

AMENDED IN SENATE AUGUST 31, 2011  
AMENDED IN SENATE JULY 11, 2011  
AMENDED IN SENATE JUNE 9, 2011  
CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1297**

**Introduced by Assembly Member Chesbro**

February 18, 2011

An act to amend, *repeal, and add* Sections 5718, 5720, 5724, 5778, 14680, and 14684 of the Welfare and Institutions Code, relating to mental health.

LEGISLATIVE COUNSEL'S DIGEST

AB 1297, as amended, Chesbro. Medi-Cal: mental health.

Existing law provides for the Medi-Cal program, administered by the State Department of Health Care Services, under which qualified low-income persons are provided with health care services, including mental health services. The Medi-Cal program is partially governed and funded under federal Medicaid provisions. Under existing law, the State Department of Mental Health (department) is required to provide specialty mental health services for Medi-Cal recipients through fee-for-service or capitated contracts with mental health plans (MHPs). The department establishes standards, guidelines, and reimbursement amounts for specialty mental health services based on the federal Medicaid requirements. Existing law requires counties to certify that required matching funds are available prior to the reimbursement of federal funds.

This bill, *commencing July 1, 2012*, would require the standards, guidelines, and reimbursement amounts to be consistent with federal

Medicaid requirements, as specified in the approved Medicaid state plan and waivers. The bill would also require counties to certify that certified public expenditures have been incurred prior to reimbursement of federal funds. *The bill would, if the reimbursement methodology utilizes federal upper payment limits and the total cost of services exceeds the state maximum rates in effect for the 2011–12 fiscal year, require a county that chooses to claim costs that exceed the state maximum rates with certified public expenditures, to use only local funds, and not state funds, to claim the portion of the costs over the state maximum rates and to enter into and maintain a contract with the department so specifying.*

Existing law establishes procedures, including reimbursement and claiming procedures, reviews and oversight, and appeal processes for MHPs and MHP subcontractors.

The bill, *commencing July 1, 2012*, also would require claims for reimbursement for service to be submitted by MHPs within the timeframes required by federal Medicaid requirements and the approved Medicaid state plan and waivers.

Existing law requires the State Department of Health Care Services and the State Department of Mental Health to jointly develop a new ratesetting methodology for reimbursements for direct client services that meets specified requirements, including that administrative costs be claimed separately and limited to 15% of the total cost of direct client services.

This bill, *commencing July 1, 2012*, would instead require the development of a reimbursement methodology, in consultation with the California Mental Health Directors Association, that is consistent with federal Medicaid requirements and the approved Medicaid state plan and waivers.

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 5718 of the Welfare and Institutions Code
- 2     is amended to read:
- 3     5718. (a) (1) This section and Sections 5719 to 5724,
- 4     inclusive, shall apply to mental health services provided by counties
- 5     to Medi-Cal eligible individuals. Counties shall provide services

1 to Medi-Cal beneficiaries and seek the maximum federal  
2 reimbursement possible for services rendered to the mentally ill.

3 (2) To the extent permitted under federal law, funds deposited  
4 into the local health and welfare trust fund from the Sales Tax  
5 Account of the Local Revenue Fund may be used to match federal  
6 medicaid funds in order to achieve the maximum federal  
7 reimbursement possible for services pursuant to this chapter. If a  
8 county applies to use local funds, the department may enforce any  
9 additional federal requirements that use may involve, based on  
10 standards and guidelines designed to enhance, protect, and  
11 maximize the claiming of those resources.

12 (3) The standards and guidelines for the administration of mental  
13 health services to Medi-Cal eligible persons shall be based on  
14 federal medicaid requirements.

15 (b) With regard to each person receiving mental health services  
16 from a county mental health program, the county shall determine  
17 whether the person is Medi-Cal eligible and, if determined to be  
18 Medi-Cal eligible, the person shall be referred when appropriate  
19 to a facility, clinic, or program which is certified for Medi-Cal  
20 reimbursement.

21 (c) With regard to county operated facilities, clinics, or programs  
22 for which claims are submitted to the department for Medi-Cal  
23 reimbursement for mental health services to Medi-Cal eligible  
24 individuals, the county shall ensure that all requirements necessary  
25 for Medi-Cal reimbursement for these services are complied with,  
26 including, but not limited to, utilization review and the submission  
27 of year-end cost reports by December 31 following the close of  
28 the fiscal year.

29 (d) Counties shall certify to the state that required matching  
30 funds are available prior to the reimbursement of federal funds.

31 (e) *This section shall remain in effect only until July 1, 2012,*  
32 *and as of that date is repealed, unless a later enacted statute, that*  
33 *is enacted before January 1, 2013, deletes or extends that date.*

34 *SEC. 2. Section 5718 is added to the Welfare and Institutions*  
35 *Code, to read:*

36 *5718. (a) (1) This section and Sections 5719 to 5724,*  
37 *inclusive, shall apply to mental health services provided by counties*  
38 *to Medi-Cal eligible individuals. Counties shall provide services*  
39 *to Medi-Cal beneficiaries and seek the maximum federal*  
40 *reimbursement possible for services rendered to the mentally ill.*

1 (2) To the extent permitted under federal law, funds deposited  
2 into the local health and welfare trust fund from the Sales Tax  
3 Account of the Local Revenue Fund may be used to match federal  
4 Medicaid funds in order to achieve the maximum federal  
5 reimbursement possible for services pursuant to this chapter.

6 (3) The standards and guidelines for the administration of  
7 mental health services to Medi-Cal eligible persons shall be  
8 consistent with federal Medicaid requirements, as specified in the  
9 approved Medicaid state plan and waivers to ensure full and timely  
10 federal reimbursement to counties for services that are rendered  
11 and claimed consistent with federal Medicaid requirements.

12 (b) With regard to each person receiving mental health services  
13 from a county mental health program, the county shall determine  
14 whether the person is Medi-Cal eligible and, if determined to be  
15 Medi-Cal eligible, the person shall be referred when appropriate  
16 to a facility, clinic, or program which is certified for Medi-Cal  
17 reimbursement.

18 (c) With regard to county operated facilities, clinics, or  
19 programs for which claims are submitted to the department for  
20 Medi-Cal reimbursement for mental health services to Medi-Cal  
21 eligible individuals, the county shall ensure that all requirements  
22 necessary for Medi-Cal reimbursement for these services are  
23 complied with, including, but not limited to, utilization review and  
24 the submission of yearend cost reports by December 31 following  
25 the close of the fiscal year.

26 (d) Counties shall certify to the state that required certified  
27 public expenditures have been incurred prior to the reimbursement  
28 of federal funds.

29 (e) This section shall become operative on July 1, 2012.

30 SEC. 3. Section 5720 of the Welfare and Institutions Code is  
31 amended to read:

32 5720. (a) Notwithstanding any other provision of law, the  
33 director, in the 1993–94 fiscal year and fiscal years thereafter,  
34 subject to the approval of the Director of Health Services, shall  
35 establish the amount of reimbursement for services provided by  
36 county mental health programs to Medi-Cal eligible individuals.

37 (b) Notwithstanding this section, in the event that a health  
38 facility has entered into a negotiated rate agreement pursuant to  
39 Article 2.6 (commencing with Section 14081) of Chapter 7 of Part

1 4 of Division 9, the facility's rates shall be governed by that  
2 agreement.

3 (c) *This section shall remain in effect only until July 1, 2012,*  
4 *and as of that date is repealed, unless a later enacted statute, that*  
5 *is enacted before January 1, 2013, deletes or extends that date.*

6 SEC. 4. Section 5720 is added to the Welfare and Institutions  
7 Code, to read:

8 5720. (a) *Notwithstanding any other provision of law, the*  
9 *director, in the 1993–94 fiscal year and fiscal years thereafter,*  
10 *subject to the approval of the Director of Health Care Services,*  
11 *shall establish the amount of reimbursement for services provided*  
12 *by county mental health programs to Medi-Cal eligible individuals.*  
13 *For purposes of federal reimbursement to counties that have*  
14 *certified to the state that certified public expenditures have been*  
15 *incurred, the reimbursement amounts shall be consistent with*  
16 *federal Medicaid requirements for calculating federal upper*  
17 *payment limits, as specified in the approved Medicaid state plan*  
18 *and waivers.*

19 (b) *If the reimbursement methodology utilizes federal upper*  
20 *payment limits and the total cost of services exceeds the state*  
21 *maximum rates in effect for the 2011–12 fiscal year, a county may*  
22 *use certified public expenditures to claim the costs of services that*  
23 *exceed the state maximum rates, up to the federal upper payment*  
24 *limits. If a county chooses to claim costs that exceed the state*  
25 *maximum rates with certified public expenditures, the county shall*  
26 *use only local funds, and not state funds, to claim the portion of*  
27 *the costs over the state maximum rates. As a condition of receiving*  
28 *reimbursement up to the federal upper payment limits, a county*  
29 *shall enter into and maintain an agreement with the department*  
30 *implementing this subdivision.*

31 (c) *Notwithstanding this section, in the event that a health*  
32 *facility has entered into a negotiated rate agreement pursuant to*  
33 *Article 2.6 (commencing with Section 14081) of Chapter 7 of Part*  
34 *4 of Division 9, the facility's rates shall be governed by that*  
35 *agreement.*

36 *(d) This section shall become operative on July 1, 2012.*

37 SEC. 5. Section 5724 of the Welfare and Institutions Code is  
38 amended to read:

39 5724. (a) The department and the State Department of Health  
40 Services shall jointly develop a new ratesetting methodology for

1 use in the Short-Doyle Medi-Cal system that maximizes federal  
 2 funding and utilizes, as much as practicable, federal ~~medicare~~  
 3 *Medicare* reimbursement principles. The departments shall work  
 4 with the counties and the federal Health Care Financing  
 5 Administration in the development of the methodology required  
 6 by this section.

7 (b) Rates developed through the methodology required by this  
 8 section shall apply only to reimbursement for direct client services.

9 (c) Administrative costs shall be claimed separately and shall  
 10 be limited to 15 percent of the total cost of direct client services.

11 (d) The cost of performing utilization reviews shall be claimed  
 12 separately and shall not be included in administrative cost.

13 (e) The ratesetting methodology established pursuant to this  
 14 section shall contain incentives relating to economy and efficiency  
 15 in service delivery.

16 (f) The rates established for direct client services pursuant to  
 17 this section shall be based on increments of time for all  
 18 noninpatient services.

19 (g) The ratesetting methodology shall not be implemented until  
 20 it has received any necessary federal approvals.

21 (h) *This section shall remain in effect only until July 1, 2012,*  
 22 *and as of that date is repealed, unless a later enacted statute, that*  
 23 *is enacted before January 1, 2013, deletes or extends that date.*

24 SEC. 6. Section 5724 is added to the Welfare and Institutions  
 25 Code, to read:

26 5724. (a) *The department and the State Department of Health*  
 27 *Care Services shall jointly develop, in consultation with the*  
 28 *California Mental Health Directors Association, a reimbursement*  
 29 *methodology for use in the Short-Doyle Medi-Cal system that*  
 30 *maximizes federal funding and utilizes, as much as practicable,*  
 31 *federal Medicaid and Medicare reimbursement principles. The*  
 32 *departments shall work with the federal Centers for Medicare and*  
 33 *Medicaid Services in the development of the methodology required*  
 34 *by this section.*

35 (b) *Reimbursement amounts developed through the methodology*  
 36 *required by this section shall be consistent with federal Medicaid*  
 37 *requirements and the approved Medicaid state plan and waivers.*

38 (c) *Administrative costs shall be claimed separately in a manner*  
 39 *consistent with federal Medicaid requirements and the approved*

1 Medicaid state plan and waivers and shall be limited to 15 percent  
2 of the total actual cost of direct client services.

3 (d) The cost of performing quality assurance and utilization  
4 review activities shall be reimbursed separately and shall not be  
5 included in administrative cost.

6 (e) The reimbursement methodology established pursuant to  
7 this section shall be based upon certified public expenditures,  
8 which encourage economy and efficiency in service delivery.

9 (f) The reimbursement amounts established for direct client  
10 services pursuant to this section shall be based on increments of  
11 time for all noninpatient services.

12 (g) The reimbursement methodology shall not be implemented  
13 until it has received any necessary federal approvals.

14 (h) This section shall become operative on July 1, 2012.

15 SEC. 7. Section 5778 of the Welfare and Institutions Code is  
16 amended to read:

17 5778. (a) This section shall be limited to specialty mental  
18 health services reimbursed through a fee-for-service payment  
19 system.

20 (b) The following provisions shall apply to matters related to  
21 specialty mental health services provided under the Medi-Cal  
22 specialty mental health services waiver, including, but not limited  
23 to, reimbursement and claiming procedures, reviews and oversight,  
24 and appeal processes for mental health plans (MHPs) and MHP  
25 subcontractors.

26 (1) During the initial phases of the implementation of this part,  
27 as determined by the department, the MHP contractor and  
28 subcontractors shall submit claims under the Medi-Cal program  
29 for eligible services on a fee-for-service basis.

30 (2) A qualifying county may elect, with the approval of the  
31 department, to operate under the requirements of a capitated,  
32 integrated service system field test pursuant to Section 5719.5  
33 rather than this part, in the event the requirements of the two  
34 programs conflict. A county that elects to operate under that section  
35 shall comply with all other provisions of this part that do not  
36 conflict with that section.

37 (3) (A) No sooner than October 1, 1994, state matching funds  
38 for Medi-Cal fee-for-service acute psychiatric inpatient services,  
39 and associated administrative days, shall be transferred to the  
40 department. No later than July 1, 1997, upon agreement between

1 the department and the State Department of Health Care Services,  
2 state matching funds for the remaining Medi-Cal fee-for-service  
3 mental health services and the state matching funds associated  
4 with field test counties under Section 5719.5 shall be transferred  
5 to the department.

6 (B) The department, in consultation with the State Department  
7 of Health Care Services, a statewide organization representing  
8 counties, and a statewide organization representing health  
9 maintenance organizations shall develop a timeline for the transfer  
10 of funding and responsibility for fee-for-service mental health  
11 services from Medi-Cal managed care plans to MHPs. In  
12 developing the timeline, the department shall develop screening,  
13 referral, and coordination guidelines to be used by Medi-Cal  
14 managed care plans and MHPs.

15 (4) (A) (i) A MHP subcontractor providing specialty mental  
16 health services shall be financially responsible for federal audit  
17 exceptions or disallowances to the extent that these exceptions or  
18 disallowances are based on the MHP subcontractor's conduct or  
19 determinations.

20 (ii) The state shall be financially responsible for federal audit  
21 exceptions or disallowances to the extent that these exceptions or  
22 disallowances are based on the state's conduct or determinations.  
23 The state shall not withhold payment from a MHP for exceptions  
24 or disallowances that the state is financially responsible for  
25 pursuant to this clause.

26 (iii) A MHP shall be financially responsible for state audit  
27 exceptions or disallowances to the extent that these exceptions or  
28 disallowances are based on the MHP's conduct or determinations.  
29 A MHP shall not withhold payment from a MHP subcontractor  
30 for exceptions or disallowances for which the MHP is financially  
31 responsible pursuant to this clause.

32 (B) For purposes of subparagraph (A), a "determination" shall  
33 be shown by a written document expressly stating the  
34 determination, while "conduct" shall be shown by any credible,  
35 legally admissible evidence.

36 (C) The department and the State Department of Health Care  
37 Services shall work jointly with MHPs in initiating any necessary  
38 appeals. The department may invoice or offset the amount of any  
39 federal disallowance or audit exception against subsequent claims  
40 from the MHP or MHP subcontractor. This offset may be done at

1 any time, after the audit exception or disallowance has been  
2 withheld from the federal financial participation claim made by  
3 the State Department of Health Care Services. The maximum  
4 amount that may be withheld shall be 25 percent of each payment  
5 to the plan or subcontractor.

6 (5) (A) Oversight by the department of the MHPs and MHP  
7 subcontractors may include client record reviews of Early Periodic  
8 Screening Diagnosis and Treatment (EPSDT) specialty mental  
9 health services under the Medi-Cal specialty mental health services  
10 waiver in addition to other audits or reviews that are conducted.

11 (B) The department may contract with an independent,  
12 nongovernmental entity to conduct client record reviews. The  
13 contract awarded in connection with this section shall be on a  
14 competitive bid basis, pursuant to the Department of General  
15 Services contracting requirements, and shall meet both of the  
16 following additional requirements:

17 (i) Require the entity awarded the contract to comply with all  
18 federal and state privacy laws, including, but not limited to, the  
19 federal Health Insurance Portability and Accountability Act  
20 (HIPAA; 42 U.S.C. Sec. 1320d et seq.) and its implementing  
21 regulations, the Confidentiality of Medical Information Act (Part  
22 2.6 (commencing with Section 56) of Division 1 of the Civil Code),  
23 and Section 1798.81.5 of the Civil Code. The entity shall be subject  
24 to existing penalties for violation of these laws.

25 (ii) Prohibit the entity awarded the contract from using, selling,  
26 or disclosing client records for a purpose other than the one for  
27 which the record was given.

28 (C) For purposes of this paragraph, the following terms shall  
29 have the following meanings:

30 (i) “Client record” means a medical record, chart, or similar  
31 file, as well as other documents containing information regarding  
32 an individual recipient of services, including, but not limited to,  
33 clinical information, dates and times of services, and other  
34 information relevant to the individual and services provided and  
35 that evidences compliance with legal requirements for Medi-Cal  
36 reimbursement.

37 (ii) “Client record review” means examination of the client  
38 record for a selected individual recipient for the purpose of  
39 confirming the existence of documents that verify compliance with

1 legal requirements for claims submitted for Medi-Cal  
2 reimbursement.

3 (D) The department shall recover overpayments of federal  
4 financial participation from MHPs within the timeframes required  
5 by federal law and regulation and return those funds to the State  
6 Department of Health Care Services for repayment to the federal  
7 Centers for Medicare and Medicaid Services. The department shall  
8 recover overpayments of General Fund moneys utilizing the  
9 recoupment methods and timeframes required by the State  
10 Administrative Manual.

11 (6) (A) The department, in consultation with mental health  
12 stakeholders, the California Mental Health Directors Association,  
13 and MHP subcontractor representatives, shall provide an appeals  
14 process that specifies a progressive process for resolution of  
15 disputes about claims or recoupments relating to specialty mental  
16 health services under the Medi-Cal specialty mental health services  
17 waiver.

18 (B) The department shall provide MHPs and MHP  
19 subcontractors the opportunity to directly appeal findings in  
20 accordance with procedures that are similar to those described in  
21 Article 1.5 (commencing with Section 51016) of Chapter 3 of  
22 Subdivision 1 of Division 3 of Title 22 of the California Code of  
23 Regulations, until new regulations for a progressive appeals process  
24 are promulgated. When an MHP subcontractor initiates an appeal,  
25 it shall give notice to the MHP. The department shall propose a  
26 rulemaking package by no later than the end of the 2008–09 fiscal  
27 year to amend the existing appeals process. The reference in this  
28 subparagraph to the procedures described in Article 1.5  
29 (commencing with Section 51016) of Chapter 3 of Subdivision 1  
30 of Division 3 of Title 22 of the California Code of Regulations,  
31 shall only apply to those appeals addressed in this subparagraph.

32 (C) The department shall develop regulations as necessary to  
33 implement this paragraph.

34 (7) The department shall assume the applicable program  
35 oversight authority formerly provided by the State Department of  
36 Health Care Services, including, but not limited to, the oversight  
37 of utilization controls as specified in Section 14133. The MHP  
38 shall include a requirement in any subcontracts that all inpatient  
39 subcontractors maintain necessary licensing and certification.  
40 MHPs shall require that services delivered by licensed staff are

1 within their scope of practice. Nothing in this part shall prohibit  
2 the MHPs from establishing standards that are in addition to the  
3 minimum federal and state requirements, provided that these  
4 standards do not violate federal and state Medi-Cal requirements  
5 and guidelines.

6 (8) Subject to federal approval and consistent with state  
7 requirements, the MHP may negotiate rates with providers of  
8 mental health services.

9 (9) Under the fee-for-service payment system, any excess in  
10 the payment set forth in the contract over the expenditures for  
11 services by the plan shall be spent for the provision of specialty  
12 mental health services under the Medi-Cal specialty mental health  
13 service waiver and related administrative costs.

14 (10) Nothing in this part shall limit the MHP from being  
15 reimbursed appropriate federal financial participation for any  
16 qualified services even if the total expenditures for service exceeds  
17 the contract amount with the department. Matching nonfederal  
18 public funds shall be provided by the plan for the federal financial  
19 participation matching requirement.

20 (c) This subdivision shall apply to managed mental health care  
21 funding allocations and risk-sharing determinations and  
22 arrangements.

23 (1) The department shall allocate and distribute annually the  
24 full appropriated amount to each MHP for the managed mental  
25 health care program, exclusive of the EPSDT specialty mental  
26 health services program, provided under the mental health services  
27 waiver. The allocated funds shall be considered to be funds of the  
28 plan to be used as specified in this part.

29 (2) Each fiscal year the state matching funds for Medi-Cal  
30 specialty mental health services shall be included in the annual  
31 budget for the department. The amount included shall be based on  
32 historical cost, adjusted for changes in the number of Medi-Cal  
33 beneficiaries and other relevant factors. The appropriation for  
34 funding the state share of the costs for EPSDT specialty mental  
35 health services provided under the Medi-Cal specialty mental  
36 health services waiver shall only be used for reimbursement  
37 payments of claims for those services.

38 (3) Initially, the MHP shall use the fiscal intermediary of the  
39 Medi-Cal program of the State Department of Health Care Services  
40 for the processing of claims for inpatient psychiatric hospital

1 services and may be required to use that fiscal intermediary for  
2 the remaining mental health services. The providers for other  
3 Short-Doyle Medi-Cal services shall not be initially required to  
4 use the fiscal intermediary but may be required to do so on a date  
5 to be determined by the department. The department and its MHPs  
6 shall be responsible for the initial incremental increased matching  
7 costs of the fiscal intermediary for claims processing and  
8 information retrieval associated with the operation of the services  
9 funded by the transferred funds.

10 (4) The goal for funding of the future capitated system shall be  
11 to develop statewide rates for beneficiary, by aid category and  
12 with regional price differentiation, within a reasonable time period.  
13 The formula for distributing the state matching funds transferred  
14 to the department for acute inpatient psychiatric services to the  
15 participating counties shall be based on the following principles:

16 (A) Medi-Cal state General Fund matching dollars shall be  
17 distributed to counties based on historic Medi-Cal acute inpatient  
18 psychiatric costs for the county's beneficiaries and on the number  
19 of persons eligible for Medi-Cal in that county.

20 (B) All counties shall receive a baseline based on historic and  
21 projected expenditures up to October 1, 1994.

22 (C) Projected inpatient growth for the period October 1, 1994,  
23 to June 30, 1995, inclusive, shall be distributed to counties below  
24 the statewide average per eligible person on a proportional basis.  
25 The average shall be determined by the relative standing of the  
26 aggregate of each county's expenditures of mental health Medi-Cal  
27 dollars per beneficiary. Total Medi-Cal dollars shall include both  
28 fee-for-service Medi-Cal and Short-Doyle Medi-Cal dollars for  
29 both acute inpatient psychiatric services, outpatient mental health  
30 services, and psychiatric nursing facility services, both in facilities  
31 that are not designated as institutions for mental disease and for  
32 beneficiaries who are under 22 years of age and beneficiaries who  
33 are over 64 years of age in facilities that are designated as  
34 institutions for mental disease.

35 (D) There shall be funds set aside for a self-insurance risk pool  
36 for small counties. The department may provide these funds  
37 directly to the administering entity designated in writing by all  
38 counties participating in the self-insurance risk pool. The small  
39 counties shall assume all responsibility and liability for appropriate  
40 administration of these funds. For purposes of this subdivision,

1 “small counties” means counties with less than 200,000 population.  
 2 Nothing in this paragraph shall in any way obligate the state or the  
 3 department to provide or make available any additional funds  
 4 beyond the amount initially appropriated and set aside for each  
 5 particular fiscal year, unless otherwise authorized in statute or  
 6 regulations, nor shall the state or the department be liable in any  
 7 way for mismanagement or loss of funds by the entity designated  
 8 by the counties under this paragraph.

9 (5) The allocation method for state funds transferred for acute  
 10 inpatient psychiatric services shall be as follows:

11 (A) For the 1994–95 fiscal year, an amount equal to 0.6965  
 12 percent of the total shall be transferred to a fund established by  
 13 small counties. This fund shall be used to reimburse MHPs in small  
 14 counties for the cost of acute inpatient psychiatric services in excess  
 15 of the funding provided to the MHP for risk reinsurance, acute  
 16 inpatient psychiatric services and associated administrative days,  
 17 alternatives to hospital services as approved by participating small  
 18 counties, or for costs associated with the administration of these  
 19 moneys. The methodology for use of these moneys shall be  
 20 determined by the small counties, through a statewide organization  
 21 representing counties, in consultation with the department.

22 (B) The balance of the transfer amount for the 1994–95 fiscal  
 23 year shall be allocated to counties based on the following formula:

County	Percentage
25 Alameda.....	3.5991
26 Alpine.....	.0050
27 Amador.....	.0490
28 Butte.....	.8724
29 Calaveras.....	.0683
30 Colusa.....	.0294
31 Contra Costa.....	1.5544
32 Del Norte.....	.1359
33 El Dorado.....	.2272
34 Fresno.....	2.5612
35 Glenn.....	.0597
36 Humboldt.....	.1987
37 Imperial.....	.6269
38 Inyo.....	.0802
39 Kern.....	2.6309
40	

	County	Percentage
1	Kings.....	.4371
2	Lake.....	.2955
3	Lassen.....	.1236
4	Los Angeles.....	31.3239
5	Madera.....	.3882
6	Marin.....	1.0290
7	Mariposa.....	.0501
8	Mendocino.....	.3038
9	Merced.....	.5077
10	Modoc.....	.0176
11	Mono.....	.0096
12	Monterey.....	.7351
13	Napa.....	.2909
14	Nevada.....	.1489
15	Orange.....	8.0627
16	Placer.....	.2366
17	Plumas.....	.0491
18	Riverside.....	4.4955
19	Sacramento.....	3.3506
20	San Benito.....	.1171
21	San Bernardino.....	6.4790
22	San Diego.....	12.3128
23	San Francisco.....	3.5473
24	San Joaquin.....	1.4813
25	San Luis Obispo.....	.2660
26	San Mateo.....	.0000
27	Santa Barbara.....	.0000
28	Santa Clara.....	1.9284
29	Santa Cruz.....	1.7571
30	Shasta.....	.3997
31	Sierra.....	.0105
32	Siskiyou.....	.1695
33	Solano.....	.0000
34	Sonoma.....	.5766
35	Stanislaus.....	1.7855
36	Sutter/Yuba.....	.7980
37	Tehama.....	.1842
38	Trinity.....	.0271
39	Tulare.....	2.1314
40		

County	Percentage
Tuolumne.....	.2646
Ventura.....	.8058
Yolo.....	.4043

6 (6) The allocation method for the state funds transferred for  
7 subsequent years for acute inpatient psychiatric and other specialty  
8 mental health services shall be determined by the department in  
9 consultation with a statewide organization representing counties.

10 (7) The allocation methodologies described in this section shall  
11 only be in effect while federal financial participation is received  
12 on a fee-for-service reimbursement basis. When federal funds are  
13 capitated, the department, in consultation with a statewide  
14 organization representing counties, shall determine the  
15 methodology for capitation consistent with federal requirements.  
16 The share of cost ratio arrangement for EPSDT specialty mental  
17 health services provided under the Medi-Cal specialty mental  
18 health services waiver between the state and the counties in  
19 existence during the 2007–08 fiscal year shall remain as the share  
20 of cost ratio arrangement for these services unless changed by  
21 statute.

22 (8) The formula that specifies the amount of state matching  
23 funds transferred for the remaining Medi-Cal fee-for-service mental  
24 health services shall be determined by the department in  
25 consultation with a statewide organization representing counties.  
26 This formula shall only be in effect while federal financial  
27 participation is received on a fee-for-service reimbursement basis.

28 (9) (A) For the managed mental health care program, exclusive  
29 of EPSDT specialty mental health services provided under the  
30 Medi-Cal specialty mental health services waiver, the department  
31 shall establish, by regulation, a risk-sharing arrangement between  
32 the department and counties that contract with the department as  
33 MHPs to provide an increase in the state General Fund allocation,  
34 subject to the availability of funds, to the MHP under this section,  
35 where there is a change in the obligations of the MHP required by  
36 federal or state law or regulation, or required by a change in the  
37 interpretation or implementation of any such law or regulation  
38 which significantly increases the cost to the MHP of performing  
39 under the terms of its contract.

1 (B) During the time period required to redetermine the  
2 allocation, payment to the MHP of the allocation in effect at the  
3 time the change occurred shall be considered an interim payment,  
4 and shall be subject to increase effective as of the date on which  
5 the change is effective.

6 (C) In order to be eligible to participate in the risk-sharing  
7 arrangement, the county shall demonstrate, to the satisfaction of  
8 the department, its commitment or plan of commitment of all  
9 annual funding identified in the total mental health resource base,  
10 from whatever source, but not including county funds beyond the  
11 required maintenance of effort, to be spent on specialty mental  
12 health services. This determination of eligibility shall be made  
13 annually. The department may limit the participation in a  
14 risk-sharing arrangement of any county that transfers funds from  
15 the mental health account to the social services account or the  
16 health services account, in accordance with Section 17600.20  
17 during the year to which the transfers apply to MHP expenditures  
18 for the new obligation that exceed the total mental health resource  
19 base, as measured before the transfer of funds out of the mental  
20 health account and not including county funds beyond the required  
21 maintenance of effort. The State Department of Mental Health  
22 shall participate in a risk-sharing arrangement only after a county  
23 has expended its total annual mental health resource base.

24 (d) The following provisions govern the administrative  
25 responsibilities of the department and the State Department of  
26 Health Care Services:

27 (1) It is the intent of the Legislature that the department and the  
28 State Department of Health Care Services consult and collaborate  
29 closely regarding administrative functions related to and supporting  
30 the managed mental health care program in general, and the  
31 delivery and provision of EPSDT specialty mental health services  
32 provided under the Medi-Cal specialty mental health services  
33 waiver, in particular. To this end, the following provisions shall  
34 apply:

35 (A) Commencing in the 2009–10 fiscal year, and each fiscal  
36 year thereafter, the department shall consult with the State  
37 Department of Health Care Services and amend the interagency  
38 agreement between the two departments as necessary to include  
39 improvements or updates to procedures for the accurate and timely  
40 processing of Medi-Cal claims for specialty mental health services

1 provided under the Medi-Cal specialty mental health services  
2 waiver. The interagency agreement shall ensure that there are  
3 consistent and adequate time limits, consistent with federal and  
4 state law, for claims submitted and the need to correct errors.

5 (B) Commencing in the 2009–10 fiscal year, and each fiscal  
6 year thereafter, upon a determination by the department and the  
7 State Department of Health Care Services that it is necessary to  
8 amend the interagency agreement, the department and the State  
9 Department of Health Care Services shall process the interagency  
10 agreement to ensure final approval by January 1, for the following  
11 fiscal year, and as adjusted by the budgetary process.

12 (C) The interagency agreement shall include, at a minimum, all  
13 of the following:

14 (i) A process for ensuring the completeness, validity, and timely  
15 processing of Medi-Cal claims as mandated by the federal Centers  
16 for Medicare and Medicaid Services.

17 (ii) Procedures and timeframes by which the department shall  
18 submit complete, valid, and timely invoices to the State Department  
19 of Health Care Services, which shall notify the department of  
20 inconsistencies in invoices that may delay payments.

21 (iii) Procedures and timeframes by which the department shall  
22 notify MHPs of inconsistencies that may delay payment.

23 (2) (A) The department shall consult with the State Department  
24 of Health Care Services and the California Mental Health Directors  
25 Association in February and September of each year to review the  
26 methodology used to forecast future trends in the provision of  
27 EPSDT specialty mental health services provided under the  
28 Medi-Cal specialty mental health services waiver, to estimate these  
29 yearly EPSDT specialty mental health services related costs, and  
30 to estimate the annual amount of funding required for  
31 reimbursements for EPSDT specialty mental health services to  
32 ensure relevant factors are incorporated in the methodology. The  
33 estimates of costs and reimbursements shall include both federal  
34 financial participation amounts and any state General Fund amounts  
35 for EPSDT specialty mental health services provided under the  
36 State Medi-Cal specialty mental health services waiver. The  
37 department shall provide the State Department of Health Care  
38 Services the estimate adjusted to a cash basis.

39 (B) The estimate of annual funding described in subparagraph  
40 (A) shall, include, but not be limited to, the following factors:

1 (i) The impacts of interactions among caseload, type of services,  
2 amount or number of services provided, and billing unit cost of  
3 services provided.

4 (ii) A systematic review of federal and state policies, trends  
5 over time, and other causes of change.

6 (C) The forecasting and estimates performed under this  
7 paragraph are primarily for the purpose of providing the Legislature  
8 and the Department of Finance with projections that are as accurate  
9 as possible for the state budget process, but will also be informative  
10 and useful for other purposes. Therefore, it is the intent of the  
11 Legislature that the information produced under this paragraph  
12 shall be taken into consideration under paragraph (10) of  
13 subdivision (c).

14 *(e) This section shall remain in effect only until July 1, 2012,*  
15 *and as of that date is repealed, unless a later enacted statute, that*  
16 *is enacted before January 1, 2013, deletes or extends that date.*

17 *SEC. 8. Section 5778 is added to the Welfare and Institutions*  
18 *Code, to read:*

19 *5778. (a) This section shall be limited to specialty mental*  
20 *health services reimbursed through a fee-for-service payment*  
21 *system.*

22 *(b) The following provisions shall apply to matters related to*  
23 *specialty mental health services provided under the Medi-Cal*  
24 *specialty mental health services waiver, including, but not limited*  
25 *to, reimbursement and claiming procedures, reviews and oversight,*  
26 *and appeal processes for mental health plans (MHPs) and MHP*  
27 *subcontractors.*

28 *(1) During the initial phases of the implementation of this part,*  
29 *as determined by the department, the MHP contractor and*  
30 *subcontractors shall submit claims under the Medi-Cal program*  
31 *for eligible services on a fee-for-service basis.*

32 *(2) A qualifying county may elect, with the approval of the*  
33 *department, to operate under the requirements of a capitated,*  
34 *integrated service system field test, pursuant to Section 5719.5*  
35 *rather than this part, in the event the requirements of the two*  
36 *programs conflict. A county that elects to operate under that*  
37 *section shall comply with all other provisions of this part that do*  
38 *not conflict with that section.*

39 *(3) (A) No sooner than October 1, 1994, state matching funds*  
40 *for Medi-Cal fee-for-service acute psychiatric inpatient services,*

1 *and associated administrative days, shall be transferred to the*  
2 *department. No later than July 1, 1997, upon agreement between*  
3 *the department and the State Department of Health Care Services,*  
4 *state matching funds for the remaining Medi-Cal fee-for-service*  
5 *mental health services and the state matching funds associated*  
6 *with field test counties under Section 5719.5 shall be transferred*  
7 *to the department.*

8 *(B) The department, in consultation with the State Department*  
9 *of Health Care Services, a statewide organization representing*  
10 *counties, and a statewide organization representing health*  
11 *maintenance organizations shall develop a timeline for the transfer*  
12 *of funding and responsibility for fee-for-service mental health*  
13 *services from Medi-Cal managed care plans to MHPs. In*  
14 *developing the timeline, the department shall develop screening,*  
15 *referral, and coordination guidelines to be used by Medi-Cal*  
16 *managed care plans and MHPs.*

17 *(4) (A) (i) A MHP subcontractor providing specialty mental*  
18 *health services shall be financially responsible for federal audit*  
19 *exceptions or disallowances to the extent that these exceptions or*  
20 *disallowances are based on the MHP subcontractor's conduct or*  
21 *determinations.*

22 *(ii) The state shall be financially responsible for federal audit*  
23 *exceptions or disallowances to the extent that these exceptions or*  
24 *disallowances are based on the state's conduct or determinations.*  
25 *The state shall not withhold payment from a MHP for exceptions*  
26 *or disallowances that the state is financially responsible for*  
27 *pursuant to this clause.*

28 *(iii) A MHP shall be financially responsible for state audit*  
29 *exceptions or disallowances to the extent that these exceptions or*  
30 *disallowances are based on the MHP's conduct or determinations.*  
31 *A MHP shall not withhold payment from a MHP subcontractor*  
32 *for exceptions or disallowances for which the MHP is financially*  
33 *responsible pursuant to this clause.*

34 *(B) For purposes of subparagraph (A), a "determination" shall*  
35 *be shown by a written document expressly stating the*  
36 *determination, while "conduct" shall be shown by any credible,*  
37 *legally admissible evidence.*

38 *(C) The department and the State Department of Health Care*  
39 *Services shall work jointly with MHPs in initiating any necessary*  
40 *appeals. The department may invoice or offset the amount of any*

1 *federal disallowance or audit exception against subsequent claims*  
2 *from the MHP or MHP subcontractor. This offset may be done at*  
3 *any time, after the audit exception or disallowance has been*  
4 *withheld from the federal financial participation claim made by*  
5 *the State Department of Health Care Services. The maximum*  
6 *amount that may be withheld shall be 25 percent of each payment*  
7 *to the plan or subcontractor.*

8 (5) (A) *Oversight by the department of the MHPs and MHP*  
9 *subcontractors may include client record reviews of Early Periodic*  
10 *Screening Diagnosis and Treatment (EPSDT) specialty mental*  
11 *health services under the Medi-Cal specialty mental health services*  
12 *waiver in addition to other audits or reviews that are conducted.*

13 (B) *The department may contract with an independent,*  
14 *nongovernmental entity to conduct client record reviews. The*  
15 *contract awarded in connection with this section shall be on a*  
16 *competitive bid basis, pursuant to the Department of General*  
17 *Services contracting requirements, and shall meet both of the*  
18 *following additional requirements:*

19 (i) *Require the entity awarded the contract to comply with all*  
20 *federal and state privacy laws, including, but not limited to, the*  
21 *federal Health Insurance Portability and Accountability Act*  
22 *(HIPAA; 42 U.S.C. Sec. 1320d et seq.) and its implementing*  
23 *regulations, the Confidentiality of Medical Information Act (Part*  
24 *2.6 (commencing with Section 56) of Division 1 of the Civil Code),*  
25 *and Section 1798.81.5 of the Civil Code. The entity shall be subject*  
26 *to existing penalties for violation of these laws.*

27 (ii) *Prohibit the entity awarded the contract from using, selling,*  
28 *or disclosing client records for a purpose other than the one for*  
29 *which the record was given.*

30 (C) *For purposes of this paragraph, the following terms shall*  
31 *have the following meanings:*

32 (i) *“Client record” means a medical record, chart, or similar*  
33 *file, as well as other documents containing information regarding*  
34 *an individual recipient of services, including, but not limited to,*  
35 *clinical information, dates and times of services, and other*  
36 *information relevant to the individual and services provided and*  
37 *that evidences compliance with legal requirements for Medi-Cal*  
38 *reimbursement.*

39 (ii) *“Client record review” means examination of the client*  
40 *record for a selected individual recipient for the purpose of*

1 *confirming the existence of documents that verify compliance with*  
2 *legal requirements for claims submitted for Medi-Cal*  
3 *reimbursement.*

4 *(D) The department shall recover overpayments of federal*  
5 *financial participation from MHPs within the timeframes required*  
6 *by federal law and regulation and return those funds to the State*  
7 *Department of Health Care Services for repayment to the federal*  
8 *Centers for Medicare and Medicaid Services. The department shall*  
9 *recover overpayments of General Fund moneys utilizing the*  
10 *recoupment methods and timeframes required by the State*  
11 *Administrative Manual.*

12 *(6) (A) The department, in consultation with mental health*  
13 *stakeholders, the California Mental Health Directors Association,*  
14 *and MHP subcontractor representatives, shall provide an appeals*  
15 *process that specifies a progressive process for resolution of*  
16 *disputes about claims or recoupments relating to specialty mental*  
17 *health services under the Medi-Cal specialty mental health services*  
18 *waiver.*

19 *(B) The department shall provide MHPs and MHP*  
20 *subcontractors the opportunity to directly appeal findings in*  
21 *accordance with procedures that are similar to those described*  
22 *in Article 1.5 (commencing with Section 51016) of Chapter 3 of*  
23 *Subdivision 1 of Division 3 of Title 22 of the California Code of*  
24 *Regulations, until new regulations for a progressive appeals*  
25 *process are promulgated. When an MHP subcontractor initiates*  
26 *an appeal, it shall give notice to the MHP. The department shall*  
27 *propose a rulemaking package by no later than the end of the*  
28 *2008–09 fiscal year to amend the existing appeals process. The*  
29 *reference in this subparagraph to the procedures described in*  
30 *Article 1.5 (commencing with Section 51016) of Chapter 3 of*  
31 *Subdivision 1 of Division 3 of Title 22 of the California Code of*  
32 *Regulations, shall only apply to those appeals addressed in this*  
33 *subparagraph.*

34 *(C) The department shall develop regulations as necessary to*  
35 *implement this paragraph.*

36 *(7) The department shall assume the applicable program*  
37 *oversight authority formerly provided by the State Department of*  
38 *Health Care Services, including, but not limited to, the oversight*  
39 *of utilization controls as specified in Section 14133. The MHP*  
40 *shall include a requirement in any subcontracts that all inpatient*

1 subcontractors maintain necessary licensing and certification.  
2 MHPs shall require that services delivered by licensed staff are  
3 within their scope of practice. Nothing in this part shall prohibit  
4 the MHPs from establishing standards that are in addition to the  
5 minimum federal and state requirements, provided that these  
6 standards do not violate federal and state Medi-Cal requirements  
7 and guidelines.

8 (8) Subject to federal approval and consistent with state  
9 requirements, the MHP may negotiate rates with providers of  
10 mental health services.

11 (9) Under the fee-for-service payment system, any excess in the  
12 payment set forth in the contract over the expenditures for services  
13 by the plan shall be spent for the provision of specialty mental  
14 health services under the Medi-Cal specialty mental health service  
15 waiver and related administrative costs.

16 (10) Nothing in this part shall limit the MHP from being  
17 reimbursed the full and appropriate federal financial participation  
18 for any qualified services even if the total expenditures for service  
19 exceeds the contract amount with the department. Matching  
20 nonfederal public funds shall be provided by the plan for the  
21 federal financial participation matching requirement.

22 (11) Notwithstanding Section 14115, claims for reimbursement  
23 for service pursuant to this part shall be submitted by MHPs within  
24 the timeframes required by federal Medicaid requirements and  
25 the approved Medicaid state plan and waivers.

26 (c) This subdivision shall apply to managed mental health care  
27 funding allocations and risk-sharing determinations and  
28 arrangements.

29 (1) The department shall allocate and distribute annually the  
30 full appropriated amount to each MHP for the managed mental  
31 health care program, exclusive of the EPSDT specialty mental  
32 health services program, provided under the mental health services  
33 waiver. The allocated funds shall be considered to be funds of the  
34 plan to be used as specified in this part.

35 (2) Each fiscal year the state matching funds for Medi-Cal  
36 specialty mental health services shall be included in the annual  
37 budget for the department. The amount included shall be based  
38 on historical cost, adjusted for changes in the number of Medi-Cal  
39 beneficiaries and other relevant factors. The appropriation for  
40 funding the state share of the costs for EPSDT specialty mental

1 health services provided under the Medi-Cal specialty mental  
2 health services waiver shall only be used for reimbursement  
3 payments of claims for those services.

4 (3) Initially, the MHP shall use the fiscal intermediary of the  
5 Medi-Cal program of the State Department of Health Care Services  
6 for the processing of claims for inpatient psychiatric hospital  
7 services and may be required to use that fiscal intermediary for  
8 the remaining mental health services. The providers for other  
9 Short-Doyle Medi-Cal services shall not be initially required to  
10 use the fiscal intermediary but may be required to do so on a date  
11 to be determined by the department. The department and its MHPs  
12 shall be responsible for the initial incremental increased matching  
13 costs of the fiscal intermediary for claims processing and  
14 information retrieval associated with the operation of the services  
15 funded by the transferred funds.

16 (4) The goal for funding of the future capitated system shall be  
17 to develop statewide rates for beneficiary, by aid category and  
18 with regional price differentiation, within a reasonable time period.  
19 The formula for distributing the state matching funds transferred  
20 to the department for acute inpatient psychiatric services to the  
21 participating counties shall be based on the following principles:

22 (A) Medi-Cal state General Fund matching dollars shall be  
23 distributed to counties based on historic Medi-Cal acute inpatient  
24 psychiatric costs for the county's beneficiaries and on the number  
25 of persons eligible for Medi-Cal in that county.

26 (B) All counties shall receive a baseline based on historic and  
27 projected expenditures up to October 1, 1994.

28 (C) Projected inpatient growth for the period October 1, 1994,  
29 to June 30, 1995, inclusive, shall be distributed to counties below  
30 the statewide average per eligible person on a proportional basis.  
31 The average shall be determined by the relative standing of the  
32 aggregate of each county's expenditures of mental health Medi-Cal  
33 dollars per beneficiary. Total Medi-Cal dollars shall include both  
34 fee-for-service Medi-Cal and Short-Doyle Medi-Cal dollars for  
35 both acute inpatient psychiatric services, outpatient mental health  
36 services, and psychiatric nursing facility services, both in facilities  
37 that are not designated as institutions for mental disease and for  
38 beneficiaries who are under 22 years of age and beneficiaries who  
39 are over 64 years of age in facilities that are designated as  
40 institutions for mental disease.

1 (D) There shall be funds set aside for a self-insurance risk pool  
 2 for small counties. The department may provide these funds directly  
 3 to the administering entity designated in writing by all counties  
 4 participating in the self-insurance risk pool. The small counties  
 5 shall assume all responsibility and liability for appropriate  
 6 administration of these funds. For purposes of this subdivision,  
 7 “small counties” means counties with less than 200,000  
 8 population. Nothing in this paragraph shall in any way obligate  
 9 the state or the department to provide or make available any  
 10 additional funds beyond the amount initially appropriated and set  
 11 aside for each particular fiscal year, unless otherwise authorized  
 12 in statute or regulations, nor shall the state or the department be  
 13 liable in any way for mismanagement of loss of funds by the entity  
 14 designated by the counties under this paragraph.

15 (5) The allocation method for state funds transferred for acute  
 16 inpatient psychiatric services shall be as follows:

17 (A) For the 1994–95 fiscal year, an amount equal to 0.6965  
 18 percent of the total shall be transferred to a fund established by  
 19 small counties. This fund shall be used to reimburse MHPs in small  
 20 counties for the cost of acute inpatient psychiatric services in  
 21 excess of the funding provided to the MHP for risk reinsurance,  
 22 acute inpatient psychiatric services and associated administrative  
 23 days, alternatives to hospital services as approved by participating  
 24 small counties, or for costs associated with the administration of  
 25 these moneys. The methodology for use of these moneys shall be  
 26 determined by the small counties, through a statewide organization  
 27 representing counties, in consultation with the department.

28 (B) The balance of the transfer amount for the 1994–95 fiscal  
 29 year shall be allocated to counties based on the following formula:

County	Percentage
31 Alameda.....	3.5991
32 Alpine.....	.0050
33 Amador.....	.0490
34 Butte.....	.8724
35 Calaveras.....	.0683
36 Colusa.....	.0294
37 Contra Costa.....	1.5544
38 Del Norte.....	.1359
39 El Dorado.....	.2272
40	

	<i>County</i>	<i>Percentage</i>
1	<i>Fresno</i> .....	2.5612
2	<i>Glenn</i> .....	.0597
3	<i>Humboldt</i> .....	.1987
4	<i>Imperial</i> .....	.6269
5	<i>Inyo</i> .....	.0802
6	<i>Kern</i> .....	2.6309
7	<i>Kings</i> .....	.4371
8	<i>Lake</i> .....	.2955
9	<i>Lassen</i> .....	.1236
10	<i>Los Angeles</i> .....	31.3239
11	<i>Madera</i> .....	.3882
12	<i>Marin</i> .....	1.0290
13	<i>Mariposa</i> .....	.0501
14	<i>Mendocino</i> .....	.3038
15	<i>Merced</i> .....	.5077
16	<i>Modoc</i> .....	.0176
17	<i>Mono</i> .....	.0096
18	<i>Monterey</i> .....	.7351
19	<i>Napa</i> .....	.2909
20	<i>Nevada</i> .....	.1489
21	<i>Orange</i> .....	8.0627
22	<i>Placer</i> .....	.2366
23	<i>Plumas</i> .....	.0491
24	<i>Riverside</i> .....	4.4955
25	<i>Sacramento</i> .....	3.3506
26	<i>San Benito</i> .....	.1171
27	<i>San Bernardino</i> .....	6.4790
28	<i>San Diego</i> .....	12.3128
29	<i>San Francisco</i> .....	3.5473
30	<i>San Joaquin</i> .....	1.4813
31	<i>San Luis Obispo</i> .....	.2660
32	<i>San Mateo</i> .....	.0000
33	<i>Santa Barbara</i> .....	.0000
34	<i>Santa Clara</i> .....	1.9284
35	<i>Santa Cruz</i> .....	1.7571
36	<i>Shasta</i> .....	.3997
37	<i>Sierra</i> .....	.0105
38	<i>Siskiyou</i> .....	.1695
39	<i>Solano</i> .....	.0000
40		

County	Percentage
1 Sonoma.....	.5766
2 Stanislaus.....	1.7855
3 Sutter/Yuba.....	.7980
4 Tehama.....	.1842
5 Trinity.....	.0271
6 Tulare.....	2.1314
7 Tuolumne.....	.2646
8 Ventura.....	.8058
9 Yolo.....	.4043

11  
12 (6) *The allocation method for the state funds transferred for*  
13 *subsequent years for acute inpatient psychiatric and other specialty*  
14 *mental health services shall be determined by the department in*  
15 *consultation with a statewide organization representing counties.*

16 (7) *The allocation methodologies described in this section shall*  
17 *only be in effect while federal financial participation is received*  
18 *on a fee-for-service reimbursement basis. When federal funds are*  
19 *capitated, the department, in consultation with a statewide*  
20 *organization representing counties, shall determine the*  
21 *methodology for capitation consistent with federal requirements.*  
22 *The share of cost ratio arrangement for EPSDT specialty mental*  
23 *health services provided under the Medi-Cal specialty mental*  
24 *health services waiver between the state and the counties in*  
25 *existence during the 2007–08 fiscal year shall remain as the share*  
26 *of cost ratio arrangement for these services unless changed by*  
27 *statute.*

28 (8) *The formula that specifies the amount of state matching*  
29 *funds transferred for the remaining Medi-Cal fee-for-service*  
30 *mental health services shall be determined by the department in*  
31 *consultation with a statewide organization representing counties.*  
32 *This formula shall only be in effect while federal financial*  
33 *participation is received on a fee-for-service reimbursement basis.*

34 (9) (A) *For the managed mental health care program, exclusive*  
35 *of EPSDT specialty mental health services provided under the*  
36 *Medi-Cal specialty mental health services waiver, the department*  
37 *shall establish, by regulation, a risk-sharing arrangement between*  
38 *the department and counties that contract with the department as*  
39 *MHPs to provide an increase in the state General Fund allocation,*  
40 *subject to the availability of funds, to the MHP under this section,*

1 *where there is a change in the obligations of the MHP required*  
2 *by federal or state law or regulation, or required by a change in*  
3 *the interpretation or implementation of any such law or regulation*  
4 *which significantly increases the cost to the MHP of performing*  
5 *under the terms of its contract.*

6 *(B) During the time period required to redetermine the*  
7 *allocation, payment to the MHP of the allocation in effect at the*  
8 *time the change occurred shall be considered an interim payment,*  
9 *and shall be subject to increase effective as of the date on which*  
10 *the change is effective.*

11 *(C) In order to be eligible to participate in the risk-sharing*  
12 *arrangement, the county shall demonstrate, to the satisfaction of*  
13 *the department, its commitment or plan of commitment of all*  
14 *annual funding identified in the total mental health resource base,*  
15 *from whatever source, but not including county funds beyond the*  
16 *required maintenance of effort, to be spent on specialty mental*  
17 *health services. This determination of eligibility shall be made*  
18 *annually. The department may limit the participation in a*  
19 *risk-sharing arrangement of any county that transfers funds from*  
20 *the mental health account to the social services account or the*  
21 *health services account, in accordance with Section 17600.20*  
22 *during the year to which the transfers apply to MHP expenditures*  
23 *for the new obligation that exceed the total mental health resource*  
24 *base, as measured before the transfer of funds out of the mental*  
25 *health account and not including county funds beyond the required*  
26 *maintenance of effort. The State Department of Mental Health*  
27 *shall participate in a risk-sharing arrangement only after a county*  
28 *has expended its total annual mental health resource base.*

29 *(d) The following provisions govern the administrative*  
30 *responsibilities of the department and the State Department of*  
31 *Health Care Services:*

32 *(1) It is the intent of the Legislature that the department and*  
33 *the State Department of Health Care Services consult and*  
34 *collaborate closely regarding administrative functions related to*  
35 *and supporting the managed mental health care program in*  
36 *general, and the delivery and provision of EPSDT specialty mental*  
37 *health services provided under the Medi-Cal specialty mental*  
38 *health services waiver, in particular. To this end, the following*  
39 *provisions shall apply:*

1 (A) Commencing in the 2009–10 fiscal year, and each fiscal  
2 year thereafter, the department shall consult with the State  
3 Department of Health Care Services and amend the interagency  
4 agreement between the two departments as necessary to include  
5 improvements or updates to procedures for the accurate and timely  
6 processing of Medi-Cal claims for specialty mental health services  
7 provided under the Medi-Cal specialty mental health services  
8 waiver. The interagency agreement shall ensure that there are  
9 consistent and adequate time limits, consistent with federal and  
10 state law, for claims submitted and the need to correct errors.

11 (B) Commencing in the 2009–10 fiscal year, and each fiscal  
12 year thereafter, upon a determination by the department and the  
13 State Department of Health Care Services that it is necessary to  
14 amend the interagency agreement, the department and the State  
15 Department of Health Care Services shall process the interagency  
16 agreement to ensure final approval by January 1, for the following  
17 fiscal year, and as adjusted by the budgetary process.

18 (C) The interagency agreement shall include, at a minimum,  
19 all of the following:

20 (i) A process for ensuring the completeness, validity, and timely  
21 processing of Medi-Cal claims as mandated by the federal Centers  
22 for Medicare and Medicaid Services.

23 (ii) Procedures and timeframes by which the department shall  
24 submit complete, valid, and timely invoices to the State Department  
25 of Health Care Services, which shall notify the department of  
26 inconsistencies in invoices that may delay payments.

27 (iii) Procedures and timeframes by which the department shall  
28 notify MHPs of inconsistencies that may delay payment.

29 (2) (A) The department shall consult with the State Department  
30 of Health Care Services and the California Mental Health  
31 Directors Association in February and September of each year to  
32 review the methodology used to forecast future trends in the  
33 provision of EPSDT specialty mental health services provided  
34 under the Medi-Cal specialty mental health services waiver, to  
35 estimate these yearly EPSDT specialty mental health services  
36 related costs, and to estimate the annual amount of funding  
37 required for reimbursements for EPSDT specialty mental health  
38 services to ensure relevant factors are incorporated in the  
39 methodology. The estimates of costs and reimbursements shall  
40 include both federal financial participation amounts and any state

1 *General Fund amounts for EPSDT specialty mental health services*  
2 *provided under the State Medi-Cal specialty mental health services*  
3 *waiver. The department shall provide the State Department of*  
4 *Health Care Services the estimate adjusted to a cash basis.*

5 *(B) The estimate of annual funding described in subparagraph*  
6 *(A) shall include, but not be limited to, the following factors:*

7 *(i) The impacts of interactions among caseload, type of services,*  
8 *amount or number of services provided, and billing unit cost of*  
9 *services provided.*

10 *(ii) A systematic review of federal and state policies, trends over*  
11 *time, and other causes of change.*

12 *(C) The forecasting and estimates performed under this*  
13 *paragraph are primarily for the purpose of providing the*  
14 *Legislature and the Department of Finance with projections that*  
15 *are as accurate as possible for the state budget process, but will*  
16 *also be informative and useful for other purposes. Therefore, it is*  
17 *the intent of the Legislature that the information produced under*  
18 *this paragraph shall be taken into consideration under paragraph*  
19 *(10) of subdivision (c).*

20 ***(e) This section shall become operative on July 1, 2012.***

21 *SEC. 9. Section 14680 of the Welfare and Institutions Code is*  
22 *amended to read:*

23 14680. (a) The Legislature finds and declares that there is a  
24 need to establish a standard set of guidelines that governs the  
25 provision of managed Medi-Cal mental health services at the local  
26 level, consistent with federal law.

27 (b) Therefore, in order to ensure quality and continuity, and to  
28 efficiently utilize mental health services under the Medi-Cal  
29 program, there shall be developed mental health plans for the  
30 provision of those services that are consistent with guidelines  
31 established by the State Department of Mental Health.

32 (c) It is the intent of the Legislature that mental health plans be  
33 developed and implemented regardless of whether other systems  
34 of Medi-Cal managed care are implemented.

35 (d) It is further the intent of the Legislature that Sections 14681  
36 to 14685, inclusive, shall not be construed to mandate the  
37 participation of counties in Medi-Cal managed mental health care  
38 plans.

1 (e) This section shall remain in effect only until July 1, 2012,  
2 and as of that date is repealed, unless a later enacted statute, that  
3 is enacted before January 1, 2013, deletes or extends that date.

4 SEC. 10. Section 14680 is added to the Welfare and Institutions  
5 Code, to read:

6 14680. (a) The Legislature finds and declares that there is a  
7 need to establish a standard set of guidelines that governs the  
8 provision of managed Medi-Cal mental health services at the local  
9 level, consistent with federal law.

10 (b) Therefore, in order to ensure quality and continuity, and to  
11 efficiently utilize mental health services under the Medi-Cal  
12 program, there shall be developed mental health plans for the  
13 provision of those services that are consistent with guidelines  
14 established by the State Department of Mental Health. The  
15 guidelines shall be consistent with federal Medicaid requirements  
16 and the approved Medicaid state plan and waivers to ensure full  
17 and timely federal reimbursement to mental health plans for  
18 services that are rendered and reimbursed consistent with federal  
19 Medicaid requirements.

20 (c) It is the intent of the Legislature that mental health plans be  
21 developed and implemented regardless of whether other systems  
22 of Medi-Cal managed care are implemented.

23 (d) It is further the intent of the Legislature that Sections 14681  
24 to 14685, inclusive, shall not be construed to mandate the  
25 participation of counties in Medi-Cal managed mental health care  
26 plans.

27 (e) This section shall become operative on July 1, 2012.

28 SEC. 11. Section 14684 of the Welfare and Institutions Code  
29 is amended to read:

30 14684. (a) Notwithstanding any other provision of state law,  
31 and to the extent permitted by federal law, mental health plans,  
32 whether administered by public or private entities, shall be  
33 governed by the following guidelines:

34 (a)

35 (1) State and federal Medi-Cal funds identified for the diagnosis  
36 and treatment of mental disorders shall be used solely for those  
37 purposes. Administrative costs shall be clearly identified and shall  
38 be limited to reasonable amounts in relation to the scope of services  
39 and the total funds available. Administrative requirements shall  
40 not impose costs exceeding funds available for that purpose.

1 ~~(b)~~

2 (2) The development of the mental health plan shall include a  
3 public planning process that includes a significant role for  
4 Medi-Cal beneficiaries, family members, mental health advocates,  
5 providers, and public and private contract agencies.

6 ~~(c)~~

7 (3) The mental health plan shall include appropriate standards  
8 relating to quality, access, and coordination of services within a  
9 managed system of care, and costs established under the plan, and  
10 shall provide opportunities for existing Medi-Cal providers to  
11 continue to provide services under the mental health plan, as long  
12 as the providers meet those standards.

13 ~~(d)~~

14 (4) Continuity of care for current recipients of services shall be  
15 ensured in the transition to managed mental health care.

16 ~~(e)~~

17 (5) Medi-Cal covered mental health services shall be provided  
18 in the beneficiary's home community, or as close as possible to  
19 the beneficiary's home community. Pursuant to the objectives of  
20 the rehabilitation option described in subdivision (a) of Section  
21 14021.4, mental health services may be provided in a facility, a  
22 home, or other community-based site.

23 ~~(f)~~

24 (6) Medi-Cal beneficiaries whose mental or emotional condition  
25 results or has resulted in functional impairment, as defined by the  
26 department, shall be eligible for covered mental health services.  
27 Emphasis shall be placed on adults with serious and persistent  
28 mental illness and children with serious emotional disturbances,  
29 as defined by the department.

30 ~~(g)~~

31 (7) Each mental health plan shall include a mechanism for  
32 monitoring the effectiveness of, and evaluating accessibility and  
33 quality of, services available. The plan shall utilize and be based  
34 upon state-adopted performance outcome measures and shall  
35 include review of individual service plan procedures and practices,  
36 a beneficiary satisfaction component, and a grievance system for  
37 beneficiaries and providers.

38 ~~(h)~~

39 (8) Each mental health plan shall provide for culturally  
40 competent and age-appropriate services, to the extent feasible. The

1 mental health plan shall assess the cultural competency needs of  
 2 the program. The mental health plan shall include, as part of the  
 3 quality assurance program required by Section 4070, a process to  
 4 accommodate the significant needs with reasonable timeliness.  
 5 The department shall provide demographic data and technical  
 6 assistance. Performance outcome measures shall include a reliable  
 7 method of measuring and reporting the extent to which services  
 8 are culturally competent and age-appropriate.

9 *(b) This section shall remain in effect only until July 1, 2012,*  
 10 *and as of that date is repealed, unless a later enacted statute, that*  
 11 *is enacted before January 1, 2013, deletes or extends that date.*

12 *SEC. 12. Section 14684 is added to the Welfare and Institutions*  
 13 *Code, to read:*

14 *14684. (a) Notwithstanding any other provision of state law,*  
 15 *and to the extent permitted by federal law, mental health plans,*  
 16 *whether administered by public or private entities, shall be*  
 17 *governed by the following guidelines:*

18 *(1) State and federal Medi-Cal funds identified for the diagnosis*  
 19 *and treatment of mental disorders shall be used solely for those*  
 20 *purposes. Administrative costs incurred by counties for activities*  
 21 *necessary for the administration of the mental health plan shall*  
 22 *be clearly identified and shall be reimbursed in a manner consistent*  
 23 *with federal Medicaid requirements and the approved Medicaid*  
 24 *state plan and waivers. Administrative requirements shall be based*  
 25 *on and limited to federal Medicaid requirements and the approved*  
 26 *Medicaid state plan and waivers, and shall not impose costs*  
 27 *exceeding funds available for that purpose.*

28 *(2) The development of the mental health plan shall include a*  
 29 *public planning process that includes a significant role for*  
 30 *Medi-Cal beneficiaries, family members, mental health advocates,*  
 31 *providers, and public and private contract agencies.*

32 *(3) The mental health plan shall include appropriate standards*  
 33 *relating to quality, access, and coordination of services within a*  
 34 *managed system of care, and costs established under the plan, and*  
 35 *shall provide opportunities for existing Medi-Cal providers to*  
 36 *continue to provide services under the mental health plan, as long*  
 37 *as the providers meet those standards.*

38 *(4) Continuity of care for current recipients of services shall be*  
 39 *ensured in the transition to managed mental health care.*

1 (5) Medi-Cal covered mental health services shall be provided  
2 in the beneficiary's home community, or as close as possible to  
3 the beneficiary's home community. Pursuant to the objectives of  
4 the rehabilitation option described in subdivision (a) of Section  
5 14021.4, mental health services may be provided in a facility, a  
6 home, or other community-based site.

7 (6) Medi-Cal beneficiaries whose mental or emotional condition  
8 results or has resulted in functional impairment, as defined by the  
9 department, shall be eligible for covered mental health services.  
10 Emphasis shall be placed on adults with serious and persistent  
11 mental illness and children with serious emotional disturbances,  
12 as defined by the department.

13 (7) Each mental health plan shall include a mechanism for  
14 monitoring the effectiveness of, and evaluating accessibility and  
15 quality of, services available. The plan shall utilize and be based  
16 upon state-adopted performance outcome measures and shall  
17 include review of individual service plan procedures and practices,  
18 a beneficiary satisfaction component, and a grievance system for  
19 beneficiaries and providers.

20 (8) Each mental health plan shall provide for culturally  
21 competent and age-appropriate services, to the extent feasible.  
22 The mental health plan shall assess the cultural competency needs  
23 of the program. The mental health plan shall include, as part of  
24 the quality assurance program required by Section 4070, a process  
25 to accommodate the significant needs with reasonable timeliness.  
26 The department shall provide demographic data and technical  
27 assistance. Performance outcome measures shall include a reliable  
28 method of measuring and reporting the extent to which services  
29 are culturally competent and age-appropriate.

30 (b) This section shall become operative on July 1, 2012.

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32  
33 **All matter omitted in this version of the bill**  
34 **appears in the bill as amended in the**  
35 **Senate, July 11, 2011. (JR11)**  
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