments, or similar instructions until regulations~~  
22 ~~are revised or adopted.~~  
23     ~~(4) By July 1, 2022, the department shall revise or adopt~~  
24 ~~regulations in accordance with the requirements of Chapter 3.5~~  
25 ~~(commencing with Section 11340) of Part 1 of Division 3 of Title~~  
26 ~~2 of the Government Code.~~  
27     ~~(e) This section does not preclude coverage for, or~~  
28 ~~reimbursement of, a clinically appropriate and covered mental~~  
29 ~~health or substance use disorder assessment, screening, or treatment~~  
30 ~~service before a provider renders a diagnosis.~~  
31     ~~(d) This section shall not be construed to limit the application~~  
32 ~~of subdivisions (a) and (b) of Section 51184 of Title 22 of the~~  
33 ~~California Code of Regulations.~~  
34     ~~SEC. 2. Section 14124.245 is added to the Welfare and~~  
35 ~~Institutions Code, immediately following Section 14124.24, to~~  
36 ~~read:~~  
37     ~~14124.245. (a) Notwithstanding subdivision (c) of Section~~  
38 ~~14124.24, the department, in consultation with the California~~

1 Behavioral Health Directors Association and representatives of  
2 counties, shall design and implement an intergovernmental transfer  
3 program relating to services provided by counties under the Drug  
4 Medi-Cal Treatment Program and the Drug Medi-Cal organized  
5 delivery system to fund the nonfederal share of supplemental  
6 payments, as permitted under Section 433.51 of Title 42 of the  
7 Code of Federal Regulations or any other applicable federal  
8 Medicaid program laws, and to replace claiming based on certified  
9 public expenditures. Upon providing any intergovernmental  
10 transfer of funds, each transferring entity shall certify that the  
11 transferred funds qualify for federal financial participation pursuant  
12 to applicable federal Medicaid program laws, and in the form and  
13 manner specified by the department. The total intergovernmental  
14 transfer-funded payment amount, which includes the federal and  
15 nonfederal share, paid to a county shall be retained by the county  
16 and used for providing substance use disorder treatment under the  
17 Drug Medi-Cal Treatment Program and the Drug Medi-Cal  
18 organized delivery system.

19 (b) This section shall be implemented on July 1, 2022, or the  
20 date on which all necessary federal approvals have been received,  
21 whichever is later, and only to the extent intergovernmental  
22 transfers from counties are provided for this purpose.

23 (c) Participation in the intergovernmental transfer program under  
24 this section is voluntary on the part of the transferring entities for  
25 the purposes of all applicable federal laws.

26 (d) This section shall be implemented only to the extent federal  
27 financial participation is available for any reimbursement and  
28 federal financial participation is not jeopardized.

29 (e) If the director determines that the payments do not comply  
30 with federal Medicaid program requirements, the director shall  
31 not implement an intergovernmental transfer program and may  
32 adjust payments as necessary to comply with federal Medicaid  
33 program requirements.

34 (f) Notwithstanding Chapter 3.5 (commencing with Section  
35 11340) of Part 1 of Division 3 of Title 2 of the Government Code,  
36 the department shall implement this section by letters, information  
37 notices, or similar instructions, without taking further regulatory  
38 action.

39 (g) Notwithstanding Section 10231.5 of the Government Code,  
40 by January 1, 2023, and annually thereafter, the department shall

1 ~~provide a status update on the implementation of this section to~~  
2 ~~the Joint Legislative Budget Committee and the fiscal and~~  
3 ~~appropriate policy committees of the Legislature.~~

4 ~~SEC. 3.~~

5 *SECTION 1.* Article 3.3 (commencing with Section 14124.3)  
6 is added to Chapter 7 of Part 3 of Division 9 of the Welfare and  
7 Institutions Code, to read:

8  
9 Article 3.3. Behavioral Health Quality Improvement Program

10  
11 14124.3. (a) The department shall establish, implement, and  
12 administer the Behavioral Health Quality Improvement Program  
13 to assist county mental health plans and counties that administer  
14 the Drug Medi-Cal Treatment Program or the Drug Medi-Cal  
15 organized delivery system for purposes of preparing those entities  
16 and their contracting health care providers for implementation of  
17 the behavioral health components included in the ~~California~~  
18 *California* Advancing and Innovating Medi-Cal initiative.

19 (b) (1) There is hereby created in the State Treasury the  
20 Behavioral Health Quality Improvement Program Account for  
21 purposes of the Behavioral Health Quality Improvement Program.  
22 Moneys in this account shall be exclusively used to achieve the  
23 purpose of the program.

24 (2) The department shall determine the methodology and  
25 distribution of the moneys included in the Behavioral Health  
26 Quality Improvement Program Account to county mental health  
27 plans and counties that administer the Drug Medi-Cal Treatment  
28 Program or the Drug Medi-Cal organized delivery system that the  
29 department deems qualified.

30 (c) This section shall be implemented only if and to the extent  
31 that the department determines that federal financial participation  
32 is not jeopardized.

33 (d) Notwithstanding Chapter 3.5 (commencing with Section  
34 11340) of Part 1 of Division 3 of Title 2 of the Government Code,  
35 the department may implement, interpret, or make specific this  
36 section, in whole or in part, by means of information notices or  
37 other similar instructions, without taking regulatory action.

38 (e) For purposes of implementing this section, the department  
39 may enter into exclusive or nonexclusive contracts, or amend  
40 existing contracts, on a bid or negotiated basis. Any contract

1 entered into or amended pursuant to this section shall be exempt  
2 from Chapter 6 (commencing with Section 14825) of Part 5.5 of  
3 Division 3 of Title 2 of the Government Code, Section 19130 of  
4 the Government Code, Part 2 (commencing with Section 10100)  
5 of Division 2 of the Public Contract Code, and the State  
6 Administrative Manual, and from the review or approval of any  
7 division of the Department of General Services.

8 ~~SEC. 4. Section 14724 is added to the Welfare and Institutions~~  
9 ~~Code, to read:~~

10 ~~14724. (a) Notwithstanding Sections 14708, 14718, and 14723,~~  
11 ~~and subdivisions (e) and (f) of Section 14711, the department, in~~  
12 ~~consultation with the California Behavioral Health Directors~~  
13 ~~Association and representatives of counties, shall design and~~  
14 ~~implement an intergovernmental transfer program relating to~~  
15 ~~Medi-Cal specialty mental health benefits provided by county~~  
16 ~~mental health plans to fund the nonfederal share of supplemental~~  
17 ~~payments, as permitted under Section 433.51 of Title 42 of the~~  
18 ~~Code of Federal Regulations or any other applicable federal~~  
19 ~~Medicaid program laws, and to replace claiming based on certified~~  
20 ~~public expenditures. Upon providing any intergovernmental~~  
21 ~~transfer of funds, each transferring entity shall certify that the~~  
22 ~~transferred funds qualify for federal financial participation pursuant~~  
23 ~~to applicable federal Medicaid program laws, and in the form and~~  
24 ~~manner specified by the department. The total intergovernmental~~  
25 ~~transfer-funded payment amount, which includes the federal and~~  
26 ~~nonfederal share, paid to a county shall be retained by the county~~  
27 ~~and used for providing Medi-Cal specialty mental health services~~  
28 ~~under the Medi-Cal Specialty Mental Health Services Program.~~

29 ~~(b) This section shall be implemented on July 1, 2022, or the~~  
30 ~~date on which all necessary federal approvals have been received,~~  
31 ~~whichever is later, and only to the extent intergovernmental~~  
32 ~~transfers from counties are provided for this purpose.~~

33 ~~(c) Participation in the intergovernmental transfer program under~~  
34 ~~this section is voluntary on the part of the transferring entities for~~  
35 ~~the purposes of all applicable federal laws.~~

36 ~~(d) This section shall be implemented only to the extent federal~~  
37 ~~financial participation is available for any reimbursement and~~  
38 ~~federal financial participation is not jeopardized.~~

39 ~~(e) If the director determines that the payments do not comply~~  
40 ~~with federal Medicaid program requirements, the director shall~~

1 ~~not implement an intergovernmental transfer program and may~~  
2 ~~adjust payments as necessary to comply with federal Medicaid~~  
3 ~~program requirements.~~

4 ~~(f) Notwithstanding Chapter 3.5 (commencing with Section~~  
5 ~~11340) of Part 1 of Division 3 of Title 2 of the Government Code,~~  
6 ~~the department shall implement this section by letters, information~~  
7 ~~notices, or similar instructions, without taking further regulatory~~  
8 ~~action.~~

9 ~~(g) Notwithstanding Section 10231.5 of the Government Code,~~  
10 ~~by January 1, 2023, and annually thereafter, the department shall~~  
11 ~~provide a status update on the implementation of this section to~~  
12 ~~the Joint Legislative Budget Committee and the fiscal and~~  
13 ~~appropriate policy committees of the Legislature.~~

14 *SEC. 2. Section 14184.400 is added to the Welfare and*  
15 *Institutions Code, to read:*

16 *14184.400. (a) Commencing January 1, 2022, subject to*  
17 *subdivision (f) of Section 14184.102, the department shall continue*  
18 *to implement the Medi-Cal Specialty Mental Health Services*  
19 *Program, as described in Chapter 8.9 (commencing with Section*  
20 *14700), as a component of CalAIM and in accordance with the*  
21 *CalAIM Terms and Conditions.*

22 *(b) Each mental health plan contracting with the department*  
23 *to provide Medi-Cal specialty mental health services pursuant to*  
24 *Chapter 8.9 (commencing with Section 14700) shall comply with*  
25 *all applicable CalAIM Terms and Conditions and any guidance*  
26 *issued by the department pursuant to subdivision (d) of Section*  
27 *14184.102.*

28 *SEC. 3. Section 14184.401 is added to the Welfare and*  
29 *Institutions Code, to read:*

30 *14184.401. (a) Commencing January 1, 2022, subject to*  
31 *subdivision (f) of Section 14184.102, the department shall continue*  
32 *to implement the Drug Medi-Cal organized delivery system*  
33 *(DMC-ODS) program, previously authorized under the California*  
34 *Medi-Cal 2020 Demonstration pursuant to Article 5.5 (commencing*  
35 *with Section 14184), as a component of CalAIM and in accordance*  
36 *with the CalAIM Terms and Conditions.*

37 *(b) A county, or consortium of counties in a regional model,*  
38 *that elects to administer, or elects to continue to administer, a*  
39 *DMC-ODS pilot shall enter into and maintain an*  
40 *intergovernmental agreement with the department. Those counties*

1 shall comply with all applicable CalAIM Terms and Conditions  
2 and any guidance issued by the department pursuant to subdivision  
3 (d) of Section 14184.102 as a condition of participation.

4 (c) An election by a county, or consortium of counties in a  
5 regional model, to participate as a DMC-ODS pilot shall be  
6 considered voluntary for purposes of all state and federal laws.

7 SEC. 4. Section 14184.402 is added to the Welfare and  
8 Institutions Code, to read:

9 14184.402. (a) (1) Section 14059.5 does not preclude  
10 coverage for, or reimbursement of, a clinically appropriate and  
11 covered mental health or substance use disorder assessment,  
12 screening, or treatment service under any of the following  
13 circumstances:

14 (A) Before a provider renders their diagnosis.

15 (B) During a provider's treatment of a Medi-Cal beneficiary  
16 as part of an assessment.

17 (C) For a provider treating a Medi-Cal beneficiary who has a  
18 co-occurring mental health condition and substance use disorder.

19 (D) For a provider who provides specialty mental health  
20 services to a Medi-Cal beneficiary under a contract with a county  
21 mental health plan when that beneficiary concurrently receives  
22 nonspecialty mental health services from a Medi-Cal managed  
23 care plan or under the Medi-Cal fee-for-service delivery system,  
24 if those services are coordinated between the specialty and  
25 nonspecialty mental health systems and those services are not  
26 duplicated.

27 (E) For a provider who provides nonspecialty mental health  
28 services to a Medi-Cal beneficiary pursuant to a contract with a  
29 Medi-Cal managed care plan or under the fee-for-service delivery  
30 system when that beneficiary concurrently receives specialty mental  
31 health services from a county mental health plan, if those services  
32 are coordinated between the nonspecialty and specialty mental  
33 health systems and those services are not duplicated.

34 (2) Section 14059.5 shall not preclude clinically appropriate  
35 and covered mental health or substance use disorder services  
36 during the assessment process.

37 (b) The department shall not impose a requirement for a covered  
38 diagnosis, such as the diagnoses described under paragraph (1)  
39 of subdivision (a) of Section 1820.205, or paragraph (2) of  
40 subdivision (b) of Section 1830.205, of Title 9 of the California

1 *Code of Regulations, as a condition to receive Medi-Cal specialty*  
2 *mental health services.*

3 (c) (1) *The medical necessity criteria for a Medi-Cal beneficiary*  
4 *under 21 years of age in the Drug Medi-Cal Treatment Program*  
5 *and the Drug Medi-Cal organized delivery system shall be*  
6 *consistent with paragraph (1) of subdivision (b) of Section 14059.5.*

7 (2) *A provider who treats a Medi-Cal beneficiary under 21 years*  
8 *of age shall only apply the American Society of Addiction Medicine*  
9 *placement criteria when that provider determines placement level*  
10 *following their determination of medical necessity.*

11 (d) *A county that does not participate in the Drug Medi-Cal*  
12 *organized delivery system shall provide, or arrange for the*  
13 *provision of all medically necessary services required under the*  
14 *Drug Medi-Cal organized delivery system.*

15 (e) *A dispute between a county mental health plan and a*  
16 *Medi-Cal managed care health plan shall not delay the provision*  
17 *of medically necessary services by the county mental health plan*  
18 *or the Medi-Cal managed care health plan. Pending resolution of*  
19 *the dispute, those plans shall comply with Section 1850.525 of*  
20 *Title 9 of the California Code of Regulations.*

21 (f) *For the 2022–23 and 2023–24 fiscal years, the department*  
22 *shall include as part of the Medi-Cal program assumptions and*  
23 *estimates, as described under Section 14100.5, a description of*  
24 *all of the following as it relates to Medi-Cal specialty mental health*  
25 *services:*

26 (1) *Documentation requirements, including changes to the*  
27 *documentation requirements for the treatment plan and chart*  
28 *notes.*

29 (2) *The status of the proposed transition to Healthcare Common*  
30 *Procedure Coding System Level 1 Code.*

31 (3) *Changes to the department’s clinical auditing standards.*

32 (g) (1) *The department shall develop, in consultation with*  
33 *county behavioral health directors, consumer advocates, labor*  
34 *organization representing county mental health workers, mental*  
35 *health and substance use disorder treatment providers,*  
36 *standardized screening tools to guide a referral to a behavioral*  
37 *health delivery system. The department shall develop a*  
38 *standardized screening tool for Medi-Cal beneficiaries who are*  
39 *under 21 years of age and those who are over 21 years of age. The*

1 department shall require the use of these standardized screening  
2 tools.

3 (2) The department shall develop, in consultation with county  
4 behavioral health directors, consumer advocates, labor  
5 organization representing county mental health workers, mental  
6 health and substance use disorder treatment providers,  
7 standardized statewide transition tools to ensure that Medi-Cal  
8 beneficiaries requiring transition between delivery systems receive  
9 timely coordinated care. The department shall develop  
10 standardized statewide transition tools for Medi-Cal beneficiaries  
11 who are under 21 years of age and those who are over 21 years  
12 of age. The department shall require the use of these statewide  
13 transition tools.

14 (3) The department shall field test the tools described under  
15 paragraphs (1) and (2) before implementing these tools.

16 (h) Notwithstanding Chapter 3.5 (commencing with Section  
17 11340) of Part 1 of Division 3 of Title 2 of the Government Code,  
18 the department, without taking any further regulatory action, shall  
19 implement, interpret, and make specific this subdivision by means  
20 of all-county letters, plan letters, plan provider bulletins, manuals,  
21 plan contract amendments, or similar instructions until regulations  
22 are revised or adopted.

23 (i) By July 1, 2023, the department shall promulgate regulations,  
24 as necessary, in accordance with the requirements of Chapter 3.5  
25 (commencing with Section 11340) of Part 1 of Division 3 of Title  
26 2 of the Government Code.

27 SEC. 5. Section 14184.403 is added to the Welfare and  
28 Institutions Code, to read:

29 14184.403. (a) Notwithstanding any other law, commencing  
30 no sooner than July 1, 2022, subject to subdivision (f) of Section  
31 14184.102, each Medi-Cal behavioral health delivery system shall  
32 comply with the behavioral health payment reform provisions  
33 approved in the CalAIM Terms and Conditions and any associated  
34 instruction issued by the department pursuant to subdivision (d)  
35 of Section 14184.102.

36 (b) As a component of behavioral health payment reform under  
37 CalAIM, the department shall design and implement, at a minimum,  
38 an intergovernmental transfer-based reimbursement methodology  
39 to replace the use of certified public expenditures for claims  
40 associated with covered Medi-Cal specialty mental health services

1 *and Medi-Cal drug services provided through Medi-Cal behavioral*  
2 *health delivery systems.*

3 *(c) Notwithstanding any other law, commencing no sooner than*  
4 *July 1, 2022, the nonfederal share of any payments associated*  
5 *with each Medi-Cal behavioral health delivery system shall consist*  
6 *of voluntary intergovernmental transfers of funds provided by*  
7 *eligible governmental agencies or public entities associated with*  
8 *a respective Medi-Cal behavioral delivery system. Upon providing*  
9 *any intergovernmental transfer of funds, each transferring entity*  
10 *shall certify that the transferred funds qualify for federal financial*  
11 *participation pursuant to Section 433.51 of Title 42 of the Code*  
12 *of Federal Regulations, any other applicable federal Medicaid*  
13 *laws, and the CalAIM Terms and Conditions, and in the form and*  
14 *manner specified by the department. Any intergovernmental*  
15 *transfer of funds made pursuant to this section shall be considered*  
16 *voluntary for purposes of all state and federal laws.*  
17 *Notwithstanding any other law, the department shall not assess*  
18 *the fee described in subdivision (d) of Section 14301.4 or any other*  
19 *similar fee on the intergovernmental transfers made pursuant to*  
20 *this section.*

21 *(d) The department shall establish and implement prospective*  
22 *reimbursement rate methodologies utilizing past county cost*  
23 *experience for covered Medi-Cal specialty mental health services*  
24 *and Medi-Cal drug services provided through Medi-Cal behavioral*  
25 *health delivery systems. Those methodologies shall make use of*  
26 *peer groups whereby counties are grouped according to past cost*  
27 *experience, as determined appropriate by the department. The*  
28 *department shall determine the frequency of payments and*  
29 *intergovernmental transfers made pursuant to this section.*

30 *(e) For purposes of this section, “Medi-Cal behavioral health*  
31 *delivery system” means an entity or local agency that contracts*  
32 *with the department to provide covered behavioral health Medi-Cal*  
33 *benefits pursuant to Article 3.2 (commencing with Section*  
34 *14124.20), Section 14184.400, or Chapter 8.9 (commencing with*  
35 *Section 14700), or a county Drug Medi-Cal organized delivery*  
36 *system pilot authorized under the CalAIM Terms and Conditions*  
37 *and described in Section 14184.401.*

38 *SEC. 6. Section 14184.404 is added to the Welfare and*  
39 *Institutions Code, to read:*

1 14184.404. (a) Notwithstanding any other law, commencing  
2 January 1, 2027, subject to subdivision (f) of Section 14184.102,  
3 an individual county, or counties acting jointly, shall provide and  
4 administer covered behavioral health Medi-Cal benefits under a  
5 single Medi-Cal behavioral health delivery system contract, in  
6 accordance with the CalAIM Terms and Conditions.

7 (b) During the CalAIM term, the department, in consultation  
8 with counties, shall conduct any planning activities it deems  
9 necessary and issue related guidance pursuant to subdivision (d)  
10 of Section 14184.102 to facilitate implementation of subdivision  
11 (a).

12 (c) The department may authorize a noncounty organization  
13 that it contracts with pursuant to subdivision (a) of Section 14712  
14 or Section 14124.21 to provide and administer covered behavioral  
15 health Medi-Cal benefits under a single Medi-Cal Behavioral  
16 Health Delivery System contract, in accordance with the CalAIM  
17 Terms and Conditions.

18 (d) For purposes of this section, “Medi-Cal behavioral health  
19 delivery system” means an entity or local agency that contracts  
20 with the department to provide covered behavioral health Medi-Cal  
21 benefits pursuant to Article 3.2 (commencing with Section  
22 14124.20), or Section 14184.400 and Chapter 8.9 (commencing  
23 with Section 14700), or a county Drug Medi-Cal organized delivery  
24 system, as authorized under the CalAIM Terms and Conditions  
25 and described in Section 14184.401.

26 SEC. 7. The Legislature finds and declares that this act is a  
27 state law within the meaning of Section 1621(d) of Title 8 of the  
28 United States Code.

29 SEC. 8. (a) The provisions of this act are severable. If any  
30 provision of this act or its application is held invalid, that invalidity  
31 shall not affect other provisions or applications that can be given  
32 effect without the invalid provision or application.

33 (b) The Legislature hereby declares that it would have enacted  
34 this act and each and every provision thereof not declared invalid  
35 or unconstitutional without regard to whether any other provision  
36 of this act or application thereof would be subsequently declared  
37 invalid or unconstitutional.

O