*Senate Budget and Fiscal Review—Nancy Skinner, Chair*

# SUBCOMMITTEE NO. 3 Agenda

**Senator Susan Talamantes Eggman, Ph.D., Chair**
**Senator Melissa Melendez**
**Senator Richard Pan, M.D.**

**Thursday, May 12, 2022**
**Upon Adjournment of Session**
**1021 O Street, Room 2100**

Consultant: Scott Ogus



**PUBLIC COMMENT**

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## 4260 DEPARTMENT OF HEALTH CARE SERVICES

### Issue 1: Behavioral Health Bridge Housing – Shift from Local Assistance to State Operations

**Budget Change Proposal – April Finance Letter.** DHCS requests 16 positions and General Fund expenditure authority of $42.1 million in 2022-23, shifted from local assistance resources proposed in the Governor's January budget. If approved, these positions and resources would support administration of the department's proposed Behavioral Health Bridge Housing program.

| Program Funding Request Summary | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| State Operations: | | |
| 0001 – General Fund | **$**42,064,000 | $- |
| Local Assistance: | | |
| 0001 – General Fund | ($42,064,000) | $- |
| **Total Funding Request:** | **$-** | **$-** |
| **Total Requested Positions:** | **16.0** | **16.0** |

* Positions ongoing after 2023-24.

**Background.** The Governor's January budget included General Fund expenditure authority of $1 billion in 2022-23 to support bridge housing projects to address the immediate housing and treatment needs of people experiencing unsheltered homelessness with serious behavioral health conditions. Funding would be administered through the Behavioral Health Continuum Infrastructure Program (BHCIP) process and would be used to purchase and install tiny homes with time-limited operational supports, as well as other bridge housing settings, such as assisted living. DHCS expects county behavioral health departments and Medi-Cal managed care plans to improve coordination to serve people with acute behavioral health challenges and those needing housing, treatment, and services, including medication, peer and family supports. The request included provisional budget bill language to authorize the transfer of up to five percent, or $50 million, of the $1 billion local assistance allocation to state operations for administration of the program.

**Staffing and Resource Request.** DHCS requests 16 positions and General Fund expenditure authority of $42.1 million in 2022-23, shifted from local assistance resources proposed in the Governor's January budget, to support administration of the department's proposed Behavioral Health Bridge Housing program. This request includes elimination of the provisional budget bill language authorizing transfer of funds from local assistance to state operations, and instead adjusts the allocations between local assistance and state operations directly in the respective items of appropriation. This state operations funding request would support the following positions and resources:

Health Care Delivery Systems – 1 position

- **One Career Executive Assignment** would serve as the Policy Advisor for Homelessness and Housing and would support planning, development, and implementation of the array of new housing and homelessness related Medi-Cal policies including CalAIM Community Supports, Providing Access and Transforming Health (PATH), Home- and Community-Based Services (HCBS) Spending Plan

homelessness initiatives, and development of Medi-Cal's street medicine policy; serve as cross-department liaison to support necessary policy updates, alignment across other Medi-Cal delivery systems, financing approaches, data collection, reporting, and system changes; ad collaborate with Behavioral Health, Health Care Financing, Health Care Benefits and Eligibility, Quality and Population Health Management, and other areas as appropriate to ensure alignment, monitoring, and data production consistent with policy objectives and state and federal requirements.

Community Services Division – 15 positions

- **One Staff Services Manager (SSM) III** position would be responsible for overall management and supervision, including development, oversight, and reporting of activities of the Behavioral Health Bridge Housing program, as well as stakeholder communications guidance for counties, cities, and other impacted stakeholders.
- **One SSM II** position would be responsible for leading and managing the Fiscal and Monitoring section with oversight of the Behavioral Health Bridge Housing program, including organizing project implementation, working with DHCS and other departments' leadership to design and adapt initiatives, work with consultants to monitor implementation progress, direct and guide staff in development and maintenance of tracking tools to track grant data, review data to evaluate accuracy and identify trends or issues that need to be addressed, and present externally and oversee any issues with project non-compliance.
- **Two SSM I** positions would assume supervisory responsibility for the unit; provide oversight of the program; manage recruitment, hiring, training, and management of unit staff; oversee the request for application (RFA) process and each grantee; oversee development and implementation of communication and feedback mechanisms with qualified entities; provide technical assistance and training to staff; and oversee monitoring of grantees including desk and on-site reviews.
- **One Health Program Specialist I** position would perform complex project coordination of behavioral health policy projects that intersect with DHCS and state agencies; serve as lead subject matter expert; conduct complex analytical work, including regional models and tribal entities; research local, state, and national data on emerging trends in behavioral health, infrastructure, and homelessness; train analysts on the impact of trends on projects; and provide technical assistance to stakeholders regarding interpretation of data applications and policies.
- **Ten Associate Governmental Program Analysts (AGPA)** would perform oversight and monitoring of program grantees, with each AGPA assigned a caseload of grantees, serve as liaison between grantees and DHCS, conduct initial review of applications, issue approvals, perform annual reviews, provide training and technical assistance to grantees, manage stakeholder engagement, conduct annual desk and on-site reviews, track facility expansions, track grantee progress towards project completion, provide oversight of implementation of contract requirements, respond to public inquiries and media requests, maintain public information on the website, and ensure compliance with state and federal laws and regulations.

Contract Resources - $30 million in 2022-23

- DHCS also requests General Fund expenditure authority of $30 million in 2022-23 to support an administrative consultant contract, which would provide subject matter expertise on capital infrastructure projects, support program administrative functions, and provide expert training and

technical assistance to DHCS staff and grantees on land use zoning, permitting, rehabilitation, local stakeholder engagement, new construction costs, and real estate acquisition.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 2: Opioid Settlement Fund Oversight and State-Directed Programs

**Budget Change Proposal – April Finance Letter.** DHCS requests 11 positions and expenditure authority from the Opioid Settlement Fund of $33.9 million in 2022-23 and $2.6 million in 2023-24 and annually thereafter through the terms of California's national opioid settlements, or 18 years. If approved, these positions and resources would support oversight of two of the opioid settlements, substance use disorder (SUD) workforce training, establishment of a web-based statewide addiction treatment locator platform, and an outreach and anti-stigma campaign. These resources include a shift of resources from other departments included in the Governor's January budget, including $11.9 million from DPH and $26 million from HCAI. $33.9 million would support DHCS expenditures and $4 million would support DOR expenditures, discussed during the subcommittee's April 28th hearing.

| **Program Funding Request Summary - DHCS** | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 3397 – Opioid Settlements Fund | $33,916,000 | $2,617,000 |
| **Total Funding Request:** | **$33,916,000** | **$2,617,000** |
| **Total Requested Positions:** | **11.0** | **11.0** |

* Positions and resources ongoing after 2023-24 until the end of the settlement terms, or 18 years.

| **Program Funding Request Summary - DPH** | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24** |
| 3397 – Opioid Settlements Fund | ($11,916,000) | $- |
| **Total Funding Request:** | **($11,916,000)** | **$-** |
| **Total Requested Positions:** | **0.0** | **0.0** |

| **Program Funding Request Summary - DOR** | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24** |
| 3397 – Opioid Settlements Fund | $4,000,000 | $- |
| **Total Funding Request:** | **$4,000,000** | **$-** |
| **Total Requested Positions:** | **0.0** | **0.0** |

| **Program Funding Request Summary - HCAI** | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24** |
| 3397 – Opioid Settlements Fund | ($26,000,000) | $- |
| **Total Funding Request:** | **($26,000,000)** | **$-** |
| **Total Requested Positions:** | **0.0** | **0.0** |

**Background.** Abuse of opioids has devastated California families and communities over the past several years, with 5,502 deaths related to opioid overdoses in 2020, compared to 2,196 in 2017. The events and decisions that led to this tragic epidemic are manifold, but one of the biggest contributing factors was opioid manufacturers' and distributors' efforts to promote, market, distribute, and dispense opioid medications to maximize profits, often at the expense of patients who would later develop dependency. These actions led the California Attorney General, in a coalition with attorneys general in 47 other states,

to investigate and file suit against manufacturers and distributors of opioids for the damage caused to victims of the opioid epidemic.

Beginning in 2021, the coalition of attorneys general announced several settlement agreements with manufacturers and distributors of opioids:

McKinsey and Company – In February 2021, the Attorney General announced a $573 million nationwide settlement with McKinsey and Company related to the company's role in advising opioid companies, helping those companies promote their drugs, and profiting from the opioid epidemic. In particular, McKinsey advised opioid manufacturers on how to maximize profits from opioid products, including targeting high-volume prescribers, using specific messaging to get physicians to prescribe more opioids to more patients, and circumventing pharmacy restrictions to deliver high-dose prescriptions. According to the Attorney General, California is estimated to receive $59.6 million from this settlement.

Distributors (Cardinal, McKesson, and AmerisourceBergen) and Janssen Pharmaceuticals – In July 2021, the Attorney General announced a $26 billion nationwide settlement with Cardinal, McKesson, and AmerisourceBergen, the three largest pharmaceutical distributors, and Janssen Pharmaceuticals, Inc. (and its parent company Johnson and Johnson) for their role in the opioid epidemic. Under the settlement agreement, the three distributors will collectively pay up to $21 billion over 18 years, while Janssen will pay up to $5 billion over nine years with $3.7 billion to be paid in the first three years. The substantial majority of the money is to be spent on opioid treatment and prevention and each state's share of funding is subject to a formula that considers the impact of the opioid crisis on the state and the population of the state. According to DHCS, California and its cities and counties could receive approximately $2.2 billion for substance use prevention, harm reduction, treatment, and recovery activities pursuant to the settlement.

Purdue Pharma and the Sackler Family – In March 2022, the Attorney General announced a $6 billion nationwide settlement with opioid manufacturer Purdue Pharma, as well as the Sackler family who owns Purdue. The Governor's January budget does not account for expenditures of funds from this settlement, but the Attorney General estimates California would receive approximately $486 million to fund opioid addiction treatment and prevention.

**Governor's January Budget Included Expenditures from Opioid Settlements Fund.** The Governor's January budget included proposed trailer bill language to establish the Opioid Settlements Fund (OSF). Settlement funds received by the state from the McKinsey, Distributors, and Janssen settlements would be deposited in the OSF, to be used for the opioid prevention, treatment, and other mitigation activities pursuant to the agreements. The Governor's January budget also included the following proposed expenditures from the OSF:

- *DHCS: Medication Assisted Treatment (MAT) Expansion.* $101 million ($96 million General Fund and $5 million OSF) in 2022-23, and $61 million General Fund in 2023-24 and 2024-25 would support expansion of access to medication assisted treatment (MAT) statewide.

- *HCAI: Opioid Provider Training and Supportive Employment*. $26 million OSF would support the following two workforce development, training, and supportive employment efforts focused on opioid abuse:

- Opioid Provider Training - $22 million OSF in 2022-23 would support a three-year grant program, in partnership with the Department of Health Care Services, for community-based substance use disorder (SUD) providers to increase the number of licensed clinicians and non-licensed providers focused on opioid treatment, particularly fentanyl and fentanyl analogs. These grants would support recruitment, retention, and engagement; apprenticeship programs for high school youth; and recruitment of individuals transitioning from incarceration, transition age youth, low socioeconomic status individuals, or multilingual applicants.
- Vocational Rehabilitation - $4 million OSF in 2022-23 would support the Department of Rehabilitation, with support from HCAI, to establish a pilot project to provide vocational rehabilitation services for consumers with SUD related to opioid use. The pilot will train the provider workforce on how to include employment services as part of participation in treatment.

- *DPH: Opioid Media Campaign Activities.* $50 million, available over three years, would support a comprehensive media and health communications strategy with three campaigns to educate the public about the risks and consequences of drug use and to influence attitudes, social norms, and stigma around seeking support and treatment for substance use. The three campaigns would be as follows:

  - *Youth Opioid Use Prevention and Awareness.* This campaign would target youth ages 16 to 20 to promote behavior change, reduce opioid misuse, and decrease stigma associated with seeking treatment among youth and young adults. The campaign would build upon lessons learned from the state's tobacco control program, providing clear, science-based, and judgment-free messaging to prevent youth experimentation and use.
  - *Fentanyl Education and Awareness.* This campaign would target adults ages 21 to 40 with messaging and educational information specific to the risks of fentanyl use and prevalence of fentanyl in other drugs. The campaign would include education and awareness of evidence-based harm reduction strategies that can reduce the risk of a fentanyl-related overdose, including the use of fentanyl test strips and use of opioid antagonists, such as naloxone.
  - *Shatterproof ATLAS.* This campaign would raise awareness of the Shatterproof Addiction Treatment Locator, Assessment, and Standards (ATLAS) Platform implemented by the Department of Health Care Services (DHCS), which is a web-based, consumer-oriented resource for those in need of substance use disorder (SUD) treatment services to help locate providers, with information on services provided, locations, quality information, and user feedback.

- *DPH: Improved Syndromic Surveillance and Rapid Reporting.* $5 million OSF, available over three years, to establish participation in the Center for Disease Control and Prevention's BioSense Platform for statewide syndromic surveillance in California, specifically for non-fatal overdose and drug misuse surveillance, as well as for overdose spike identification at the local level.

**Shift of Resources from Other Departments.** The Administration's April Finance Letter includes a shift of OSF resources from those proposed in the Governor's January budget, as follows:

- *DPH to DHCS: Shatterproof ATLAS.* $9.2 million OSF, available over three years, would shift from DPH to DHCS to support implementation of the ATLAS Platform, as well as an outreach campaign to raise awareness of the platform and an anti-stigma campaign.
- *DPH to DHCS: Oversight and Monitoring of OSF.* $2.7 million OSF in 2022-23 would shift from DPH to DHCS to support oversight and monitoring functions required by the opioid settlement terms.

DHCS would receive annual expenditure authority of $2.7 million OSF beginning in 2023-24 until the end of the settlement terms.

- *HCAI to DHCS: SUD Provider Capacity.* $22 million OSF, available over three years, would shift from HCAI to DHCS to increase community-based substance use disorder provider capacity.
- *HCAI to DOR: Integrating Employment in Recovery Program - Vocational Rehabilitation.* $4 million OSF, available over three years, would shift to DOR to establish the Integrating Employment in Recovery Program to train providers on evidence-based practices and provide vocational rehabilitation services for consumers with a substance use disorder related to opioid use.

**Staffing and Resource Request.** DHCS requests 11 positions and expenditure authority from the Opioid Settlement Fund of $33.9 million in 2022-23 and $2.6 million in 2023-24 and annually thereafter through the terms of California's national opioid settlements, or 18 years, to support: oversight of two of the opioid settlements, substance use disorder (SUD) workforce training, establishment of a web-based statewide addiction treatment locator platform, and an outreach and anti-stigma campaign. Specifically, DHCS requests the following positions and resources:

Community Services Division – 11 positions

- **One Staff Services Manager (SSM) III** position would manage and supervise the branch, including development, oversight, and reporting of activities pursuant to the Janssen and Distributors settlement agreements.
- **One SSM II** position would supervise the SUD section, assist with oversight of the settlements, organize project implementation, work with leadership and other departments to design and adapt initiatives, work with consultants to monitor progress on implementation plans, direct staff and provide guidance in the development and maintenance of tracking tools to track grant data, review data to evaluate accuracy and identify trends or issues that need to be addressed, present externally and oversee any issues with project non-compliance.
- **Two SSM I** positions would oversee staff implementing settlement activities, serve as settlement liaisons with participating counties and cities, oversee and guide program policy, verify state and local use of funds comply with applicable state laws and the settlement agreements, oversee delivery of technical assistance to local governments and other stakeholders, and represent the Community Services Division regarding opioid settlement activities.
- **One Health Program Specialist (HPS) I** position would guide program policy by identifying gaps in services specific to populations and geographic areas, serve as the SUD and opioid use disorder (OUD) program expert for program activities related to the settlement agreements, develop high-level analyses, respond to stakeholder inquiries, independently draft stakeholder policy and guidance letters, routinely prepare written and verbal correspondence to state and federal agencies and other stakeholders, perform oversight and monitoring of participating counties and cities, and approve corrective action plans regarding deficiencies cited during on-site and off-site reviews.
- **Six Associate Governmental Program Analysts (AGPA)** would identify gaps in services specific to populations and geographic areas, serve as SUD and OUD program experts for program activities related to the settlement agreements, develop low-to-medium level analyses, respond to stakeholder inquiries, assist with drafting stakeholder policy and guidance letters, prepare written and verbal correspondence to state and federal agencies and other stakeholders, perform oversight and monitoring of participating counties and cities, and assist in reviewing and approving corrective action plans regarding deficiencies cited during on-site and off-site reviews.

CSD Contracts – $1 million OSF annually until the end of the settlement terms (18 years)

- DHCS requests expenditure authority from the OSF of $1 million annually until the end of the settlement terms, currently 18 years for the Distributors settlement, for contract resources to assist with the high volume of technical assistance, stakeholder engagement, monitoring, oversight and reporting activities.

Opioid Provider Workforce Training - $22 million OSF, available over three years

- DHCS requests expenditure authority of $22 million, shifted from resources proposed for HCAI in the Governor's January budget, to train providers to build out an SUD workforce with a focus on opioid treatment. According to DHCS, these resources would support start-up and implementation costs to:
  - Increase the number of waivered prescribers at community-based SUD provider setting through recruitment, retention, and engagement strategies.
  - Increase the number of non-licensed SUD workforce at community-based SUD provider settings through recruitment, retention, and engagement strategies.
  - Build out apprenticeship programs which would include an in-reach program that specifically engages high school youth, including alternative school youth, in learning more about SUD services as a career pathway.
  - Recruiting individuals transitioning from incarceration, transition age youth, low socioeconomic status, and those who are bilingual to bolster the SUD services workforce.

Shatterproof ATLAS and Anti-Stigma Campaign - $9.2 million, available over three years

- DHCS requests expenditure authority of $9.2 million OSF, shifted from resources proposed for DPH in the Governor's January budget, to implement the Shatterproof ATLAS and an anti-stigma campaign. According to DHCS, these resources would support the following:
  - ATLAS Operations - $4.8 million would support maintenance and operations of the ATLAS platform over three years, including working with providers to collect survey data for quality reporting and administering patient experience surveys. DHCS reports it utilized $1.85 million in one-time federal funds for initial implementation activities for the ATLAS platform.
  - ATLAS Outreach and Communications - $2.7 million would support outreach and communications to raise public awareness of the ATLAS platform website.
  - Shatterproof Statewide Anti-Stigma Campaign - $1.7 million would support the Shatterproof evidence-based campaign, End Addiction Stigma, which has been proven to change public attitudes about addiction, including the percentage of people willing to live and work with people with SUD and confidence that addiction is a treatable disease.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 3: Suicide Prevention Voluntary Contribution Fund

**Trailer Bill Language – April Finance Letter.** DHCS requests trailer bill language to shift oversight and administration of the Suicide Prevention Voluntary Contribution Fund from MHSOAC to DHCS.

**Background.** AB 984 (Lackey), Chapter 445, Statutes of 2019, established the Suicide Prevention Voluntary Contribution Fund, a voluntary tax contribution fund available to taxpayers on personal income tax returns to support crisis centers designed to prevent suicide in rural and desert communities in the state and to support crisis centers that are active members of the National Suicide Prevention Lifeline. The fund is currently administered by MHSOAC, which distributes funding to the crisis centers. According to MHSOAC, the fund received $409,000 in 2020-21.

**988 National Suicide Prevention Lifeline.** In July 2020, the Federal Communications Commission adopted rules to establish 988 as a new, nationwide, three-digit phone number for people in crisis to connect with suicide prevention and mental health crisis counselors. By July 16, 2022, all phone service providers will be required to direct all 988 calls to the existing National Suicide Prevention Lifeline. The new rules apply to all telecommunications carriers as well as all interconnected one-way Voice over Internet Protocol (VoIP) service providers.

The 2018 Budget Act included expenditure authority from the Mental Health Services Fund of $4.3 million annually for DHCS to support suicide hotlines. In anticipation of the implementation of 988, DHCS allocated $20 million of federal grant funding in 2021-22 to support expansion of the statewide call center network, which will allow individuals in crisis to connect with suicide prevention and behavioral health crisis counselors.

**Trailer Bill Language Request.** DHCS requests trailer bill language to shift oversight and administration of the Suicide Prevention Voluntary Contribution Fund from MHSOAC to DHCS. According to DHCS, these changes are intended to align programs that support crisis centers that will operate the 988 National Suicide Prevention Lifeline. DHCS would administer the fund and provide grants to crisis centers with priority to centers located in rural and desert communities, rather than the current statutory requirement that fifty percent of funding be provided to those centers.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

2. Why does the proposed language eliminate the statutory funding formulas that allocate fifty percent of funding to rural and desert crisis centers?

## Issue 4: Residential and Outpatient Licensing Fund (ROPLF) Fee Increase

**Revenue Adjustment – April Finance Letter.** DHCS requests an increase in substance use disorder residential licensure and certification fees of approximately 63 percent, effective July 1, 2022. If approved, this fee increase would support ongoing deficiencies in the Residential and Outpatient Licensing Fund (ROPLF) due to impacts of the COVID-19 pandemic and implementation of monitoring of recovery and treatment facilities pursuant to AB 1158 (Petrie-Norris), Chapter 443, Statutes of 2021.

**Background.** DHCS is responsible for the licensing and certification of residential and outpatient recovery and treatment programs in California. Licensing and certification fees levied on program facilities are deposited in the Residential and Outpatient Licensing Fund (ROPLF) to support and maintain the resources necessary for oversight by DHCS. According to DHCS, oversight activities include review and processing of initial and extension applications; initial and biennial onsite monitoring; complaint investigations; administrative support; disseminating information to the public; policy, regulatory, and statutory development; provider training and technical assistance; and appeal processing for revocation or suspension of provider licensure or certification or for assessment of civil penalties.

AB 1158 (Petrie-Norris), Chapter 443, Statutes of 2021, requires a licensee operating an alcoholism or drug abuse (AOD) recovery or treatment facility and serving more than six residents to maintain specified insurance coverages, including, among others, commercial general liability insurance and employer's liability insurance. AB 1158 requires a licensee that serves six or fewer residents to maintain general liability insurance coverage. The Governor's January budget included four positions and expenditure authority from the ROPLF of $626,000 in 2022-23 and $590,000 annually thereafter to address the increased workload related to implementation of AB 1158, including monitoring insurance coverage of covered facilities. In its January budget request, DHCS indicated expenditures from the ROPLF would exceed revenues if the request were approved and a fee increase would be necessary to address the fund's deficiency.

DHCS requests an increase in substance use disorder residential licensure and certification fees of approximately 63 percent, effective July 1, 2022. According to DHCS, this would increase licensing fees from $4,068 to $6,631 and would align revenues with expected 2022-23 expenditures from the ROPLF of $9.4 million.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 5: Medi-Cal Telehealth Policy

**Trailer Bill Language – Governor's Budget.** DHCS requests trailer bill language to implement permanent changes to procedures and reimbursements for Medi-Cal covered benefits and services provided via telehealth.

**Background.** In response to the pandemic emergency, DHCS provided broad flexibilities for the delivery of Medi-Cal services through telehealth, telephonic/audio only, and other virtual communication modalities. According to DHCS, providing these telehealth flexibilities proved to be critically important during a time when in-person care put beneficiaries at risk of exposure to COVID-19. These temporary policy changes included the following:

- Expanded ability for providers to render all applicable services that can be appropriately provided via telehealth modalities, including home- and community-based services, Local Education Agency, and Targeted Case Management services.
- Allowed most telehealth modalities to be provided for new and established patients.
- Allowed many covered services to be provided via telephone/audio-only for the first time.
- Allowed payment parity between services provided in-person face-to-face, by synchronous telehealth, and by telephonic/audio only when the services met the requirements of the billing code by various provider types, including federally qualified health centers (FQHCs) and rural health centers (RHCs).
- Waived site limitations for providers and patients of FQHCs and RHCs
- Allowed expanded access to telehealth through non-public technology platforms, based on a federal exemption to Health Insurance Portability and Accountability Act (HIPAA) requirements.

According to DHCS, the availability and need for telehealth has led to a significantly wider adoption of the use of these modalities for service delivery. Providers have become familiar with delivering services via telehealth and receiving reimbursement for telehealth services.

**2021 Budget Act Extension of Flexibilities.** The 2021 Budget Act authorized the extension of the temporary telehealth flexibilities implemented during the pandemic for an additional year. In January 2021 the Administration initially proposed to extend most of the temporary flexibilities, but the proposal did not include extension of the following:

- Telephonic/audio-only modalities as a billable visit for FQHCs or RHCs
- Telephonic/audio-only modalities to establish a new patient
- Payment parity for telephonic/audio-only modalities and virtual communications
- Various flexibilities for Tribal 638 clinics.

The 2021 Budget Act also included expenditure authority of $2 million ($1 million General Fund and $1 million federal funds) to support a consultant to convene an advisory group of stakeholders to provide recommendations to the department for establishing and adopting billing and utilization management protocols for telehealth modalities to increase access and equity and reduce disparities in the Medi-Cal program.

**Trailer Bill Language.** DHCS requests trailer bill language to implement permanent changes to procedures and reimbursements for Medi-Cal covered benefits and services provided via telehealth. The

language aligns with the department's Post COVID-19 Public Health Emergency Telehealth Policy Recommendations, which was informed by the work of the Telehealth Advisory Workgroup convened pursuant to the 2021 Budget Act. According to DHCS, the trailer bill would implement the following statutory changes:

Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC)

- Allows a visit to include billable encounter using a video or audio-only synchronous interaction when services delivered through such an interaction meet the standard of care.

- Allows specified FQHC and RHC providers to establish a patient through video synchronous interaction.

- Prohibits establishment of a new patient relationship using an audio-only synchronous interaction and allows the department to provide for specific exceptions to this prohibition, which would be developed in consultation with stakeholders.

- Allows the establishment of patients via asynchronous store-and-forward when a patient is physically present at an originating site that is a licensed or intermittent site of the FQHC or RHC at the time the service is performed, the individual who collects the patient records at the originating site is an employee of the FQHC or RHC, and the FQHC or RHC determines that the provider is able to meet the standard of care. This change is a narrow exception to facilitate the Virtual Dental Home model of dental care.

- Requires, no sooner than January 1, 2024, a provider furnishing services through audio-only telehealth to also offer health care services via video synchronous interaction.

- Requires, no sooner than January 1, 2024, a provider furnishing services through telehealth to either offer the service in-person or to arrange for a referral and warm hand-off to in-person services.

- Requires an FQHC or RHC to explain to a beneficiary, at least once before initially providing services to the beneficiary through telehealth, their rights to access services in-person, that use of telehealth is voluntary and that consent for the use of telehealth can be withdrawn at any time without affecting the right to future care or treatment, that Medi-Cal covers nonmedical transportation services to access in-person visits when other available resources have been reasonably exhausted, and potential limitations or risks related to receiving services through telehealth as compared to an in-person visit, to the extent any limitations or risks are identified by the provider. Requires DHCS to develop, in consultation with stakeholders, model language for this purpose.

- Requires these changes be effective January 1, 2023, or the effective date(s) reflected in the applicable federal approvals obtained, whichever is later.

Baseline Coverage of Telehealth in Medi-Cal in All Delivery Systems

- Establishes that in-person, face-to-face contact between a health care provider and a patient is not required under the Medi-Cal program for those covered health services and provider types designated by DHCS, when providing visual synchronous interaction, audio-only synchronous interaction,

asynchronous store-and-forward, remote patient monitoring, or other permissible virtual communication modalities subject to federal approval.

- Requires DHCS to designate and periodically update the covered health care services and provider types that may be appropriately delivered through synchronous video telehealth, audio-only, remote patient monitoring, other permissible virtual communication, or the asynchronous telehealth process.

- Makes applicable health care services delivered through telehealth modalities subject to billing, reimbursement, and utilization management policies developed by DHCS. Requires utilization management protocols adopted by DHCS to be consistent with and no more restrictive than those authorized for health care service plans.

- Requires, no sooner than January 1, 2024, a provider furnishing services through audio-only telehealth to also offer health care services via video synchronous interaction.

- Requires, no sooner than January 1, 2024, a provider furnishing services through telehealth to either offer the service in-person or to arrange for a referral and warm hand-off to in-person services.

- Requires DHCS to consider recommendations from consumer advocates on ways to maintain access to in-person services without unduly restricting access to telehealth services.

- Authorizes a health care provider to establish a new Medi-Cal patient relationship with a beneficiary via video synchronous interaction consistent with any requirements imposed by the department.

- Prohibits establishment of a new patient relationship using telehealth modalities other than visual synchronous interaction and allows the department to provide for specific exceptions to this prohibition, which would be developed in consultation with stakeholders.

- Permits DHCS to establish separate fee schedules for applicable health care services delivered via remote patient monitoring or other permissible virtual communication modalities.

- Requires DHCS to reimburse applicable services provided via synchronous telehealth (video or audio-only) at the same amounts that would otherwise apply to in-person, face-to-face services, for services that meet the standard of care and meet requirements of the service code being billed.

- Implements a similar payment parity requirement for managed care plan payments to providers, unless the plan and provider mutually agree to reimbursement in different amounts.

- Requires DHCS to develop a research and evaluation plan by January 1, 2023, and allows the department to contract for or amend an existing contract for this purpose.

- Requires a provider to explain to a beneficiary, at least once before initially providing services to the beneficiary through telehealth, their rights to access services in-person, that use of telehealth is voluntary and that consent for the use of telehealth can be withdrawn at any time without affecting the right to future care or treatment, that Medi-Cal covers nonmedical transportation services to access in-person visits when other available resources have been reasonably exhausted, and potential limitations or risks related to receiving services through telehealth as compared to an in-person visit, to the extent any limitations or risks are identified by the provider. Requires DHCS to develop, in consultation with stakeholders, model language for this purpose.

- Requires DHCS to develop, in consultation with stakeholders, a consumer-friendly notice that explains relevant beneficiary rights and requires the notice to be translated into threshold languages and provided in a format that is culturally and linguistically appropriate to beneficiaries in fee-for-service and managed care,

State Plan Drug Medi-Cal Services

- Expand reimbursable telehealth services to State Plan Drug Medi-Cal certified providers from solely individual counseling to all medically necessary Drug Medi-Cal reimbursable services, including through video synchronous interaction or audio-only synchronous interaction.

- Require Drug Medi-Cal services provided through video synchronous interaction or audio-only synchronous interaction be subject to billing, reimbursement and utilization management policies developed by DHCS.

- Prohibit a Drug Medi-Cal certified provider from establishing a new patient relationship with a Medi-Cal beneficiary via audio-only synchronous interaction.

- Require Drug Medi-Cal reimbursable services through video synchronous interaction and audio-only synchronous interaction be provided in compliance with the privacy and security requirements, pursuant to state and federal law.

Network Adequacy in the Managed Care Delivery Systems

- Authorize a Medi-Cal managed care plan, with DHCS approval, to use clinically appropriate video synchronous interaction to meet network adequacy standards outside of Alternative Access Standard (AAS) requests. This change is intended to expand access to synchronous telehealth services that are limited to means of meeting AAS requests under current law.

- Allow DHCS to develop policies for granting credit in the determination of compliance with time or distance standards established pursuant to this section when Medi-Cal managed care plans contract with specified providers to use clinically appropriate video synchronous interaction.

- Clarify that a Medi-Cal managed care plan with a previously approved request does not need to re-submit the AAS request annually unless the Medi-Cal managed care plan's current approved AAS requires modifications. Require Medi-Cal managed care plans to submit a complete AAS submission at least every three years and at any time the Medi-Cal managed care plan is unable to meet time or distance standards.

- Require a Medi-Cal managed care plan to close out any corrective action plan deficiencies in a timely manner to verify member access is adequate.

- Require Medi-Cal managed care plans to continually work on improving network adequacy and access for Medi-Cal members.

- Authorize a Medi-Cal managed care plan to use clinically appropriate video synchronous interaction, as part of an alternative access standard request.

- Extend the sunset date from January 1, 2023, to January 1, 2026 (proposed W&I Code Section 14197(l)).

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

2. Please describe how this proposal differs from the changes proposed in 2021.

## Issue 6: COVID-19 Public Health Emergency – Resuming Regular Operations

**Budget Change Proposal – April Finance Letter.** DHCS requests expenditure authority of $26.2 million ($13.1 million General Fund and $13.1 million federal funds) in 2022-23 and $1.2 million ($581,000 General Fund and $581,000 federal funds) in 2023-24 and 2024-25. If approved, these resources would allow DHCS to unwind the program policy and system-related changes implemented during the COVID-19 Public Health Emergency.

| Program Funding Request Summary | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 0001 – General Fund | $13,117,000 | $581,000 |
| 0890 – Federal Trust Fund | $13,117,000 | $581,000 |
| **Total Funding Request:** | **$26,234,000** | **$1,162,000** |
| **Total Requested Positions:** | **0.0** | **0.0** |

* Additional fiscal year resources requested – 2024-25: $1,162,000.

**Background.** The federal Public Health Emergency (PHE) declared on January 31, 2020, and extended in 90 day increments since that date, has allowed states to utilize a variety of eligibility and enrollment flexibilities to stabilize Medicaid beneficiaries' eligibility for coverage and access to health care services. In addition to the flexibilities provided by the PHE, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Families First Coronavirus Response Act (FFCRA), which included provisions requiring state Medicaid programs to maintain beneficiary eligibility and enrollment as a condition of increased federal matching funds to support increased COVID-19 related expenditures.

Once the PHE expires, the flexibilities allowed by the declaration will also expire. In addition, the CARES Act and FFCRA provisions requiring continuous coverage of Medicaid beneficiaries also expire at the end of the PHE. In preparation for the eventual end of the PHE, the federal Centers for Medicare and Medicaid Services (CMS) released guidance to states to plan for the resumption of regular Medicaid operations upon the conclusion of the PHE.

According to DHCS, Medi-Cal will be faced with a large number of eligibility and enrollment actions that will need to be completed when the PHE ends. The most recent 90 day extension expires on July 16, 2022, if it is not extended for an additional 90 day period. CMS guidance provides counties with 12 months from the date of the PHE expiration to process the accumulated Medi-Cal redeterminations and case changes. DHCS estimates that 60 to 65 percent of the total Medi-Cal caseload of 14.4 million may require a redetermination. DHCS indicates that this redetermination workload, along with recent expansions of eligibility for Medi-Cal authorized by the Legislature, will require significant county resources with the guidance and assistance of DHCS staff.

**Resource Request.** DHCS requests expenditure authority of $26.2 million ($13.1 million General Fund and $13.1 million federal funds) in 2022-23 and $1.2 million ($581,000 General Fund and $581,000 federal funds) in 2023-24 and 2024-25 to allow DHCS to unwind the program policy and system-related changes implemented during the COVID-19 Public Health Emergency. Specifically, DHCS requests the following resources:

Medi-Cal Eligibility Division (MCED) – Resources equivalent to eight positions

- Resources equivalent to **two Health Program Specialist (HPS) II** positions, **four HPS I** positions, and **two Associate Governmental Program Analysts (AGPA)** would support the policy and programmatic components of the redetermination efforts, provide direction and support for eligibility systems (SAWS, CalHEERS, and MEDS), and provide policy oversight and system alignment through the course of the unwinding efforts. These resources would also develop, implement, and oversee the Post-COVID-19 Eligibility and Enrollment Operations Plan for California, required by the CMS guidance. These resources would be responsible for reviewing state and federal law and eligibility system logic for handling different eligibility scenarios, and technical assistance from CMS.

Media and Outreach Campaign - $25 million in 2022-23

- DHCS requests expenditure authority of $25 million ($12.5 million General Fund and $12.5 million federal funds) in 2022-23 for conducting a media and outreach campaign in preparation for the end of the PHE. These resources would procure a vendor to conduct the campaign to encourage beneficiaries to update their contact information with their counties, and to make them aware of the implications of their eligibility once the PHE ends.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 7: California Advancing and Innovating Medi-Cal (CalAIM) Implementation

**Budget Change Proposal – April Finance Letter.** DHCS requests 97 positions and expenditure authority of $107.8 million ($53.9 million General Fund and $53.9 million federal funds) in 2022-23 and $18 million ($9 million General Fund and $9 million federal funds) annually thereafter. If approved, these positions and resources would support implementation of several components of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, including external evaluations and assessments required by conditions of the federal waiver, implementation of the CalAIM Justice Package, Dual-Eligible Special Needs Plan new reporting requirements, and the Serious Mental Illness/Serious Emotional Disturbance federal waiver.

| Program Funding Request Summary | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 0001 – General Fund | $53,893,000 | $8,987,000 |
| 0890 – Federal Trust Fund | $53,892,000 | $8,987,000 |
| **Total Funding Request:** | **$107,785,000** | **$17,974,000** |
| **Total Requested Positions:** | **97.0** | **97.0** |

* Positions and resources ongoing after 2023-24.

**Background.** During the fall of 2019, the Administration released a comprehensive proposal to transform the delivery system of physical, behavioral, and oral health care services in the Medi-Cal program, known as the California Advancing and Innovating Medi-Cal (CalAIM) initiative. After COVID-19 related delays, the 2021 Budget Act included 69 positions and expenditure authority of $1.6 billion ($675.7 million General Fund and $954.7 million federal funds), and the Legislature approved trailer bill language to authorize implementation of CalAIM.

CalAIM is an ambitious effort to incorporate evidence-based investments in prevention, case management, and non-traditional services into the Medi-Cal program. Many of these investments were piloted during the state's most recent 1115 Waiver, Medi-Cal 2020, and CalAIM incorporates many of these programs into existing Medi-Cal delivery systems on a more consistent, statewide basis. CalAIM also seeks to reform payment structures for Medi-Cal managed care plans and county behavioral health programs to streamline rate-setting and to reduce documentation and auditing workload for plans and their network providers. Other components of CalAIM include changes to populations and services that would be delivered in the fee-for-service or managed care system, continuation of certain dental services piloted in the Dental Transformation Initiative, statewide incorporation of long-term services and supports as a mandatory managed care benefit, seeking a federal waiver to allow Medi-Cal services to be provided in an Institute for Mental Disease (IMD), and testing full integration of physical, behavioral, and oral health service delivery under a single contracted entity.

**CalAIM Implemented Through New Federal Waiver Authority.** CalAIM will transition many of Medi-Cal's existing programs into managed care benefits under a new 1915(b) Waiver, maintain some programs under the previous 1115 Waiver authority, and make other changes through amendments to the State Plan. The federal Centers for Medicare and Medicaid Services (CMS) approved California's 1115 Waiver and 1915(b) Waiver applications implementing CalAIM reforms on December 29, 2021. Both Waivers are approved until December 31, 2026. While the managed care authorities provided by the two

Waivers are similar, there are key differences. For example, while 1115 Waivers require budget neutrality (federal expenditures must not be greater under the Waiver than they would have been without the Waiver), 1915(b) Waivers only require the demonstration of cost effectiveness and efficiency (actual expenditures cannot exceed projected expenditures).

**Local Assistance Request in January Budget.** In the Governor's January budget, DHCS requested expenditure authority of $1.2 billion ($495.9 million General Fund and $693.6 million federal funds) in 2021-22 and $2.8 billion ($1.1 billion General Fund and $1.7 billion federal funds) to implement the following components of CalAIM:

- Enhanced Care Management (ECM)
- Community Supports (previously In-Lieu of Services)
- Managed Care Plan Incentives
- Medi-Cal Providing Access and Transforming Health (PATH)
- Dental Initiatives
- Population Health Management
- Various Transitions of Populations Between Fee-for-Service and Managed Care
- Behavioral Health Quality Improvement Program
- Designated State Health Programs

In addition, DHCS proposed trailer bill language to make statutory changes necessary to implement the components of the CalAIM initiative.

**Staffing and Resource Request.** DHCS requests 97 positions and expenditure authority of $107.8 million ($53.9 million General Fund and $53.9 million federal funds) in 2022-23 and $18 million ($9 million General Fund and $9 million federal funds) annually thereafter. If approved, these positions and resources would support implementation of several components of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, including external evaluations and assessments required by conditions of the federal waiver, implementation of the CalAIM Justice Package, Dual-Eligible Special Needs Plan new reporting requirements, and the Serious Mental Illness/Serious Emotional Disturbance federal waiver.

According to DHCS, this request would support efforts that were not anticipated in the department's CalAIM implementation proposal approved in the 2021 Budget Act. These efforts include additional need for global project management, technical assistance, and required federal evaluations for all aspects of CalAIM. In addition, this request includes staffing and resources to support initiatives scheduled to launch in 2023 and beyond, such as the CalAIM justice-involved package, long-term care managed care carve-in, Dual Eligible Special Needs Plan (D-SNP) transition and application and implementation of the SMI/SED waiver. Specifically, DHCS requests the following positions and resources:

<u>Administration</u> – Two positions
- **One Associate Personnel Analyst (APA)**
- **One Associate Governmental Program Analyst (AGPA)**

These positions would support administrative functions for the new staff proposed in this request, including hiring, processing applications, records and forms management, asset management, and space planning to accommodate newly authorized positions and the transition to telework and a hybrid work environment.

Business Operations Technology Services Division – Five positions

- **Four Information Technology Specialist (ITS) II**
- **One ITS I**

These positions would provide information technology (IT) support for CalAIM staff and programs including improving the data completeness and quality of managed care data; responding to tickets submitted to the division including emails, voice messages, phone calls, and chat sessions; provide direct IT customer support and service to both internal and external users in an enterprise environment; support DHCS operations through the management, design, installation, upgrade, and support of technology infrastructure; provide maintenance and operations support for DHCS' IT infrastructure; evaluate requested projects and work efforts and provide proposed solutions; provide subject matter expertise between projects, governance committees, and various programs; develop, manage, and maintain technical documentation, processes and procedures; and research and evaluate new technologies, test solutions, and make recommendations to management.

Capitated Rates Development Division – 12 positions

- **One Staff Services Manager (SSM) III**
- **One SSM II**
- **One SSM I**
- **One Research Data Specialist (RDS) I**
- **Two Research Data Analyst (RDA) II**
- **Six AGPAs**

These positions would perform financial monitoring and oversight activities needed to comply with expanded federal expectations under the CalAIM waiver including developing and executing implementation plans; developing and maintaining program policy and operational requirements; developing and maintaining new data collection and review processes and templates specific to subcontractor expenses; preparing and submitting to CMS required documentation of DHCS' oversight of the medical loss ratio (MLR); reviewing subcontracts to verify plans impose required terms and conditions downstream; performing expanded review of subcontractor expenditures within plan-generated MLR reports; monitor and evaluate plans' appropriate use, review, and oversight of subcontractor-generated MLR reports by reviewing plan subcontracts and downstream subcontracts to verify plans effectively impose required terms and conditions downstream; perform desk reviews of sampled subcontractor-generated MLR reports for reasonableness of reporting and allocation approaches; and evaluate alignment of expenditure data between subcontractor-generated and plan-generated MLR reports.

Data Management and Analytics Division – Eight positions

- **One Research Scientist Supervisor (RSS) II**
- **One RSS I**
- **Four Research Scientist (RS) III**

- **One RDS III**
- **One RDS II**

*CalAIM Waiver Evaluations.* Four of these positions would provide research and data support for components of the waiver requirements including data support and consultation related to methodological development and methodological limitations developed by evaluators; data collection to support reporting; development of data reports, queries, and data pulls to support evaluators, quality improvement, and monitoring requirements; and data support related to aspects of care coordination and access to services, such as identifying and obtaining needed external data sources, and linking data from various data sources to create data sets.

*CalAIM Managed LTSS and D-SNPs.* Four of these positions would provide data analytic and research support for managed LTSS and D-SNP programs; work with programs to support development of measures, provide consultation related to data sources and coding for identified measures, support reporting processes that will enable DHCS to manage delivery of managed LTSS and D-SNP services, and track quality and outcome metrics.

Managed Care Operations Division – Two positions

- **Two AGPAs**

These positions would develop pre-enrollment materials and update system enrollment processes in conjunction with county and justice partners to verify enrollment and assignment into Medi-Cal managed care plans; collaborate with internal and external entities; monitor and develop program processes, including developing and presenting major policy issues, materials, and recommendations to management and Health Care Options, to support compliance with implementation deadlines; and perform administrative and supervisory functions for the division.

Managed Care Quality and Monitoring Division – 21 positions

- **One SSM III**
- **Two SSM II**
- **One HPS II**
- **One HPS I**
- **Three SSM I**
- **13 AGPAs**

*CalAIM Justice Package.* Eight of these positions would develop program requirements to comply with state and federal law, the Medi-Cal managed care plan contract, and implementation guidelines; work with plans to provide technical assistance and support; monitor plan compliance with implementation requirements; review and track deliverables and assist management on issues; provide policy support, including development and communication, regulations, and waiver-related development and updates; perform administrative and supervisory functions related to the division; monitor and develop program requirements, including division policy issues and recommending alternatives to management; and support compliance with all implementation deadlines.

*CalAIM 1915(b) – Assurances of Adequate Capacity and Services.* Six of these positions would create policy guidance for network reporting for Medi-Cal managed care plans to verify subcontractors are

reporting accurately; establish a reporting framework; set up data systems and mechanisms to capture reporting; and create review tools.

*CalAIM Managed LTSS and D-SNPs.* Seven of these positions would facilitate and lead monitoring efforts of D-SNP contract requirements; facilitate and lead dually aligned network efforts for D-SNP requirements; establish, refine, and maintain materials and compliance tools for D-SNP compliance and D-SNP dually aligned networks; create, refine, and maintain monitoring policies and procedures for monitoring of D-SNPs; create, refine, and maintain policies for dually aligned plan and D-SNP networks; and create, monitor, and lead corrective action progress for non-compliance with D-SNP contractual requirements.

Medi-Cal Behavioral Health Division – 36 positions

- **One Career Executive Assignment (CEA)**
- **One SSM III**
- **Three SSM II**
- **Five SSM I**
- **Nine HPS II**
- **Two HPS I**
- **13 AGPAs**
- **Two Staff Services Analysts (SSA)**

*CalAIM Justice Package.* Nine of these positions would support a new section to manage and lead the significant workload for the CalAIM Justice-Involved Initiative including planning, implementation, and stakeholder management activities following federal approval; intensive readiness reviews and technical assistance for prisons, jails, youth correctional facilities, fee-for-service providers, behavioral health providers, and counties to support implementation; governance, oversight, and compliance enforcement; and data collection, reporting, analytics, performance monitoring, and evaluation efforts to meet waiver requirements.

*CalAIM Behavioral Health Data Liaison.* One of these positions would serve as a Data Liaison to comply with new CMS reporting deadlines, managing programmatic qualitative and quantitative reporting, working with multiple DHCS divisions, and reporting related to the SMI/SED waiver.

*Behavioral Health Community-Based Continuum Waiver.* 26 of these positions would support application, implementation, and monitoring of the SMI/SED waiver, also known as the Behavioral Health Community-Based Continuum (BHCC) Waiver, including a new branch dedicated to the project and the achievement of the following milestones:

- Establishment of a utilization review processes to verify access to appropriate levels and types of care;
- Development of policies and procedures to improve care coordination and transitions to community-based care, with a focus on intensive discharge planning processes, with requirements to facilitate housing arrangements;
- Implementation of strategies to develop and enhance interoperability and data sharing between physical, SUD, and mental health providers;

- Development and implementation of statewide strategies to prevent or decrease the lengths of stay in emergency departments among beneficiaries with SMI or SED as well as monitor availability of inpatient and crisis stabilization beds, including development and launch of a required annual assessment of the availability of mental health services;
- Selection of, training on, and county technical assistance for evidence-based clinical assessment tools to help determine appropriate level of care and length of stay;
- Creation, implementation and refinement of strategies to achieve earlier identification and engagement in treatment including through increased integration, with a focus on supported employment and supported education programs;
- Development of focused interventions to address and meet the needs of special populations such as young people;
- Increasing integration of behavioral health care in non-specialty care settings, including schools and primary care practices;
- Monitor county accountability to protocols such as using evidence-based treatment, ensuring individuals are placed at the appropriate level of care, upholding provider quality standards, and strengthening care coordination for individuals with SMI/SED;
- Oversight of compliance to the federal requirements for beneficiary protection against over-institutionalization.

Medi-Cal Dental Services Division – Six positions and resources equivalent to nine positions

- **One SSM III**
- **One SSM II**
- **Two HPS I**
- **One SSM I**
- **One AGPA**

*Resources equivalent to:*

- **One SSM I**
- **Eight AGPAs**

These positions and resources would develop new program performance measurements, methodologies, and targets to evaluate performance of dental managed care (DMC) plans and the DMC program as a whole; develop and apply corrective action plans and payment withholds linked to performance targets of DMC plans; conduct an independent assessment and evaluation of the DMC program; provide program support and technical assistance to DMC plans on new waiver requirements related to monitoring, oversight and performance targets; review and track deliverables, as well as data gathering to develop evaluative reports; procure new DMC plans, including developing and releasing a Request for Proposal, scoring dental health plan proposals, awarding new contracts, and completing turnover and takeover activities for new and terminating DMC plans; research existing program requirements to determine updates that result in new DMC policy and/or contract amendments to comply with changes in state, federal, and department requirements, and provide comprehensive guidance to DMC plans; and evaluate, update, and create monitoring and surveillance systems, including through disenrollment requests, to make recommendations to management to improve DMC plan oversight and accountability, as well as to suspend or terminate DMC plans as a result of poor performance.

Medi-Cal Eligibility Division – Two positions

- **Two HPS I**

These positions would support establishment of eligibility and enrollment policies and procedures pertaining to CalAIM initiatives for justice-involved populations; provide key policies and instructions to counties; oversee communication with SAWS and CalHEERS to drive critical system design changes needed to support CalAIM implementation; lead drafting of All County Welfare Directors Letters and Medi-Cal Eligibility Procedures Manual Sections, and any necessary outreach to inform counties and impacted justice-involved populations of policy changes; provide business continuity from the Medi-Cal program administration perspective; and provide policy to the eligibility and enrollment systems to target system readiness no sooner than January 1, 2023.

Office of Legal Services – One position

- **One Attorney IV**

This position would provide legal support for CalAIM MLR oversight and review activities including program policy development, contract amendments, enforcement actions, appeals, litigation support, and other legal matters.

Quality and Population Health Management – Two positions

- **One AGPA**
- **One HPS I**

These positions would draft, amend, and manage contracts with required external evaluators and administrators of the customer satisfaction surveys and coordinate the development and review of all external evaluations with program staff who will provide input and review from a programmatic standpoint.

Contract Resources - $90.9 million for eight contracts

- *Dental Managed Care Procurement Consultant Contract.* DHCS requests expenditure authority of $1.4 million for a contractor to support the DMC Program Improvement initiative.
- *CalAIM Technical Assistance.* DHCS requests expenditure authority of $25 million for an external contractor to provide highly complex project management, technical assistance, and outreach support for the CalAIM Justice-Involved Package, technical assistance for the SMI/SED waiver and foster care model of care, the long-term care managed care carve-in, and the D-SNP transition.
- *CalAIM 1115 Waiver Evaluations.* DHCS requests expenditure authority of $19.5 million for one or more contracts with external evaluators to evaluate the alignment and integration of dual-eligibles, the PATH demonstration, the Global Payment Program, the CalAIM Justice-Involved Package, and the mid-point assessment for the Drug Medi-Cal Organized Delivery System (DMC-ODS) waiver.
- *1915(b) Waiver Independent Assessments and Consumer Satisfaction Surveys.* DHCS requests expenditure authority of $24 million for a contractor to develop access-focused reports and independent assessments across various Medi-Cal delivery systems, as well as conduct an annual consumer satisfaction survey similar to the Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey.

- *1915(b) and 1115 Waiver Community Supports Independent Evaluation.* DHCS requests expenditure authority of $5 million for a contractor to conduct an independent evaluation of Community Supports, including recuperative care and short-term post-hospitalization housing.
- *External Quality Review Organization (EQRO) for Long-Term Services and Supports (LTSS).* DHCS requests expenditure authority of $2 million for the existing Medi-Cal EQRO contractor to evaluate the quality, timeliness, and accessibility of LTSS received by dual-eligible and other Medi-Cal managed care beneficiaries.
- *SMI/SED 1115 Waiver Evaluation Contract.* DHCS requests expenditure authority of $9 million for a contractor to support evaluation of the SMI/SED waiver consistent with CMS requirements, including evaluation design, interim evaluation report, and final summative evaluation report.
- *Annual Report on Community Supports.* DHCS requests expenditure authority of $5 million for a contractor to develop and submit an annual report on Community Supports at the end of each calendar year to include any programmatic or operational changes, pursuant to CMS requirements.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 8: Managed Care Compliance and Oversight Program

**Budget Change Proposal – April Finance Letter.** DHCS requests 14 positions and expenditure authority of $3.2 million ($1.6 million General Fund and $1.6 million federal funds) in 2022-23, $3.1 million ($1.6 million General Fund and $1.6 million federal funds) in 2023-24, $3.1 million ($1.5 million General Fund and $1.5 million federal funds) in 2024-25, and $2.6 million ($1.3 million General Fund and $1.3 million federal funds) in 2025-26. If approved, these positions and resources would support monitoring and compliance efforts of the extensive new contract requirements and expectations of Medi-Cal managed care plans effective January 1, 2024.

| **Program Funding Request Summary** | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 0001 – General Fund | $1,605,000 | $1,553,000 |
| 0890 – Federal Trust Fund | $1,605,000 | $1,553,000 |
| **Total Funding Request:** | **$3,210,000** | **$3,105,000** |
| **Total Requested Positions:** | **14.0** | **14.0** |

* Additional fiscal year resources requested – 2024-25: $3,090,000; 2025-26: $2,590,000.

**Background.** On February 9, 2022, DHCS released a Request for Proposal (RFP) for its commercial managed care plan contracts. According to DHCS, it is seeking managed care plans committed and able to advance equity, quality, access, accountability, and transparency to reduce health disparities and improve health outcomes for Californians. While the RFP is only for commercial plans, DHCS indicates the updated contract released with the RFP will be executed with all Medi-Cal managed care plans, including local initiatives and County Organized Health Systems, as of January 1, 2024.

**New Contract Requirements in Reprocurement.** According to DHCS, through the reprocurement process, managed care partners will demonstrate their commitment and ability to meet the following new and enhanced contract requirements:

*Transparency.* Plan partners will now be required to routinely and publicly report on access, quality improvement, and health equity activities, including their fully delegated subcontractors' performance and consumer satisfaction. These reports will be posted publicly by DHCS to help members choose their plan. Plans will also be required to post their financial performance information and Memoranda of Understanding with third parties.

*High Quality Care.* Plan partners will be expected to exceed quality improvement benchmarks and create a culture of continuous quality improvement with a focus on primary care, physical and behavioral health, access to and engagement of providers, and continuity and coordination across settings and all levels of care. Plans will be held accountable for their own quality as well as that of their subcontractors. Plans failing to achieve quality benchmarks will face sanctions and potentially be required to surrender a portion of their profits. Plans will be newly required to review utilization reports to identify members not using primary care, and to address those members' needs and health disparities. Plan payment will be linked to quality and equity, and plans will be required to comply with new provider shared risk, savings and incentive arrangements. Plans and their subcontractors are expected to achieve National Committee for Quality Assurance (NCQA) Health Plan Accreditation by 2026.

*Access to Care.* Plan partners will be required to meet more robust expectations in assisting members and their families with navigating delivery systems and care management services. Plans will maintain comprehensive networks that provide all members with timely access to care that is appropriate, culturally and linguistically competent, high quality, and within geographic access standards, and that include timely access to interpreter services, auxiliary aids and services, and appropriate telehealth modalities.

*Increased Health Equity and Reduced Health Disparities.* Plan partners will meet new requirements related to reducing health disparities among specific populations and measures identified by DHCS. Plans will be required to identify physical and behavioral health disparities and inequities in access, utilization, and outcomes by race, ethnicity, language (including limited English proficiency), and sexual orientation, and to have focused efforts to improve health outcomes within the most impacted groups and communities. For the first time, plans will be required to have a Chief Health Equity Officer. In addition, both the plans and their subcontractors will be mandated to achieve NCQA Health Equity Accreditation, a new standards program focused on advancing the delivery of more equitable and culturally and linguistically appropriate services across member populations.

*Continuum of Care.* Plan partners will help members manage their health over time through a comprehensive array of person-centered health care and social services spanning all levels of care, from birth to dignified end of life. Plan partners will be obligated to strengthen their coordination and continuity of care for out-of-network providers and to educate members on, for example, what an advance directive is and their right to have one.

*California Advancing and Innovating Medi-Cal (CalAIM) Initiatives.* Plan partners will implement and support CalAIM initiatives to improve the quality of life and health outcomes of member populations by establishing broad delivery system, program, and payment reform across Medi-Cal.

*Coordinated/Integrated Care.* Plan partners must ensure the needs of their entire member population are met across the continuum of care. Plans will systematically coordinate services and comprehensive care management with a whole-person, interdisciplinary approach for populations with complex health care needs. This includes coordination with services provided by local health departments, county behavioral health plans, schools, justice systems, and community-based organizations. Plan partners will be required to facilitate warm hand-offs and closed-loop referrals of members to community resources and follow-up to ensure services are rendered.

*Addressing Social Drivers of Health (SDOH).* Plan partners will be expected to implement new population health management and care management strategies to address the unmet social needs of members, such as food security and housing, and document members' SDOH needs and services.

*Local Presence and Engagement.* Plans will partner with local agencies (e.g., local health departments, county behavioral health plans, continuums of care, community-based organizations) to ensure that they understand and meet community needs. These relationships will help plans and providers go beyond the walls of a clinical office to address SDOH. Plans and their fully delegated subcontractors with positive net income will also be required to allocate 5 to 7.5 percent of these profits (depending on the level of their profit) to local community activities that develop community infrastructure to support Medi-Cal members.

*Children's Services.* Plans will take on new contract obligations for children with special health care needs that require them to implement methods for ensuring care management and care coordination with appropriate programs. Plans will be newly required to provide medically necessary health and behavioral health services in schools and other settings (i.e., at home and in the community) and implement interventions by school-affiliated providers that increase access to preventive, early intervention, and behavioral health services. For the first time, plans will be required to train providers on Early and Periodic Screening, Diagnostic, and Treatment Services. Plans will be expected to ensure that their Community Advisory Committee membership reflects that of the health plan and the county being served, including children (or parents/caregivers of children) and adolescents.

*Behavioral Health Services*. Plan partners will expand access to evidence-based behavioral health services focused on earlier identification and engagement in treatment for children, youth, and adults and integrated with physical health care, including establishment of No Wrong Door policies to support access to diagnoses and treatment. Services will align with state-required interventions that increase access to providers within transitional kindergarten through grade 12 publicly funded schools. The contract clarifies substance use disorder coverage – including alcohol and drug screening, brief intervention, and referral to treatment – and medication-assisted treatment services across settings.

*Accountability and Commitment to Compliance, Including Monitoring and Oversight of Delegated Entities.* Plan partners must demonstrate robust accountability, compliance, monitoring, and oversight programs, including for all delegated entities, to ensure members receive quality care and have access to services. Managed care plans will be held accountable for the quality of care at all levels of delegation. This will include justification for the use of delegated entities and subcontractors to ensure that members' experiences and outcomes are drivers of these decisions. Additionally, for the first time, the contract mandates that MCPs report information on delegated functions.

*Emergency Preparedness and Essential Services.* During and after emergencies – such as a natural or man-made disaster or health crisis – plan partners will ensure delivery of essential care and services (including telehealth) to members and continuity of business operations.

*Value-Based Payment*. Plan partners will be mandated to link provider payments to value in the form of higher quality of care, better health care outcomes, and lower cost of care. Building on proposed changes for 2023 to base capitation payment rates on performance on certain high-priority quality and health equity outcome measures, such arrangements include incentive payment arrangements that reward providers for high or improved performance on selected measures or benchmarks. Plan partners will report on what proportion of their spending is on primary and integrated care and tied to alternative primary care payment models.

*Administrative Efficiency*. Plan partners will reduce administrative waste and enhance efficiency

**Staffing and Resource Request.** DHCS requests 14 positions and expenditure authority of $3.2 million ($1.6 million General Fund and $1.6 million federal funds) in 2022-23, $3.1 million ($1.6 million General Fund and $1.6 million federal funds) in 2023-24, $3.1 million ($1.5 million General Fund and $1.5 million federal funds) in 2024-25, and $2.6 million ($1.3 million General Fund and $1.3 million federal funds) in 2025-26 to support monitoring and compliance efforts of the extensive new contract requirements and

expectations of Medi-Cal managed care plans effective January 1, 2024. Specifically, DHCS requests the following positions and resources:

Business Operations Technology Services Division – Three positions

- **One Information Technology Specialist (ITS) II** position would provide maintenance and operations support for the department's information technology (IT) network infrastructure; evaluate requested projects and work efforts and provide proposed solutions; provide subject matter expertise between projects, governance committees and various programs; develop, manage, and maintain technical documentation, processes, and procedures; and research and evaluate new technologies, test solutions, and make recommendations to management.

- **One ITS I** position would work on the Post Adjudicated Claims and Encounters System (PACES) including adding new health care plans to the system, creating new accounts for external partners, providing technical support to new plans using the system, and work closely with other department staff to analyze how new contract requirements impact how PACES accepts and processes health care encounters.

- **One ITS I** position would support additional staff hired due to this request, including responding to and quickly resolving IT-related issues, responding to tickets, resolving laptop incidents, and providing support for IT, facilities, and other work environment needs.

Information Security Office – One position

- **One ITS II** position would provide information security oversight and compliance of contracted managed care plans, validate administrative policies and procedures are in place and appropriate technical controls are implemented in compliance with federal and state information security laws and regulations.

Managed Care Quality and Monitoring Division – Seven positions

- **One Staff Services Manager (SSM) III** position would lead a new branch focused on creation of monitoring processes and ongoing monitoring of plan compliance including identifying and following up on low performers, equity concerns and trends, issues of potential or identified beneficiary health concerns.
- **One SSM II** position would lead creation of new monitoring activities for the enhanced monitoring process of plans to verify compliance with the new contract requirements.
- **One SSM I** position would lead creation of process documents for analysts on enhanced monitoring process of the plans and their subcontractors to verify compliance with the new contract requirements.
- **Four Associate Governmental Program Analysts (AGPA)** would establish materials and compliance review tools for the new contract requirements; facilitate and lead enhanced monitoring efforts on the new requirements for plans and subcontractors; communicate with plans on processes for submission of required documents and deliverables for enhanced monitoring; lead implementation and ongoing monitoring calls with plans regarding compliance with the new contract; track corrective action plan progress, assess data and verify all updated policies and procedures are in compliance with proposed remediation, new contractual requirements and state and federal law.

Office of Administrative Hearings and Appeals (OAHA) – One position (effective January 1, 2024)

- **One Administrative Law Judge III** would manage the increased workload resulting from the increase in audits, ongoing monitoring, oversight, and overall compliance with the new contract requirements, including issuance of corrective action plans and sanctions, and any related appeals.

Office of Legal Services – Two positions

- **One Civil Service Assistant Chief Counsel** would provide supervision to a Special Enforcement Team; create a team of legal professionals working with various divisions on enforcement and sanctions-related work under the contract; represent the department before OAHA and superior and federal courts; and provide for the training, mentorship, and development of attorneys in the specialized area of managed care contract enforcement.
- **One Attorney IV** would advise complex audit issues and attend sensitive audit entrance and exit interviews; provide general legal services including drafting and legal analysis of statutes, regulations, and sub-regulatory guidance; assess the legal impact of policy options and decisions with respect to interpretation and enforcement of contract provisions; litigation avoidance and risk analysis; contract drafting and interpretation; legal advice related to implementation and processes related to contract managements; compliance with state and federal laws governing the use and disclosure of personally identifiable health information and other sensitive or protected information related to beneficiaries; and responding to highly sensitive controlled correspondences, stakeholder and public concerns, and public records requests.

Contract Resources - $1.9 million over three years

- DHCS requests expenditure authority of $250,000 ($125,000 General Fund and $125,000 federal funds) in 2022-23 and $125,000 ($63,000 General Fund and $62,000 federal funds) in 2023-24 to support a project management support and services contractor to verify the project's successful planning and implementation. These services would include working with stakeholders, technical personnel, and system sponsors to provide leadership for project management and software development life cycle phases; develop all project artifacts and documentation; establish and implement effective communications strategies; generate executive level project status reports; manage risks and issue cross functionally and verify mitigation plans are established; manage project scope, schedule, and cost using change control management; verify project management best practices, processes, and procedures are consistently applied to all information technology projects following the California Project Management Framework; assist with Project Approval Lifecycle stage gate documentation; verify that the reporting requirements of the department's control agencies are met; evaluate all business needs and gather requirements for IT systems managing affiliated data; understand strategic need and plans for growth while developing and implementing forward-facing solutions; and verify the new solutions operate efficiently and add value to the department as a whole and to external stakeholders.
- DHCS requests expenditure authority of $500,000 ($250,000 General Fund and $250,000 federal funds) in 2022-23, 2023-24, and 2024-25, to hire an independent contractor to conduct a state-level assessment of compliance requirements and compliance capabilities of staffing resources, processes, and systems across departmental divisions.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 9: Managed Care Program Annual Report

**Budget Change Proposal – April Finance Letter.** DHCS requests 21 positions and expenditure authority of $3.5 million ($1.8 million General Fund and $1.8 million federal funds) in 2022-23, and $3.1 million ($1.5 million General Fund and $1.5 million federal funds) annually thereafter. If approved, these positions and resources would allow DHCS to comply with new federal reporting requirements for monitoring of Medi-Cal managed care programs.

| Program Funding Request Summary | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 0001 – General Fund | $1,756,000 | $1,537,000 |
| 0890 – Federal Trust Fund | $1,756,000 | $1,537,000 |
| **Total Funding Request:** | **$3,512,000** | **$3,073,000** |
| **Total Requested Positions:** | **21.0** | **21.0** |

* Positions and resources ongoing after 2023-24.

**Background.** On June 28, 2021, the federal Centers for Medicare and Medicaid Services (CMS) announced new reporting requirements as part of its monitoring system over all Medicaid managed care programs, including the evaluation of managed care organizations (MCO), prepaid inpatient health programs (PIHP), prepaid ambulatory health plans (PAHP), and managed long-term services and supports (LTSS) plans.

In accordance with federal regulations, CMS requires each state to submit a report for each managed care program administered using standardized reporting measures and mechanisms. Under these regulations, each state must submit its report to CMS no later than 180 days after each contract year. For mental health plans, Drug Medi-Cal Organized Delivery Systems (DMC-ODS) providing substance use disorder and specialty mental health services, the Managed Care Program Annual Report (MCPAR) is due by December 27, 2022. The MCPARs for dental managed care plans and Medi-Cal managed care plans, including non-specialty behavioral health, are due by June 29, 2023. Federal regulations require MCPAR to include information in the following health categories: 1) program enrollment and service area expansions; 2) financial performance; 3) encounter data reporting; 4) grievances, appeals, and state fair hearings; 5) availability, accessibility, and network adequacy; 6) delegated entities; 7) quality and performance measures; 8) sanctions and corrective action plans; 9) beneficiary support system; and 10) program integrity.

**Staffing and Resource Request.** DHCS requests 21 positions and expenditure authority of $3.5 million ($1.8 million General Fund and $1.8 million federal funds) in 2022-23, and $3.1 million ($1.5 million General Fund and $1.5 million federal funds) annually thereafter. If approved, these positions and resources would allow DHCS to comply with new federal reporting requirements for monitoring of Medi-Cal managed care programs. Specifically, DHCS requests the following positions and resources:

Medi-Cal Dental Services Division – Four positions

- **One Staff Services Manager (SSM) I** position would supervise and direct activities of analytical staff responsible for the implementation of MCPAR requirements; oversee the compilation of necessary data from dental managed care (DMC) plans to meet MCPAR requirements; establish reference

materials; aid in policy development and creation of dental all plan letters (APLs) related to MCPAR; review technical MCPAR reporting; work cross divisionally to amend contracts to include new MCPAR requirements; and provide contract oversight to DMC plans for compliance.

- **Three Associate Governmental Program Analysts (AGPA)** would provide monitoring and oversight over DMC plans' compliance with new MCPAR reporting requirements; evaluate current deliverable submissions relating to financial performance, encounter data reporting, grievances, appeals, state fair hearings, network adequacy, quality measurements, and corrective action plans to align with MCPAR reporting components; create and modify standardized DMC plan reports to capture federal requirements; analyze data outcomes and develop narratives to be entered in the MCPAR reporting template to be sent to CMS; coordinate and collaborate with other division units and with Enterprise Data Information Management to synthesize data to be included in MCPAR reporting; and ensure DMC plans are submitting required data timely and accurately to meet federal deadlines.

Managed Care Quality and Monitoring Division – Six positions

- **One SSM II** position would oversee the MCPAR reporting for managed care; collaborate with other divisions to ensure MCPAR reporting alignment among delivery systems; oversee and assist SSM I's in drafting and implementing policy guidance including APLs related to MCPAR sanction and corrective action plan processes; ensure consistent technical assistance is provided to all plans; communicate and collaborate with Staff Services Manager III on issues with MCPAR reporting and provide recommendations; oversee the communication with plans regarding MCPAR non-compliance; provide oversight and support to SSM I on the review of plan corrective action submissions and MCPAR monitoring.
- **One SSM I** position would lead the creation of templates for standardized managed care plan reporting to align with MCPAR reporting requirements and lead monitoring efforts; collaborate with the other divisions to capture reporting on data and ensure plans are submitting timely and accurately; draft and implement policy guidance including APLs for new MCPAR reporting requirements and sanction and corrective action plan processes; provide guidance on the creation of MCPAR monitoring processes; lead and oversee technical assistance to plans on reporting requirements and format as well as discussions regarding MCPAR non-compliance; analyze and review analyst review of data reporting to ensure alignment with MCPAR reporting requirements; oversee and assist the analysts compiling data and enter data and narratives in the MCPAR reporting template; provide oversight and support to analysts on the review of plan corrective action submissions and MCPAR monitoring; lead MCPAR monitoring corrective action and sanction process of the plans noncompliance with MCPAR components; lead efforts of the review necessary to document for compliance and facilitate other compliance related discussions and reviews; communicate and collaborate with Staff Services Manager II on issues with MCPAR reporting and provide recommendations; lead efforts of the creation of summaries on recommendations for corrective actions for non-compliance with MCPAR reporting.
- **Four AGPAs** would create templates for standardized plan reporting and monitoring activities to align with MCPAR reporting requirements; collaborate with the other divisions to capture reporting on data and ensure plans are submitting timely and accurately; provide technical assistance to plans on reporting and format requirements as well as coming into compliance with MCPAR category; communicate with plans on processes for and submission of required documents and deliverables for MCPAR monitoring; review plan data reporting to ensure alignment with MCPAR reporting

requirements; compile and enter data and narratives in the MCPAR reporting template in preparation for CMS submission; create corrective action and sanctions process to monitor and ensure plan compliance with submission requirements, compliance thresholds and minimum performance levels; facilitate and lead MCPAR implementation of monitoring efforts and ongoing monitoring calls with health plans regarding compliance with MCPAR reporting; analyze plan responses to MCPAR monitoring and follow up when trends are identified; and issue, review and analyze plan corrective action plan submissions.

Medi-Cal Behavioral Health Division – Four positions

- **Four AGPAs** would complete a comprehensive analysis of 93 behavioral health managed care plans to assess their ability to comply with MCPAR; develop contract amendments to incorporate new MCPAR data collection requirements; develop new data collection requirements and collection tools; issue policy direction; engage stakeholders to solicit feedback and public input; provide initial and ongoing technical assistance and training; develop strategies and training sessions and materials to help counties update their data collection and reporting mechanisms; conduct contract and behavioral health managed care plan oversight; perform ongoing compliance and corrective action plan activities, and analyze the collected data and develop new reporting by December 27, 2022.

Data Management and Analytics Division – Four positions

- **One Research Data Supervisor I** would oversee the work product of the MCPAR reporting unit and work collaboratively with other researchers; and supervise data reporting, development of strategies for process improvement, quality assurance, and briefing management.
- **One Research Data Analyst II** would provide training and technical assistance support to counties, managed care plans, and dental plans; and compile format, and submit MCPAR reports per CMS guidelines.
- **Two Research Data Specialist I** would extract, compile, summarize, and report behavioral health data from various data sources; and support data coordination, project management, and transfer of data to other teams in the department.

Enterprise Technology Services – One position

- **One Information Technology Specialist I** would provide IT support for the MCPAR initiative including providing maintenance and operations support for the department's IT network infrastructure; evaluating requested projects and work efforts and providing proposed solutions; providing subject matter expertise between projects, governance committees, and various programs; developing, managing, and maintaining technical documentation, processes, and procedures; and researching and evaluating new technologies, test solutions, and making recommendations to management.

Office of Legal Services – Two positions

- **One Attorney III** and **one AGPA** would assist Medi-Cal Dental in providing enhanced oversight of DMC plans including performing complex and sensitive legal services, as well as case management and Attorney General referrals.

Contract Resources - $250,000 in 2022-23

- DHCS requests expenditure authority of $250,000 ($125,000 General Fund and $125,000 federal funds) in 2022-23 to support contract resources for project management support and services including working with stakeholders, technical personnel, and system sponsors to provide leadership for project management and software development lifecycle phases for system enhancements needed to generate the December 2022 and December 2023 MCPAR reports.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 10: Office of Compliance

**Budget Change Proposal – April Finance Letter.** DHCS requests 12 positions and expenditure authority of $2.1 million ($1.1 million General Fund and $1.1 million federal funds) in 2022-23, $2 million ($1 million General Fund and $1 million federal funds) in 2023-24, and $1.8 million ($891,000 General Fund and $891,000 federal funds) annually thereafter. If approved, these positions and resources would strengthen internal audit, federal compliance, and enterprise governance activities.

| Program Funding Request Summary | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 0001 – General Fund | $1,070,000 | $1,016,000 |
| 0890 – Federal Trust Fund | $1,070,000 | $1,016,000 |
| **Total Funding Request:** | **$2,140,000** | **$2,032,000** |
| **Total Requested Positions:** | **12.0** | **12.0** |

* Additional fiscal year resources requested – 2024-25 and ongoing: $1,782,000.

**Background.** DHCS reports that, to strengthen its compliance functions and outcomes, it recently created a new Office of Compliance (OOC), with a Chief Compliance Officer (CCO) reporting to the DHCS Director. After establishing the OOC, DHCS' internal audits group was redirected from the Audits and Investigations Division and federal compliance monitoring work was redirected from the Director's Office was redirected to the OOC, which serves as a liaison with federal partners such as the federal Centers for Medicare and Medicaid Services (CMS) and the United States Department of Health and Human Services Office of Inspector General (OIG) on matters that relate to California's Medicaid and Children's Health Insurance Program State Plan, waivers, and federal compliance.

OOC through its Internal Audits Group conducts internal control reviews; coordinates external audits and tracks corrective action plans; handles whistleblower complaints; provides assurance and consulting services for enterprise risk management; and tracks DHCS' numerous external reports. The Internal Audits Group administratively reports to the CCO to help facilitate the day-to-day operations of the internal audit function.

Additionally, OOC through its federal Compliance Monitoring Group leads the management of State Plan Amendments (SPAs); of reporting processes for various federal initiatives; and of tracking functions in support of various components of California's waiver programs; among a number of other federally centered obligations.

**Staffing and Resource Request.** DHCS requests 12 positions and expenditure authority of $2.1 million ($1.1 million General Fund and $1.1 million federal funds) in 2022-23, $2 million ($1 million General Fund and $1 million federal funds) in 2023-24, and $1.8 million ($891,000 General Fund and $891,000 federal funds) annually thereafter to strengthen internal audit, federal compliance, and enterprise governance activities. Specifically, DHCS requests the following positions and resources:

Compliance Monitoring and Enterprise Governance Group – Six positions

- **One Staff Services Manager (SSM) II** position would manage both the staff and the work product for compliance monitoring activities, coordinate all subordinate workloads and assignments, supervise

and mentor other staff members, and assist as needed in the multi-division/multi-program effort that underlies each of the teams in the group.

- **One Health Program Specialist (HPS) I** position would help evaluate, implement, and manage the compliance-reporting processes for the newly required Managed Care Final Rule annual reporting to CMS, as well as for SPAs and federal waivers; perform significant policy analyses and data collection, in collaboration with multiple divisions and programs, to develop, evaluate, coordinate, and complete the comprehensive annual reports for management review and CMS submission.
- **One SSM I** position would supervise staff executing line-level functions for enterprise governance monitoring and operational activities; coordinate workloads and assignments; supervise and mentor subordinate staff; certify to the work product, performance, and operations of multi-division/multi-program effort underlying the department's enterprise governance activities.
- **Three Associate Governmental Program Analysts (AGPA)** would provide support for general enterprise governance for the department through day-to-day operations of establishing governance policies, creating and maintaining templates, preparing for meetings, and lending support to programs through various governance processes.

Internal Audits Group – Six positions

- **One Staff Management Auditor** would function as a first-level supervisor for a new team responsible for executing both ongoing risk-monitoring efforts and training to be provided to all DHCS programs; oversee the team's collaboration with programs acting as the central point for coordinating, monitoring, and reporting on risks.
- **One Associate Management Auditor** would be responsible for ongoing monitoring and training, conducting and leading internal control and special reviews, and performing complex special audits and reviews of individuals and fiscal systems at the request of executive staff, the CCO, or the Chief of Internal Audits.
- **One Staff Services Management Auditor** would perform less complex and sensitive engagements, including investigations, internal control and special reviews, and risk management reviews.
- **Three AGPAs** would function as subject matter experts for specific DHCS divisions and programs to provide assistance and expertise for special reviews and investigations, corrective action plan work, and audit coordination. Each AGPA would be responsible for three or four of the ten distinct programs within the department.

Contract Resources - $250,000 in 2022-23 and 2023-24

- DHCS requests expenditure authority of $250,000 ($125,000 General Fund and $125,000 federal funds) in 2022-23 and 2023-24 to provide administration and support to a comprehensive database for coordinating all statewide external audits, including tracking all activity for every external audit, generating reports regularly, organizing by specific principles and functional elements, and creating built-in resource functions.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 11: California Medi-Cal Enterprise System Modernization

**Budget Change Proposal – April Finance Letter.** DHCS requests five positions and expenditure authority of $20.8 million ($2.7 million General Fund and $18.1 million federal funds) in 2022-23, $14.2 million ($2.9 million General Fund and $11.3 million federal funds) in 2023-24, and $1 million ($205,000 General Fund and $802,000 federal funds) annually thereafter. If approved, these positions and resources would support information technology modernization projects.

| Program Funding Request Summary | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 0001 – General Fund | $2,721,000 | $2,886,000 |
| 0890 – Federal Trust Fund | $18,073,000 | $11,328,000 |
| **Total Funding Request:** | **$20,794,000** | **$14,214,000** |
| **Total Requested Positions:** | **5.0** | **5.0** |

* Additional fiscal year resources requested – 2024-25 and ongoing: $1,007,000.

**Background.** DHCS and its partners use a myriad of patchwork and outdated systems to administer about $125 billion annually to deliver vital health care services to about 14 million, or one in three, Californians in Medi-Cal. To keep pace with delivery system and other programmatic changes to the Medi-Cal program, and to improve outcomes and resource efficiencies, for the past two years, DHCS has changed its modernization approach from focusing on individual information technology (IT) systems to focusing on the entire Medicaid Enterprise System (MES), where Medicaid Management Information System (MMIS) and Eligibility and Enrollment (E&E) systems efforts are handled in coordination as MES. This approach aligns with CMS' Medicaid Information Technology Architecture (MITA) framework. MES Modernization efforts have transitioned to the new enterprise approach of focusing on project scope linkage with enterprise business drivers. This shift to a MES Modernization approach has enabled DHCS resources to support the portfolio of efforts within MES Modernization. Execution of the approach utilizes an Agile based system development methodology.

**Staffing and Resource Request.** DHCS requests five positions and expenditure authority of $20.8 million ($2.7 million General Fund and $18.1 million federal funds) in 2022-23, $14.2 million ($2.9 million General Fund and $11.3 million federal funds) in 2023-24, and $1 million ($205,000 General Fund and $802,000 federal funds) annually thereafter to support information technology modernization projects. This requests supports activities for the following MES Modernization projects and efforts: 1) California Automated Recovery Management (CalARM), 2) Behavioral Health Modernization (BHM), and 3) refinement of the modernization approach, architecture, roadmap and a modernization product/module portfolio. Specifically, DHCS requests the following positions and resources:

Enterprise Technology Services – Information Security – One position

- **One Information Technology Specialist (ITS) III** position would oversee delivery functions across the domains of Systems Engineering, Software Engineering, and IT Project Management with in MES Modernization; develop, maintain, and deliver the models, frameworks, principles, and design patterns that are used to plan, design, and implement MES Modernization solutions in the DHCS enterprise.

Medi-Cal Enterprise Systems Modernization Division – Four positions

- **One Information Technology Manager I** position would provide automated and manual Quality Assurance leadership in an agile and cloud environment; specialize in technical leadership in the areas of Quality Assurance; implement and enforce standards and best practices throughout the CalARM project as well as the division and across project efforts; plan, manage, and execute a technical vision related to developing and operating continuous testing and process automation within their discipline.
- **One ITS III** position would provide technical leadership for infrastructure, pipelines, cloud services and developer services in an agile and cloud environment; provide specialized technical leadership in the areas of Engineering, Quality Assurance and Solution Architecture including infrastructure, pipelines, cloud services and developer services; implement and enforce standards and best practices throughout the division for the areas specified; plan, manage, and execute the technical vision related to developing and operating cloud infrastructure, continuous integration and process automation within the division.
- **One ITS III** position would provide technical leadership for Enterprise level services such as data mesh, business rules engines and other applications/services for use by stream aligned teams in an agile and cloud environment; provide specialized technical leadership in the areas of Application Programming Interface (API) development, Quality Assurance and Solution Architecture with focus on Enterprise Services; implement and enforce standards and best practices throughout the division for the areas specified; plan, manage, and execute the technical vision related to developing and operating cloud infrastructure, continuous integration and process automation within the division.
- **One ITS II** position would provide support to the scrum team in using Agile methodology and scrum practices; coach the scrum and development teams in self-organization and removal of impediments while coaching the scrum team on removing impediments; help the scrum and development teams to identify and fill in blanks in the Agile framework and coaches the scrum team achieve higher levels of scrum maturity

Contract Resources - $19.7 million in 2022-23

- *CalARM.* DHCS requests expenditure authority of $12.8 million ($1.6 million General Fund and $11.2 million federal funds) in 2022-23 to support procurement of a Software-as-a-Service vendor for the California Automated Recovery Management (CalARM) project.
- *MES Modernization Support.* DHCS requests expenditure authority of $2.1 million ($270,000 General Fund and $1.9 million federal funds) in 2022-23 to support an organizational change management (OCM) contract to plan, execute, and support the transformation of DHCS knowledge skills and abilities, including the transition of culture, process and operational approach.
- *BHM.* DHCS requests expenditure authority of $1.4 million ($181,000 General Fund and $1.2 million federal funds) in 2022-23 to support a contractor to assist with Stage 3 Solution Design activities for the Behavioral Health Modernization (BHM) project.
- *MES Modernization Strategy and Architecture Planning.* DHCS requests expenditure authority of $3.4 million ($432,000 General Fund and $3 million federal funds) in 2022-23 to develop the MES Modernization Strategy which would include development of an MES Modernization approach, MES Modernization roadmap, MES Modernization product/module portfolio, MES Modernization governance structure, initial understanding of cost and timeframes, and related MES Modernization management functions such as risk management, issue management, and other standard project management processes.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 12: Data Analytics and Management Support

**Budget Change Proposal – April Finance Letter.** DHCS requests 15 positions and expenditure authority of $7.6 million ($3.8 million General Fund and $3.8 million federal funds) in 2022-23, $9 million ($4.5 million General Fund and $4.5 million federal funds) in 2023-24, $8.5 million ($4.3 million General Fund and $4.2 million federal funds) in 2024-25, and $5.4 million ($2.7 million General Fund and $2.7 million federal funds) annually thereafter. If approved, these positions and resources would address increased workload related to departmental data analytics, data provisioning, and data reporting functions to improve data management and transparency.

| Program Funding Request Summary | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 0001 – General Fund | $3,794,000 | $4,485,000 |
| 0890 – Federal Trust Fund | $3,794,000 | $4,485,000 |
| **Total Funding Request:** | **$7,587,000** | **$8,970,000** |
| **Total Requested Positions:** | **15.0** | **15.0** |

* Additional fiscal year resources requested – 2024-25: $8,470,000; 2025-26 and ongoing: $5,396,000.

**Background.** According to DHCS, in 2020 the Enterprise Data and Information Management (EDIM) unit was established to consolidate data analytics, management, provisioning, and reporting. EDIM is responsible for a variety of data functions, such as program performance and outcomes reporting, including the Centers for Medicare & Medicaid Services (CMS) Core Set Quality Measures reporting; program utilization and monitoring including dashboards; data quality monitoring and management; data releases and data provisioning to support various research efforts external to DHCS; and data de-identification for public release of publications, reports, and products. In 2021-22, DHCS further aligned data functions within EDIM in order to improve data literacy and data-driven decision making which is necessary to support business programs and initiatives.

EDIM reports it is reorganizing further, from two divisions to three divisions. EDIM currently consists of the Deputy Director's Office and the Data Management and Analytics Division (DMAD) and Health Information Management Division (HIMD). Under the restructure, DHCS would create a new division, the Program Data Reporting Division, utilizing redirected staff from within EDIM, redirected staff from other DHCS programs, and new 2022-23 resources.

This proposal incorporates the request in the previous Data Transparency Workload proposal and is intended to address gaps in data analysis, reporting, and management that currently exist and would not be addressed by alignment of data functions in EDIM. Resources in this proposal would support various departmental programs that have known gaps in data literacy and analytics, including administrative activities in the department. Functional categories of data analytics and data management addressed in this proposal include: 1) data transparency and coordination; 2) data visualization, reporting, and analytical support to DHCS programs; and 3) data and data analytic management.

**Staffing and Resource Request.** DHCS requests 15 positions and expenditure authority of $7.6 million ($3.8 million General Fund and $3.8 million federal funds) in 2022-23, $9 million ($4.5 million General Fund and $4.5 million federal funds) in 2023-24, $8.5 million ($4.3 million General Fund and $4.2 million federal funds) in 2024-25, and $5.4 million ($2.7 million General Fund and $2.7 million federal funds)

annually thereafter to address increased workload related to departmental data analytics, data provisioning, and data reporting functions to improve data management and transparency. Specifically, DHCS requests the following positions and resources:

Program Data Reporting Division – Three positions

- **One Career Executive Assignment** would serve as the division chief, overseeing cross-cutting data analytics functions that support programmatic work throughout the department.
- **One Research Data Specialist (RDS) III** position would serve as an expert consultant and would lead and oversee the development of stakeholder processes for development of administrative, operational, and other program monitoring, program performance, and outcome measures.
- **One RDS II** position would support the data reporting needs of ongoing long-term reporting and monitoring functions of Medi-Cal managed care programs, including enhanced care management, community supports, whole child model, and seniors and persons with disabilities.

Data Management and Analytics Division – Five positions and resources equivalent to five positions

- **One Research Data Supervisor I** position would work with the staff in the Data Publishing Unit to establish and maintain project priorities and to perform oversight on projects to make sure end products or services are delivered on schedule; oversee the coordination of publishing Medi-Cal data, as well as development and upkeep of dashboards, data models, and information processes based on business requirements; collaborate with other research staff and cross-functional teams, while monitoring the outcomes, maintain project timelines, and maintain compliance of the processes and applicable laws.
- **Two RDS II** positions would facilitate and support development, documentation, and maintenance of data definitions, SAS coding, analytic and data querying methodologies, as well as supporting and maintaining centralized libraries of such information; pull, prepare, and analyze data from multiple data collection systems and tools, in various formats to assess data quality, and develop reports quantifying data reporting errors and data collection issues; provide research support and expert consultation to develop, document, and maintain documentation of data analysis and analytical methodologies, standardized data coding, and other data and program policy decisions and documentation related to data analytic methodologies and codes.
- **One Research Scientist (RS) II** position would collaborate with EDIM and other departmental staff to review requests for protected data and make recommendations, convene the Data and Research Committee (DRC) every other month and present summary analyses of research proposals or business use cases, confer with external requestors to evaluate research methodology or operational initiatives and department impact, develop data sharing mechanisms facilitated by the PO, identify data elements and translate requirements into data extraction/transformation business rules, extract/transfer data, link data, serve as DHCS' scientific liaison to external requestors or data sharing partners on analytic preparation and interpretation, work with the Privacy Officer (PO) to maintain and manage data sharing agreements, assist with data sharing related contract management and data release, develop and maintain DRC and hospital application process policy and procedures.
- **One RS I** position would support the Data and Research Committee (DRC) team; review requests for protected data and make recommendations; convene the DRC every other month; coordinate review of applications with DHCS data owners and program experts; present summary analyses of research proposals or business use cases; confer with external requestors to evaluate research methodology or operational initiatives and department impact; develop data sharing mechanisms facilitated by the

Privacy Officer (PO); identify data elements and translate requirements into data extraction/transformation business rules, extract data, link data, serve as DHCS' scientific liaison to external requestors or data sharing partners on analytic preparation and interpretation; work with the PO to maintain and manage data sharing agreements; assist with data sharing related contract management and data release; coordinate Data Analytics seminars; maintain metadata in internal archive and external web interface; and coordinate and maintain public list of PHI disclosures.

- Resources equivalent to **one Staff Services Manager I** would lead the development and implementation of a department-wide, centralized tracking system for the data release process; oversee the development and maintenance of the DHCS repository of non-DHCS data; oversee associated application processes and use of the data; participate in statewide and national conferences and stay abreast of any regulations or industry changes impacting data requests, making recommendations to leadership as necessary; develop and lead trainings about the data release process for DHCS staff; and act as a subject matter expert for the departmental data release process and advise internal and external customers about the process.
- Resources equivalent to **four Associate Governmental Program Analysts (AGPA)** would handle processing of data requests; verify each request has required information; manage the DocuSign process for data requests; coordinate use of non-DHCS data; coordinate and maintain the DHCS repository of non-DHCS data and track use; perform quality control and submit finalized data sets; maintain communications with entities submitting ongoing data requests and remediate barriers to workflow, maintain and update data release policies and inform stakeholders of any changes; update the EDIM SharePoint site on an ongoing basis; participate in user acceptance testing of the request portal; and analyze data request workflows, find inefficiencies, and recommend solutions to management.

Health Information Management Division – Four positions and resources equivalent to four positions

- **One Information Technology Manager II** position would provide operational management, program capacity building, and provide high-level expertise to influence the success of existing and future programs.
- **One Information Technology Supervisor II** position would provide operational management, program capacity building, and provide high-level expertise to monitor the success of existing and future data quality programs; direct work, establish goals, objectives, and priorities; develop, manage, and mentor staff; provide subject matter expertise between projects, governance committees, and various programs; draft, review, and approve state and federal budgetary documentation; manage state and contract staff and facilitate procurement efforts; and represent the division and department at various meetings or hearings.
- **One Information Technology Specialist I** position would maintain SharePoint sites and tools in support of the administration of the division, including automated intake forms, tracking logs and workflow tools related to research requests, CDO requests, and ODP queries, and SharePoint sites focused on enhancing the transparency of the Data Management and Analytics Division's data resources and publications.
- **One RDS II** position would support business intelligence needs of ongoing long-term reporting and monitoring functions of Medi-Cal managed care programs, including enhanced care management, community supports, whole child model, and seniors and persons with disabilities.
- Resources equivalent to **four RDS I** positions would conduct data analysis, data validation, data issue resolution, and data support functions for the planning and design, development and implementation

phases of the 274 expansion to mental health plans and Drug Medi-Cal Organized Delivery System (DMC-ODS), as well as to provide the ongoing data quality monitoring and analysis to support plans and DHCS staff related to the resulting data.

Business Operation Technology Services Division – Two positions

- **One Information Technology Manager I** position would provide operational management, program capacity building, and provide high-level expertise to influence the success of existing and future IT programs; direct section and unit work, establish goals, objectives, and priorities; develop, manage, and mentor staff; provide subject matter expertise between projects, governance committees, and various programs; draft, review, and approve state and federal budgetary documentation; manage MIS/DSS contract and contract staff and facilitate future procurement efforts.
- **One Information Technology Specialist II** position would develop business requirements, system designs, specifications, documentation to implement solutions; develop and maintain documentation for updates or modifications to systems; evaluate requested projects and work efforts and provide proposed solutions; act in a lead role and mentor for technical support team to coordinate activities and planning; coordinate with security team to address security risks as related to client devices; act in a lead role in planning large enterprise wide deployments and implementation; and act in a lead role in communicating with non-IT customers in areas of change management and new technology services.

Office of Legal Services Privacy Office – One position

- **One Attorney III** would interact with department staff involved in data analytics, data management, data releases, and data research projects; thoroughly research and respond to inquiries both inside and outside of the department; provide advice on design and implementation of data projects to assure a compliant and functional implementation; drafts and negotiates business associate and data use agreements; and performs the legal review of business associate agreements, data use agreements, data releases, research proposals, expert determinations of de-identification, breach response, breach notifications, and Public Records Act requests.

Contract Resources - $3.5 million in 2022-23, $5 million in 2023-24, and $4.5 million in 2024-25

- *Training and Staff Development in Data Analytics.* DHCS requests expenditure authority of $250,000 in 2022-23, $500,000 in 2023-24, and $250,000 in 2024-25 to establish infrastructure necessary to centralize, streamline, and facilitate efficient processes and procedures related to the continually growing areas of data analytics, management, and reporting within DHCS.
- *Analytic Coding Curation.* DHCS requests expenditure authority of $125,000 in 2022-23, $250,000 in 2023-24, and $125,000 in 2024-25 to support department-wide coordination to reduce duplicative SAS programming as well as provide expertise and focus bridge between programs to develop shared resources that promote consistency in the data reported by DHCS.
- *SharePoint/Teams Architect and SharePoint/Teams Developer.* DHCS requests expenditure authority of $125,000 in 2022-23, $250,000 in 2023-24, and $125,000 in 2024-25 to assist in developing and implementing a long-term plan for configuring SharePoint architecture, functionality, and web interface to support coordination and communication among program, data, and technology teams.

- *Architecture and Infrastructure Support.* DHCS requests expenditure authority of $1 million in 2022-23, and $2 million in 2023-24 and 2024-25 to provide architecture and infrastructure support and specialized subject-matter expertise for delivery of the critical enterprise data architecture, infrastructure, platforms, services, and supporting technologies required to enable data integration, data exchange, business intelligence, analytics, data storage, and data feeds to support the division.
- *Reference Data Procurement.* DHCS requests expenditure authority of $2 million in 2022-23, 2023-24 and 2024-25 to contract directly with various third parties to conduct periodic data matching activities to identify individuals who do not meet Medi-Cal eligibility requirements.

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

## Issue 13: Interoperability Federal Rule Implementation

**Budget Change Proposal and Reappropriation – April Finance Letter.** DHCS requests expenditure authority of $4.5 million ($2.3 million General Fund and $2.3 million federal funds) in 2022-23, $2.9 million ($1.4 million General Fund and $1.4 million federal funds) in 2023-24 and 2024-25, and $1.1 million ($555,000 General Fund and $555,000 federal funds) annually thereafter. If approved, these resources would support implementation and planning for new interoperability rules required by the federal Centers for Medicare and Medicaid Services (CMS). In addition, DHCS requests reappropriation of General Fund expenditure authority of $2.3 million authorized in the 2021 Budget Act to support contracting resources.

| Program Funding Request Summary | | |
|---|---|---|
| **Fund Source** | **2022-23** | **2023-24*** |
| 0001 – General Fund | $2,260,000 | $1,448,000 |
| 0890 – Federal Trust Fund | $2,260,000 | $1,448,000 |
| **Total Funding Request:** | **$4,520,000** | **$2,896,000** |
| **Total Requested Positions:** | **0.0** | **0.0** |

* Additional fiscal year resources requested – 2024-25: $2,896,000; 2025-26 and ongoing: $1,110,000.

**Background.** The Promoting Interoperability Program, formerly the Medi-Cal Electronic Health Record (EHR) Incentive Program, was authorized under the federal Health Information Technology for Economic and Clinical Health Act (HITECH) in 2009. The Promoting Interoperability Program incentivized providers and hospitals to adopt and "meaningfully use" EHRs. One of the main focus points of "meaningful use" was to improve interoperability—the ability of different entities to exchange health information with each other—by requiring participants to electronically share specific patient data.

The HITECH programs, including the Promoting Interoperability Program, ended in fall 2021. However, CMS continues to advance interoperability requirements through new regulations. In May 2020, CMS passed the Interoperability and Patient Access Final Rule, which imposes specific requirements on state Medicaid agencies, Medicaid managed care plans, Children's Health Insurance Program (CHIP) agencies, and CHIP managed care entities.

The 2021 Budget Act included five positions and resources for ten contract positions to develop a departmental plan for the CMS Interoperability and Patient Access Rule. With these resources, DHCS has implemented education and coordination for cross-cutting teams to develop implementation requirements and plans for the different components of the Interoperability and Patient Access Rule.

As DHCS has moved through planning and begun implementation of the interoperability rules, the department has identified additional resources that are needed to fully implement the plan and help DHCS achieve compliance with the rule. In addition, DHCS requests a one-year extension of planning contract resources approved for FY 2021-22.

**Resource Request.** DHCS requests expenditure authority of $4.5 million ($2.3 million General Fund and $2.3 million federal funds) in 2022-23, $2.9 million ($1.4 million General Fund and $1.4 million federal funds) in 2023-24 and 2024-25, and $1.1 million ($555,000 General Fund and $555,000 federal funds) annually thereafter to support implementation and planning for new interoperability rules required by the

federal Centers for Medicare and Medicaid Services (CMS). Specifically, DHCS requests the following resources:

Clinical Assurance Division – Resources equivalent to one position

- Resources equivalent to **one Health Program Specialist (HPS) II** position would provide subject matter expertise and serve as liaisons to over 350 acute care facilities, 21 designated public hospitals, and 95 non-designated public hospitals; assess interoperability impacts to the department and each provider; develop policies and procedures to guide the incorporation of those regulations into each provider's daily activities; oversee the development and implementation of ongoing training to educate staff and providers on the interoperability regulations; provide subject matter expertise related to the fee-for-service (FFS) health care delivery system and FFS treatment authorization request (TAR) authorization to the Technical and Business Teams; support change management efforts surrounding the transition of any internal IT or business related activities to new platforms supporting interoperability regulations; support mapping clinical data to the required FHIR profiles; and, plan/prepare work for the "Burden Reduction through APIs" component of the CMS Interoperability and Patient Access Final Rule.

Health Information Management Division – Six existing positions, resources equivalent to four positions

- **One Career Executive Assignment** would act as the division chief and have executive-level responsibility for DHCS' interoperability work; work collaboratively with CMS, CalHHS, other state departments, and DHCS leadership to develop statewide interoperability data strategies; direct planning, organization, and implementation efforts related to departmental interoperability compliance and infrastructure; represent DHCS in statewide and national interoperability and health information exchange communities and conferences; act as the final approver on policy, budget, and legislative changes and proposals; and provide subject matter expertise to internal and external stakeholders and will provide leadership through subordinate staff to maintain high quality work from the interoperability team.
- **One Public Health Medical Officer III** would plan, organize, and direct the work of multi-disciplinary staff in analyzing the success of various interoperability policies, procedures, and initiatives; provide expert consultative services related to interoperability policy development and legislative analysis; lead departmental efforts related to clinical data collection and other health information/data exchange programs; analyze barriers to interoperability and recommend solutions; and monitor incoming clinical data for quality.
- **One Staff Services Manager (SSM) II** would oversee day-to-day interoperability operations and, through subordinate staff, would lead the unit teams responsible for budgeting, change management, and resource planning; provide guidance to subordinate staff and managers related to tracking expenditures, conducting trainings, and updating educational materials; support the development of performance reports, issue and risk logs, and risk plans; provide interoperability specific information for budget drills, budget change concept/proposals, and the Medi-Cal Estimate; and manage any required reporting, including quarterly and monthly CMS reports, annual updates to the state Legislature, and yearly APD updates.
- **Three Associate Governmental Program Analysts (AGPA)** would support resource management, budgetary, and change management functions; work directly with various programs and plans, including conducting regular meetings, and write performance reports to present to interoperability

leadership; review program and plan readiness for interoperability and health information/clinical data exchange and recommend solutions to management; track the performance of the programs and plans they have been assigned, propose remediation solutions, track resolution, and inform management of progress; and handle any budgetary items, write sections of required reporting, and assist in change management activities as advised by the SSM I.

- Resources equivalent to **two Information Technology Specialist (ITS) I** positions would facilitate the mapping of data elements from the DHCS data warehouse to core interoperability components, such as USCDI data vocabulary and FHIR data structures; work with the Teams to plan for a service-oriented solution to support FHIR based APIs; and provide statuses on tasks such as data mapping exercises, data flow diagrams (DFD), and conceptual and logical data modeling.
- Resources equivalent to **two Information Technology Specialist (ITS) I** positions would oversee and manage the data quality strategy and monitor and evaluate requirements and critical changes to support data quality reporting and the Interoperability and Patient Access Rule; and develop, manage and maintain the requisite data quality standards, policies, and procedures for DHCS data reporting as it relates to providing data for patients as required by the Interoperability and Patient Access Rule.

Information Technology Strategic Services Division – Resources equivalent to one position

- Resources equivalent to **one ITS II** position would act as the Enterprise Integration Architect and provide interoperability integration architectural leadership and support to architects and subject matter experts in cross-programs collaboration; liaise with the DHCS Teams, technical teams, including contract staff, and vendors to ensure an enterprise perspective to development efforts; lead development of integration platforms and API management blueprints and roadmaps in support of business strategy; guide the development of the technology architecture and applications to support the complex information exchanges and comply with federal interoperability standards; guide the design and implementation of beneficiary information to ensure alignment with future state architecture; research and evaluate emerging information exchange and other standards, technologies, and technical approaches.

Managed Care Operations Division – Resources equivalent to one position

- Resources equivalent to **one Health Program Specialist (HPS) I** position would lead necessary contract updates to plan contracts that support requirements around ensuring plans are adhering to the implementation and ongoing requirements related to the Interoperability and Patient Access final rule; lead communication to CMS regarding contract changes; support and provide feedback to policy development and provide program operations support; and support and be a subject matter expert in the development of any contract readiness deliverables associated with the contract requirements.

Managed Care Quality and Monitoring Division – Resources equivalent to five positions

- Resources equivalent to **two AGPAs** would perform a variety of analytical activities related to being the primary contact between DHCS and managed care plans, including evaluating and monitoring plans to ensure compliance with federal and state requirements; oversee corrective action plan implementation for plans; provide technical assistance including monthly calls, webinars, and other trainings with plans; conduct desk reviews and site reviews, if necessary, to ensure compliance with state and federal requirements; analyze plan performance to conduct risk assessments; collaborate with

other DHCS units and divisions; and make recommendations to management regarding administrative and financial sanctions.

- Resources equivalent to **one HPS I** position would serve as an expert program advisor and program consultant for the development and implementation of policy recommendations and program monitoring activities related to interoperability; lead, organize, and facilitate internal workgroups and trainings to support the planning, implementation of interoperability and related monitoring; analyze and evaluate critical areas of plan performance and recommend corrective actions; and act as the program internal liaison on special projects related to interoperability within DHCS.
- Resources equivalent to **one HPS II** position would work with external stakeholders, including managed care plan trade associations, to develop and publish plan guidance on implementation of interoperability and ongoing change requirements; lead in coordinating policy for development of interoperability All Plan Letters (APLs), including program analysis, coordination with subject matter experts, and solicitation of public feedback; lead managed care plan trade association engagements, legislative analyses affecting interoperability and plan data, and ongoing managed care policy support.
- Resources equivalent to **one Staff Services Manager (SSM) I** position would lead a new unit responsible for the administration, implementation, and oversight of the interoperability program, including resource planning, oversight and monitoring and reporting; provide leadership and assistance in the monitoring and oversight processes conducted by the AGPAs; and review recommendations regarding administrative and financial sanctions, and interoperability requirements provided by staff and make informed decisions.

Medi-Cal Behavioral Health Division – Resources equivalent to five positions

- Resources equivalent to **one HPS II** position would perform a variety of analytical activities related to providing high-level, technical expertise, coordination, training and leadership for the development and implementation of complex policy recommendations and program monitoring activities related to interoperability; serve as a highly specialized expert program advisor, subject matter expert (SME) and program consultant; lead, organize and facilitate highly sensitive complex external and internal stakeholder workgroups and trainings to support planning for and implementation of the Final Rule and related monitoring; and analyze and evaluate county performance data and recommend corrective and monitoring activities.
- Resources equivalent to **one AGPAs** would research and analyze laws, rules, policies, and other information necessary to develop contractual documentation for counties and direct providers to ensure conformity with the Interoperability Final Rule; plan, coordinate, and consult with other DHCS divisions and external stakeholders for contract development and execution; facilitate discussions with CMS for contract amendments; and provide technical assistance to internal and external stakeholders regarding contract requirements.
- Resources equivalent to **one AGPAs** would perform a variety of analytical and coordination activities related to legislative and regulatory responsibilities to plan, lead, consult, coordinate, and implementation of the Interoperability Final Rule for the division; plan, coordinate, and collaborate in the development of a departmental proposal to codify new requirements into statute; address any CMS inquiries; provide technical assistance and support across the division to ensure internal staff understand the interoperability requirements and its impact to the counties; coordinate with DHCS' Interoperability Advisory Group and liaise between the Advisory Group and the division; develop Behavioral Health Information Notices (BHINs) and other informing materials, as necessary to

provide external policy guidance; and lead the coordination of the development and promulgation of regulations that impact the specified Medi-Cal behavioral health programs.

- Resources equivalent to **two AGPAs** would evaluate and monitor counties to ensure compliance with federal and state requirements, including statute, regulations, contracts and BHINs; oversee corrective action plan implementation for county behavioral health plans provide oversight of county progress including monthly calls with county behavioral health plans, webinars, and other trainings; conduct desk reviews and site reviews, if necessary, to ensure compliance with state and federal requirements; analyze county performance to conduct risk assessments; collaborate with other DHCS units and divisions; and make recommendations to management regarding administrative and financial sanctions.

Medi-Cal Eligibility Division – Resources equivalent to one position

- Resources equivalent to **one HPS II** position would provide lead support for interoperability implementation, including serving as a subject matter expert, evaluating the impact of interoperability regulations on existing business operations and systems, and collaborating with other departmental staff to support necessary programmatic and IT systems changes; and engage in the development and carrying out of interoperability communication strategies, health IT analytics, and ensure compliance with federal interoperability regulations.

Office of Legal Services – Resources equivalent to two positions

- Resources equivalent to **one Attorney IV** would respond to the most complex, time-and politically-sensitive inquiries inside and outside of the department; provide expert advice on the implementation design and on complex legal requirements surrounding access to records of DHCS beneficiaries; negotiate with CMS regarding DHCS' late implementation of the Interoperability Rule; draft, negotiate, and review business associate, data use and other agreements; advise on and resolve conflicts between federal and state law arising out of the Interoperability Rule, inclusive of assisting in legislative and regulatory analysis necessary to update state law for compliance with the Interoperability Rule; and participate in and support high-level stakeholder, contract drafting and implementation efforts pertaining to the CalHHS Agency Data Exchange Framework.
- Resources equivalent to **one SSM I Specialist** would assist in the modification of policies and procedures to implement the interoperability rules and interface directly with individuals and others requesting protected health information (PHI); respond to requests for PHI outside the Patient Access API; provide training, guidance, and troubleshooting support necessary for the use of GovQA and other systems to submit, track, and receive responses to requests for PHI; acts as Regulations Coordinator for DHCS units that need to do rulemaking to conform their policies and procedures to the interoperability rules; and oversee, track and monitor the public rulemaking process required by the Administrative Procedures Act.

Provider Enrollment Division – Resources equivalent to one position

- Resources equivalent to **one SSM I Specialist** position would provide lead support for the Provider Engagement Team, including serving as a subject matter expert, evaluating the impact of interoperability regulations on existing business operations and systems, and collaborating with other departmental staff to support necessary programmatic and IT infrastructure changes, including

modifications to the state's enterprise enrollment portal PAVE; and engage in the development and carrying out of interoperability communication strategies, health IT analytics, Provider Directory efforts, and ensure compliance with federal interoperability regulations.

Contract Resources - $2.3 million (reappropriated from 2021 Budget Act)

- *Interoperability Compliance Business Analyst* - $250,000
- *Interoperability Compliance Business Analysis Team* - $400,000
- *Interoperability Compliance Change Management and Business Process Design Team* - $400,000
- *Interoperability Compliance Technical Team* - $1.3 million

**Subcommittee Staff Comment and Recommendation—Hold Open.** Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

**Questions.** The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.