



<b>To:</b>	<b>BHS Contracted Service Providers</b>
<b>From:</b>	<b>Behavioral Health Services</b>
<b>Date:</b>	<b>September 1, 2023</b>
<b>Title</b>	<b>Behavioral Health Payment Reform – Phase 1 and 2 Rates</b>

This memo is intended to outline **Phase 1 and Phase 2 of Behavioral Health (BH) Payment Reform rate implementation** to Behavioral Health Services (BHS) contractors that provide Medi-Cal eligible services.

### Overview

The County has commenced implementation of California Advancing and Innovating Medi-Cal (CalAIM), which began in January 2022. CalAIM is a State initiative designed to improve the quality of life and health outcomes of Californians through delivery system, program, and payment reform across Medi-Cal. BH Payment Reform is intended to transition toward value-based payments that incentive outcomes and quality over volume and cost.

### BH Payment Reform

BH Payment Reform began on July 1, 2023, and includes three key transitions:

- Shift from cost-reimbursement methodology to a fee for service (FFS) payment structure
- Shift to Intergovernmental Transfers (IGTs)
- Shift from Healthcare Common Procedure Coding System (HCPCS) to a combination of HCPCS and Common Procedural Terminology (CPT) coding

### Fee For Service (FFS) Rate Structure

The State developed FFS rates specific to each county and announced rates in April 2023 via a [Behavioral Health Information Notice 23-017](#). Based on the State rates, BHS establishing local contracted provider rates, along with a staggered strategy to operationalize rates in phases across the system of care. BH Payment reform is anticipated to impact nearly 200 local programs.

The FFS rate structure will include the following:

- **Baseline Rate:** A baseline rate will be established for each service, which will be a portion of State rate.
- **Rate Modifier(s):** For specific services, rate modifiers will be applied to baseline rates. Rate modifiers may be included for program size, facility type, specialized services, unique populations served, and other key factors.

Contractors will not receive payments based on the full State rate but rather a portion of the State rate. The remaining funds will be utilized to make investments into the behavioral health system of care, including care and quality incentives.

### Alternative Transition Payment

BHS may provide an **Alternative Transition Payment** as a one-time payment offered to qualifying contractors to support readiness as programs transition from a cost reimbursement contract structure to a FFS contract structure under BH Payment Reform. Additional information will be provided regarding the terms.



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**Staggered Implementation\***

**Phase 1 and Phase 2 FSS rates**, along with key assumptions and modifiers, are included in the attached CalAIM Payment Reform Overview PPT deck and FY2023-24 Rates spreadsheet. The BHS team will provide training and technical assistance to contractors, as needed.

The table outlines the proposed staggered FFS rate implementation:

Phase	Services	Implementation Date*	Status
Phase 1	Opioid Treatment Programs (OTPs)	Mid-Jul 2023	Implemented mid-July 2023
Phase 2	Substance Use Residential Programs, Mental Health Residential, Crisis Residential Programs	Oct 1, 2023	Rates developed, implementation underway
Phase 3	Day Treatment Services, Mental Health Crisis Stabilization Units	Dec 1, 2023*	Rates under development
Phase 4	Substance Use Outpatient Services	Feb 1, 2024*	Rates under development
Phase 5	Mental Health Outpatient Services	Apr 1 – July 1, 2024*	Rates under development
Phase 6	Mobile Crisis Response Teams	July 1, 2024*	Rates under development

\* Anticipated dates, subject to change

**Anticipated Benefits**

BHS is committed to supporting mental health and substance use contractors in successfully transitioning toward value-based care that is sustainable, improves client care and outcomes, and expands network capacity to improve access to care for those in need. Though some operational changes may be required to maximize billing, BH Payment Reform is anticipated to bolster investments to the Behavioral Health Continuum of Care and reduce administrative burdens thereby allowing the workforce to focus on direct care. We appreciate your continued patience and partnership as we transition through this complex process.

**Future Phase Implementation**

FFS rates for future phases of BH Payment reform are currently under development and proposed implementation dates are subject to change. Communication around future FFS rate implementation will be communicated to contractors via memos. Information regarding CalAIM implementation will also continue to be posted on the CalAIM for BHS Providers website: <https://www.optumsandiego.com/content/SanDiego/sandiego/en/county-staff---providers/calaim-for-bhs-providers.html>

Please continue to communicate any ongoing challenges and concerns to your CORs as we operationalize this new way of doing business.

**For More Information:**

- Contact your Contracting Officer’s Representative (COR)