LAO

The 2021-22 Budget:
Behavioral Health: Medi-Cal Student Services Funding Proposal

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This budget series post includes (1) an overview of the Governor's budget proposal in the Department of Health Care Services (DHCS) requesting $200 million General Fund ($400 million total funds) one time available over three years to provide student behavioral health incentive payments through Medi-Cal managed care, (2) an assessment of the Governor's proposal, and (3) key takeaways from our assessment of the proposal that raise issues for Legislative consideration. Budget bill language on this proposal is forthcoming. This analysis reflects our understanding of the proposal as of February 17, 2021. This budget post is one of a series of posts that we are releasing on major behavioral health-related proposals of the Governor. In separate posts, we analyze the Governor's proposals to (1) provide grant funds to counties to acquire and renovate behavioral health facilities, and (2) establish a demonstration project in which a select number of counties would assume responsibility for treating felony Incompetent-to-Stand-Trial patients.

Background

Children's Behavioral Health Services in Medi-Cal

Children Can Access Medi-Cal Behavioral Health Services in Several Ways. In California, the delivery of publicly funded behavioral health services is very fragmented and complex. Accordingly, there are multiple ways that eligible children can access behavioral health services through Medi-Cal (California's state Medicaid program). Below, we describe the major ways through which children can access publicly funded behavioral health services, and Medi-Cal behavioral health services in particular.

- ***Schools.*** Schools currently are responsible for providing mental health services for students who receive special education. In addition to this responsibility, schools also can elect to offer behavioral health services to all of their students. However, the exact method through which they elect to do so varies. For example, schools can (1) directly hire behavioral health professionals to provide services; (2) contract with other entities, including county behavioral health departments, to provide behavioral health services on-site; or (3) elect to establish a health center or clinic on-site, at which behavioral health services may be provided. The various methods through which schools offer behavioral health services each provide opportunities for reimbursement through Medi-Cal for eligible children. However, the scope of services that are eligible for reimbursement may vary depending on which method of offering services is used. (We discuss the financing of Medi-Cal behavioral health services provided in schools later in this post.)
- ***County Behavioral Health.*** In California, counties play a major role in the delivery of public behavioral health services. For example, in the Medi-Cal program, counties are responsible for providing a set of mental health services known as Specialty Mental Health Services (SMHS), which generally are more intensive mental health services for

beneficiaries (including children) with higher needs. Accordingly, Medi-Cal eligible children access SMHS through counties. In addition, outside of the Medi-Cal program, counties often provide behavioral health services to children of all levels of need, which may include prevention and early intervention activities. Counties can pay for these services using their own fund sources, without being reimbursed through Medi-Cal. Counties also are responsible for providing Medi-Cal substance use disorder services in much of the state.

- ***Medi-Cal Managed Care Plans.*** Over 80 percent of Medi-Cal enrollees (including children) are enrolled in the managed care delivery system. In managed care, DHCS contracts with health insurance plans—known as managed care plans—to provide health care coverage for Medi-Cal beneficiaries. In the Medi-Cal program, managed care plans are responsible for providing a more limited set of less intensive mental health services for beneficiaries with more moderate needs, including prevention and early intervention activities as well (referred to as non-SMHS). There likely is some overlap between the services provided by managed care plans and the services provided by counties outside of the Medi-Cal program.

Medi-Cal Early and Periodic Screening, Diagnostic, and Treatment (EPSDT). EPSDT is a federally mandated program that requires states to provide a broad range of screening, diagnosis, and medically necessary treatment services—including behavioral health services—to Medi-Cal beneficiaries under age 21. Under EPSDT, the list of Medi-Cal behavioral health services that children are eligible for is more comprehensive than the list available to adults. In California, counties provide this comprehensive set of services through SMHS.

Children's Eligibility for SMHS Determined by Both Counties and Managed Care Plans. As discussed earlier, county behavioral health is responsible for providing SMHS and managed care plans are responsible for providing non-SMHS. The criteria for determining whether a child requires SMHS are broad—focusing on whether there is a reasonable probability that a child will not progress developmentally as a result of their condition. This means that children of varying levels of need may be eligible to receive SMHS depending on expectations regarding children's development. Both counties and managed care plans conduct assessments according to a set of criteria to determine which delivery system a child should receive treatment in. (If a managed care plan determines that a child should receive SMHS, it is responsible for referring that child to counties for treatment.)

EPSDT Service Gaps May Exist Given the Design of Behavioral Health Services. In spite of the broad mandate under EPSDT to provide a comprehensive set of behavioral health services to all Medi-Cal-eligible children, only by accessing SMHS are Medi-Cal eligible children guaranteed to access all possible services. Consequently, if a child is not determined to require SMHS from the county, the child only may have access to a more limited set of services. However, the rate at which Medi-Cal-eligible children are determined to be ineligible for SMHS is unclear.

Financing Children's Medi-Cal Student Behavioral Health Services

Several Options Exist for Financing Medi-Cal Behavioral Health Student Services. As discussed earlier, there are multiple ways in which Medi-Cal-eligible children can access behavioral health services through Medi-Cal. For students in particular, beneficiaries can access Medi-Cal behavioral health services through their schools. There are several options through which behavioral health services provided in schools can be reimbursed through Medi-Cal. We describe these options for Medi-Cal reimbursement below.

Schools Can Bill for a Limited Set of Medi-Cal Services Directly. Schools can bill Medi-Cal directly through the Local Education Agency Medi-Cal Billing Option Program (LEA-BOP). The behavioral health services eligible for reimbursement under the LEA-BOP are less intensive (such as counseling) and are not as comprehensive as the services that can generate federal reimbursement through alternative financing

arrangements, which we discuss below. Less than half of all school districts participate in the LEA-BOP, and the program only covers roughly 6 percent of students statewide.

Schools Can Partner With County Behavioral Health. Schools can establish a partnership with their county to provide behavioral health services on-site. Under these arrangements, counties typically provide staff resources to schools to provide behavioral health services and handle claiming Medi-Cal reimbursement for the more expansive set of services that they provide under that program. Notably, under this arrangement, counties also may provide behavioral health services to a broader student population (including children not eligible for Medi-Cal or for the specific SMHS services that they provide). Currently, there are multiple partnerships between county behavioral health departments and schools that are underway. Both state and local funding is available to support these partnership efforts. Counties can use their local funds to support these relationships, and state grant funding through the Mental Health Student Services Act program also has been made available to counties to support these efforts.

In Concept, Schools Can Partner With Managed Care Plans. In concept, schools could establish a relationship with managed care plans to provide behavioral health services in schools. Under this arrangement, schools could receive reimbursement from managed care plans for the behavioral health services they provide for those services that managed care plans are responsible for providing for their Medi-Cal beneficiaries. Alternatively, managed care plans could arrange for their providers to be located at school sites. Overall, partnerships between schools and managed care plans are very rare.

Governor's Proposal

One-Time Medi-Cal Managed Care Incentive Payment Program to Build Partnerships With Schools and County Behavioral Health. The Governor's budget proposes $200 million General Fund ($400 million total funds) in one-time funding over three years to DHCS to implement an incentive program through Medi-Cal managed care to build infrastructure for establishing partnerships with schools and county behavioral health. Even though the eligibility for EPSDT extends to beneficiaries under age 21, the Governor's proposal focuses on K-12 students. The goal is to increase the number of students receiving behavioral health services—with a particular focus on prevention and early intervention services—through Medi-Cal.

Incentive Payments Would Be Provided for a Variety of Activities. The incentive payments provided under this proposal would be provided to managed care plans for a variety of activities. These activities include, for example, (1) local planning efforts to identify service gaps, (2) establishing contracts with schools to provide behavioral health services on-site, and (3) providing technical assistance to schools to ensure services are reimbursed through Medi-Cal.

Managed Care Plans Would Be Eligible to Earn Higher Payments for Specific Activities. In addition to the activities managed care plans would receive incentive payments for described above, managed care plans also would receive higher incentive payments for a subset of specific activities. These activities include, for example, (1) establishing three-way partnerships including schools and county behavioral health, and (2) reducing health equity gaps for African American, Native American, Pacific Islander, or LGBTQ students.

Methodology for Allocating Incentives to Managed Care Plans Not Yet Determined. The specific allocation methodology that would determine how incentive payments would be distributed to managed care plans has not yet been determined. The administration has indicated that development of this methodology will begin July 1, 2021.

Other Related Governor's Budget Proposals. Below, we describe two other Governor's budget proposals that may have a significant interaction with this proposal.

- ***$25 Million One Time to Expand County-School Partnership Grant Program.*** See our budget post, *The 2021-22 Budget: School Mental Health,* for a description of this proposal.

- ***$25 Million Ongoing in Proposition 98 Matching Funds for County Children's Mental Health Projects.*** See our budget post, *The 2021-22 Budget: School Mental Health*, for a description of this proposal.

Assessment and Issues for Legislative Consideration

Key Details of Proposal Are Missing. Further key details are necessary to fully evaluate this proposal. These details would include specifics about (1) the methodology that will be used to determine how incentive payments will be allocated to managed care plans, (2) the final set of specific metrics managed care plans will be required to meet to receive incentive payments, and (3) how funding made available by the incentive payments to managed care plans will flow to schools or county behavioral health. Our understanding is that budget bill language is forthcoming, however trailer bill language will not be proposed.

Lack of Implementing Legislation Raises Concerns and Questions. While this proposal could have merit, budget bill language is insufficient for establishing a new program of this magnitude and novelty. Typically, budget bill language has much less specificity than a trailer bill. If the Legislature wishes to move forward with this proposal, we suggest the Legislature adopt trailer bill language to govern the development of key structural details of this program and provide more opportunities for oversight—like through reporting to the Legislature on development of the allocation methodology for incentive payments. Without authorizing legislation, the Legislature's ability to effectively oversee the program and hold managed care plans accountable would be significantly constrained.

Increasing Managed Care Presence in Schools May Have Merit… Managed care plans can provide a broader array behavioral health services to students through Medi-Cal than schools who bill Medi-Cal directly, since the set of services eligible for reimbursement through the LEA-BOP is more limited. Although schools (and counties who currently have partnerships with schools) may already provide similar services as those that managed care plans can provide, the degree to which they do is unclear. In order to improve access to such services—given the fragmented nature of the behavioral health service delivery—increasing partnerships between schools and managed care plans could have merit. In addition, increasing managed care plans' presence in schools could provide an additional opportunity to access federal funding through Medi-Cal for students.

…But Administration Needs to Clarify What Service Gaps Managed Care Plans Are Best Able to Fill. Although behavioral health service gaps likely exist across the state for students, the exact nature and extent of this problem is unclear. To assist the Legislature in its evaluation of this proposal, the administration should clearly articulate what services managed care will be able to provide to students that cannot currently be provided by schools directly or provided through school partnerships with county behavioral health. The proposal would be strengthened by including a clear strategy for avoiding duplicative services being provided by managed care plans, county behavioral health, and schools.

Fragmented Model of Behavioral Health Service Delivery Creates Substantial Need for State Strategy for Coordination and Clarification of Roles. In summary, the delivery of behavioral health services is fragmented, due to (1) multiple entities being able to provide services to children, (2) inconsistency in determining which entities are responsible for covering certain behavioral health services for student beneficiaries, (3) multiple ways to access reimbursement for services

provided through Medi-Cal, and (4) potential service-level differences due to ambiguity in eligibility determinations for SMHS. Therefore, looking beyond this one-time funding proposal, there is a broader need for the development of a robust state-level strategy for coordinating the responsibilities between managed care plans, county behavioral health, and schools. This could include exploring the feasibility of establishing clearer responsibilities for managed care plans and county behavioral health for children's Medi-Cal behavioral health services. We note that our budget post, *The 2021-22 Budget: School Mental Health*, includes a recommendation for a workgroup that could work toward this strategy for schools specifically.

Whether Incentive Payments Will Achieve Desired Goal Is Unclear. Given that managed care plans generally do not have a presence in schools, whether the incentive payments provided to managed care plans will actually induce them to establish school partnerships is unclear. Managed care plans would have to consider whether the amount of the incentive payments is significant enough for them to change their current practices and establish the desired partnerships. The Legislature may wish to ask the administration for further details on (1) how the amount in incentive payments proposal was determined and (2) what analysis the administration conducted that indicated that this amount would be sufficient to induce the desired behavior from managed care plans.

Coordination With Other Related Governor's Budget Proposals Is Unclear. As discussed previously, the Governor's budget includes two other proposals that relate to student mental health. One of these proposals provides additional funding to schools for mental health services, while the other provides additional funding to counties for student mental health services. Both of these proposals are meant to support partnerships between counties and schools for student mental health (the two entities that managed care plans would be required to partner with under this proposal). How these three efforts collectively will be coordinated with each other is unclear. In addition, why there are such funding-level differences between the three budget proposals concerning student mental health services (with the funding level under this proposal—which is provided to managed care plans—being substantially larger at $200 million state funds than the other two proposals at $25 million state funds each) is unclear. The Legislature may wish to use the budget process to inquire about overlap and coordination of the DHCS proposal with these related Governor's budget proposals.

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