

## **INITIAL STATEMENT OF REASONS**

This regulatory action amends Title 22, California Code of Regulations (CCR), Section 51516.1, by updating Medi-Cal reimbursement rates for Drug Medi-Cal (DMC) substance use disorder services for Fiscal Year (FY) 2012-2013, in accordance with the Welfare and Institutions Code (WIC) Sections 14021.5, 14021.51, 14021.6, 14021.9, 14105, and 14124.24.

Assembly Bill 106 (Chapter 32, Statutes of 2011) transferred California's DMC substance use disorder program from the Department of Alcohol and Drug Programs (ADP) to the Department of Health Care Services (Department), effective July 1, 2012. Senate Bill 1014 (Chapter 36, Statutes of 2012) facilitated the transfer by providing the statutory authority necessary for the Department to administer the program.

### **Statement of Necessity**

This regulatory action is necessary to implement WIC Sections 14021.5, 14021.51, 14021.6, 14021.9, and 14124.24. WIC Section 14021.5(e) specifies that rates for DMC substance use disorder services shall be effective July 1 through June 30 of the fiscal year in which the rates are established. WIC Sections 14021.51 and 14021.6 specify how rates for DMC substance use disorder services shall be determined. WIC Section 14021.51 requires the Department to establish rates for the use of the narcotic replacement drugs Methadone and LAAM. Beginning with FY 2006-2007, ADP discontinued establishing the LAAM reimbursement rate because of reported adverse health effects, which eliminated the distribution of LAAM within the United States. WIC Section 14124.24 specifies DMC substance use disorder services that are reimbursable through the Medi-Cal program. WIC Section 14021.9(c) requires that starting with FY 2012-2013, the DMC substance use disorder services rates shall be the lower of the following:

1. The rates developed pursuant to WIC Sections 14021.35, 14021.51 and 14021.6; or
2. The rates applicable in FY 2009-2010, pursuant to WIC Section 14021.9(a), adjusted for the cumulative growth in the Implicit Price Deflator for the Costs of Goods and Services to Governmental Agencies, as reported by the Department of Finance.

### **Anticipated Benefits and Goals of the Regulations**

This regulatory action benefits DMC substance use disorder service providers through the provision of the recent (FY 2012-2013) reimbursement rates, which in turn facilitates the continued delivery of these services. This regulation not only meets the goals of the authorizing statutes, as specified above but also ensures the proper and efficient administration of the Medi-Cal Program, in accordance with the federal and state laws that govern the Program's rules of participation and funding.

Specific changes and the necessity for those changes are described below:

Throughout the regulation text, “ADP” references are changed to “Department,” meaning the Department of Health Care Services.

Section 51516.1(a)(2)

Revised to update the reference to Health and Safety Code Section 11818, which is the accurate citation.

Section 51516.1(a)(3)

Revised to update the WIC Section 14021.9(b) reference to the accurate citation, which is 14021.9(c); and to add the statewide maximum allowances (SMAs) for DMC substance use disorder services for FY 2012-2013. The Department has established these rates in accordance with WIC Sections 14021.6 and 14021.9 and with the Budget Act of 2012 (Assembly Bill 1464, Chapter 21, Statutes of 2012), Item 4260-101-0890. The Department has based the SMAs on the median rates from the most recently completed cost data for each modality as reported by county-operated and county-contracted substance use disorder service providers.

The specific methodology used to calculate DMC substance use disorder service SMAs is described in the document entitled “Drug Medi-Cal Rate Setting Methodology for Non-Narcotic Treatment Programs for Fiscal Year 2012-2013.” This document is included in the rulemaking file, which is maintained by the Department’s Office of Regulations.

Section 51516.1(b)(2)

Non-substantive change to be consistent with use of the term in Subsection (a)(1).

Section 51516.1(g)

Revised to include the per capita uniform statewide reimbursement (USR) rates for narcotic treatment program services for FY 2012-2013. The Department established these rates based upon criteria specified in WIC Sections 14021.51 and 14021.9(c), and with the FY 2012-2013 Budget Act (Chapter 21, Statutes of 2012, Item 4260-101-0890).

The specific methodology used to calculate these rates is described in the document entitled “Drug Medi-Cal - Narcotic Treatment Program – Uniform Statewide Reimbursement Rates and Methodology, Fiscal Year (FY) 2012-2013.” This document is included in the rulemaking file, which is maintained by the Department’s Office of Regulations.

Section 51516.1(h)

Non substantive changes are made in Paragraphs (1) and (2) to update cross references.

BIBLIOGRAPHY

1. Drug Medi-Cal Rate Setting Methodology for Non-Narcotic Treatment Programs for Fiscal Year 2012-2013.
2. Drug Medi-Cal - Narcotic Treatment Program – Uniform Statewide Reimbursement Rates and Methodology, Fiscal Year (FY) 2012-2013.

**STATEMENTS OF DETERMINATION**ALTERNATIVES CONSIDERED

The Department has determined that no reasonable alternative considered by the Department or that has otherwise been identified and brought to the attention of the Department would be more effective in carrying out the purpose for which this regulatory action was taken, would be as effective and less burdensome to affected private persons than the regulatory action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. The Department is required, pursuant to Welfare and Institutions Code Section 14021.5, to establish reimbursement rates for substance use disorder services under the Medi-Cal Program. Including these reimbursement rates in regulation is not only necessary for statutory compliance, but it provides DMC service providers with convenient access to these rates of reimbursement.

LOCAL MANDATE DETERMINATION

The Department has determined that the regulations will not impose a mandate on local agencies or school districts, nor are there any costs for which reimbursement is required by Government Code, Division 4, Part 7, (commencing with Section 17500).

ECONOMIC IMPACT ANALYSIS/ASSESSMENT

The Department has made an initial determination that the regulations would not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. The Medi-Cal reimbursement rates for DMC substance use disorder services for FY 2012-2013 are slightly higher than the rates from the prior fiscal year, so there is a benefit for DMC substance use disorder service providers from the increase in payment.

The Department has determined that the regulations would not significantly affect the following:

1. The creation or elimination of jobs within the State of California.

2. The creation of new businesses or the elimination of existing businesses within the State of California.
3. The expansion of businesses currently doing business within the State of California.

#### Impact on Jobs and Business

These regulations affect DMC substance use disorder service providers and beneficiaries who receive these services through Medi-Cal. There is a benefit for providers from the increased rates for FY 2012-13. However, it is not anticipated that this rate increase would have an impact on the creation or elimination of jobs, the creation of new business, the elimination of existing business or the expansion of businesses in California.

#### Benefits of the Regulation

The Department has determined that the regulations would not affect worker safety or the state's environment. However, the regulations will benefit the health and welfare of California residents by maintaining the continuity of substance use disorder services in the DMC Program and implementing the FY 2012-2013 reimbursement rates for these services. Furthermore, these regulations ensure the proper and efficient administration of the Medi-Cal Program, in accordance with the federal and state laws that govern the Program's rules of participation and funding.

#### EFFECT ON SMALL BUSINESSES

The Department has determined that the regulations would only affect small businesses that choose to provide DMC services.

#### HOUSING COSTS DETERMINATION

The Department has determined that the regulations would have no impact on housing costs.