SMHS FOR CHILDREN

BASE POLICY CHANGE NUMBER:	224
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1779

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$809,852,000	$775,685,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$809,852,000	$775,685,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$809,852,000	$775,685,000

DESCRIPTION

Purpose:
This policy change estimates the base cost for specialty mental health services (SMHS) provided to children (birth through 20 years of age).

Authority:
Welfare & Institutions Code 14680-14685.1
Specialty Mental Health Consolidation Program Waiver

Interdependent Policy Changes:
Not Applicable

Background:
The Medi-Cal SMHS program is "carved-out" of the broader Medi-Cal program and is administered by the Department under the authority of a waiver approved by the Centers for Medicare and Medicaid Services (CMS). The Department contracts with a Mental Health Plan (MHP) in each county to provide or arrange for the provision of Medi-Cal SMHS. All MHPs are county mental health departments.

SMHS are Medi-Cal entitlement services for adults and children that meet medical necessity criteria, which consist of having a specific covered diagnosis, functional impairment, and meeting intervention criteria. MHPs must certify that they incurred a cost before seeking federal reimbursement through claims to the State. MHPs are responsible for the non-federal share of Medi-Cal SMHS. Mental health services for Medi-Cal beneficiaries who do not meet the criteria for SMHS are provided under the broader Medi-Cal program either through managed care (MC) plans (by primary care providers within their scope of practice) or fee-for-service (FFS).

Children's SMHS are provided under the federal requirements of the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) benefit, which is available to full-scope beneficiaries under age 21. The EPSDT benefit is designed to meet the special physical, emotional, and developmental needs of low income children. This policy change budgets the costs associated with children's SMHS. A separate policy change budgets the costs associated with SMHS for Adults.

SMHS FOR CHILDREN

BASE POLICY CHANGE NUMBER: 224

The following Medi-Cal SMHS are provided for children:

- Adult Residential Treatment Services*
- Crisis Intervention
- Crisis Stabilization
- Crisis Residential Treatment Services*
- Day Rehabilitation
- Day Treatment Intensive
- Medication Support Services
- Psychiatric Health Facility Services
- Psychiatric Inpatient Hospital Services
- Targeted Case Management
- Therapeutic Behavioral Services
- Therapy and Other Service Activities

*Children - Age 18 through 20

Effective July 1, 2012, the administration of Medi-Cal SMHS transferred to the Department from the former Department of Mental Health. The transfer did not impact the service delivery model or services.

Reason for Change from Prior Estimate:
Changes are due to:

- Additional approved claims data,
- The separation of children and adult SMHS into two policy changes, and
- Elimination of the State Maximum Rate (SMA).

Methodology:

1. The costs are developed using 70 months of Short-Doyle/Medi-Cal (SD/MC) and Fee-For-Service Medi-Cal (FFS/MC) approved claims data, excluding disallowed claims. The SD/MC data is current as of March 31, 2013, with dates of service from February 2007 through November 2012. The FFS data is current as of February 28, 2013, with dates of service from January 2007 through October 2012.

2. Due to the lag in reporting of claims data, the most recent six months of data must be weighted (Lag Weights) based on observed claiming trends to create projected final claims and clients data.

3. Applying more weight to recent data necessitates the need to ensure that lag weight adjusted claims data (a process by which months of partial data reporting is extrapolated to create estimates of final monthly claims) is as complete and accurate as possible. The development and application of lag weights is based upon historical reporting trends of the counties.

SMHS FOR CHILDREN

BASE POLICY CHANGE NUMBER: 224

4. The forecast is based on a service year of costs. This accrual cost is below:

(In Thousands)

	TF	SD/MC	FFS Inpatient
FY 2010-11	$1,282,613	$1,227,300	$55,314
FY 2011-12	$1,354,398	$1,295,542	$58,856
FY 2012-13	$1,473,670	$1,406,850	$66,820
FY 2013-14	$1,550,977	$1,479,893	$71,084

5. Medi-Cal SMHS program costs are shared between federal funds participation (FFP) and county funds (CF). The accrual costs for FFP and CF are below:

(In Thousands)

	TF	FFP	CF
FY 2010-11	$1,282,613	$645,021	$637,592
FY 2011-12	$1,354,398	$681,123	$673,275
FY 2012-13	$1,473,670	$741,117	$732,553
FY 2013-14	$1,550,977	$779,998	$770,979

6. On a cash basis for FY 2012-13, the Department will be paying 1% of FY 2010-11 claims, 41% of FY 2011-12 claims, and 71% of FY 2012-13 claims for Short-Doyle Medi-Cal claims. For FFS Inpatient children's claims, the Department will be paying 1% of FY 2010-11 claims, 22% of FY 2011-12 claims, and 78% of FY 2012-13. The overall percentage of Children's SMHS are:

(In Thousands)

	TF	SD/MC	FFS Inpatient
FY 2010-11	$12,826	$12,273	$553
FY 2011-12	$544,120	$531,172	$12,948
FY 2012-13	$1,050,983	$998,864	$52,120
Total FY 2012-13	$1,607,929	$1,542,309	$65,621

7. On a cash basis for FY 2013-14, the Department will be paying 1% of FY 2011-12 claims, 29% of FY 2012-13 claims, and 71% of FY 2013-14 claims for Short-Doyle Medi-Cal claims. For FFS Inpatient children's claims, the Department will be paying 1% of FY 2010-11 claims, 22% of FY 2011-12 claims, and 78% of FY 2012-13. The overall percentage of Children's SMHS are:

(In Thousands)

	TF	SD/MC	FFS Inpatient
FY 2011-12	$13,544	$12,955	$589
FY 2012-13	$422,687	$407,987	$14,700
FY 2013-14	$1,106,170	$1,050,724	$55,445
Total FY 2013-14	$1,542,400	$1,471,666	$70,734

8. Medi-Cal SMHS programs costs are shared between federal funds participation (FFP) and county funds (CF). Medicaid Expansion Children's Health Insurance Program (M-CHIP) claims are eligible for federal reimbursement of 65%. Medi-Cal (MC) claims are eligible for 50% federal reimbursement.

SMHS FOR CHILDREN

BASE POLICY CHANGE NUMBER: 224

(In Thousands)

Cash Estimate	TF	FFP	ARRA	M-CHIP*	County
Total FY 2012-13	$1,607,929	**$788,498**	**$1,246**	**$20,108**	$798,077

Cash Estimate	TF	FFP	M-CHIP*	County
Total FY 2013-14	$1,542,400	**$756,252**	**$19,433**	$766,715

Funding:
Title XIX 100% FFP (4260-101-0890)
Title XXI 100% FFP (4260-113-0890)*

SMHS FOR ADULTS

BASE POLICY CHANGE NUMBER:	225
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1780

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$541,957,000	$515,510,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$541,957,000	$515,510,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$541,957,000	$515,510,000

DESCRIPTION

Purpose:
This policy change estimates the base cost for specialty mental health services (SMHS) provided to adults (21 years of age and older).

Authority
Welfare & Institutions Code 14680-14685.1
Specialty Mental Health Consolidation Program Waiver

Interdependent Policy Changes:
Not Applicable

Background:
The Medi-Cal SMHS program is “carved-out” of the broader Medi-Cal program and is administered by the Department under the authority of a waiver approved by the Centers for Medicare and Medicaid Services (CMS). The Department contracts with a Mental Health Plan (MHP) in each county to provide or arrange for the provision of Medi-Cal SMHS. All MHPs are county mental health departments.

SMHS are Medi-Cal entitlement services for adults and children that meet medical necessity criteria, which consist of having a specific covered diagnosis, functional impairment, and meeting intervention criteria. MHPs must certify that they incurred a cost before seeking federal reimbursement through claims to the State. MHPs are responsible for the non-federal share of Medi-Cal SMHS. Mental health services for Medi-Cal beneficiaries who do not meet the criteria for SMHS are provided under the broader Medi-Cal program either through managed care (MC) plans (by primary care providers within their scope of practice) or fee-for-service (FFS).

Children’s SMHS are provided under the federal requirements of the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) benefit, which is available to full-scope beneficiaries under age 21. A separate policy change budgets the costs associated with SMHS for Children.

SMHS FOR ADULTS

BASE POLICY CHANGE NUMBER: 225

The following Medi-Cal SMHS are provided for adults:

- Adult Residential Treatment Services
- Crisis Intervention
- Crisis Stabilization
- Crisis Residential Treatment Services
- Day Rehabilitation
- Day Treatment Intensive
- Medication Support Services
- Psychiatric Health Facility Services
- Psychiatric Inpatient Hospital Services
- Targeted Case Management
- Therapy and Other Service Activities

Effective July 1, 2012, the administration of Medi-Cal SMHS transferred to the Department from the former Department of Mental Health. The transfer did not impact the service delivery model or services.

Reason for Change from Prior Estimate:
Changes are due to:

- Additional approved claims data
- The separation of children and adult SMHS into two policy changes, and
- The elimination of the State Maximum Rate (SMA).

Methodology:

1. The costs are developed using 70 months of Short-Doyle/Medi-Cal (SD/MC) and Fee-For-Service Medi-Cal (FFS/MC) approved claims data, excluding disallowed claims. The SD/MC data is current as of March 31, 2013, with dates of service from February 2007 through November 2012. The FFS data is current as of February 28, 2013, with dates of service from January 2007 through October 2012.

2. Due to the lag in reporting of claims data, the six most recent months of data are weighted (Lag Weights) based on observed claiming trends to create projected final claims and clients data.

3. Applying more weight to recent data necessitates the need to ensure that lag weight adjusted claims data (a process by which months of partial data reporting is extrapolated to create estimates of final monthly claims) is as complete and accurate as possible. The development and application of lag weights is based upon historical reporting trends of the counties.

4. The forecast is based on a service year of costs. This accrual cost is below:

(In Thousands)

	Total	SD/MC	FFS Inpatient
FY 2010-11	$882,864	$762,363	$120,501
FY 2011-12	$914,820	$785,508	$129,312
FY 2012-13	$1,003,956	$860,332	$143,624
FY 2013-14	$1,028,520	$878,142	$150,378

SMHS FOR ADULTS

BASE POLICY CHANGE NUMBER: 225

5. Medi-Cal SMHS program costs are shared between federal funds participation (FFP) and county funds (CF). The accrual cost for FFP and CF are below:

(In Thousands)

	Total	FFP	CF
FY 2010-11	$882,864	$441,432	$441,432
FY 2011-12	$914,820	$457,410	$457,410
FY 2012-13	$1,003,956	$501,978	$501,978
FY 2013-14	$1,028,520	$514,260	$514,260

6. On a cash basis for FY 2012-13, the Department will be paying 1% of FY 2010-11 claims, 41% of FY 2011-12 claims, and 71% of FY 2012-13 claims for Short-Doyle Medi-Cal claims. For FFS Inpatient children's claims, the Department will be paying 1% of FY 2010-11 claims, 22% of FY 2011-12 claims, and 78% of FY 2012-13. The overall percentage of Adult SMHS are:

(In Thousands)

	Total	SD/MC	FFS Inpatient
FY 2010-11	$8,829	$7,624	$1,205
FY 2011-12	$350,507	$322,058	$28,449
FY 2012-13	$722,862	$610,836	$112,026
Total FY 2012-13	$1,082,198	$940,518	$141,680

7. On a cash basis for FY 2013-14, the Department will be paying 1% of FY 2011-12 claims, 29% of FY 2012-13 claims, and 71% of FY 2013-14 claims for Short-Doyle Medi-Cal claims. For FFS Inpatient children's claims, the Department will be paying 1% of FY 2010-11 claims, 22% of FY 2011-12 claims, and 78% of FY 2012-13. The overall percentage of Adult SMHS are:

(In Thousands)

	Total	SD/MC	FFS Inpatient
FY 2011-12	$9,148	$7,855	$1,293
FY 2012-13	$281,094	$249,497	$31,597
FY 2013-14	$740,776	$623,481	$117,295
Total FY 2013-14	$1,031,018	$880,833	$150,185

8. Medi-Cal (MC) claims are eligible for 50% federal reimbursement.

(In Thousands)

Cash Estimate	TF	FFP	ARRA	County
Total FY 2012-13	$1,082,198	**$541,100**	**$857**	$540,241

Cash Estimate	TF	FFP	County
Total FY 2013-14	$1,031,018	**$515,510**	$515,508

Funding:
Title XIX 100% FFP (4260-101-0890)
Title XXI 100% FFP (4260-113-0890)

SPECIALTY MENTAL HEALTH SVCS SUPP REIMBURSEMENT

REGULAR POLICY CHANGE NUMBER: 61
IMPLEMENTATION DATE: 7/2013
ANALYST: Raman Pabla
FISCAL REFERENCE NUMBER: 1458

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$0	$293,819,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$0	$293,819,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$0	$293,819,000

DESCRIPTION

Purpose:
This policy change estimates the supplemental reimbursement based on certified public expenditures for Specialty Mental Health Services (SMHS).

Authority:
ABX4 5 (Chapter 5, Statutes of 2009)
Welfare & Institution Code 14723

Interdependent Policy Changes:
Not Applicable

Background:
State law allows an eligible public agency receiving reimbursement for SMHS provided to Medi-Cal beneficiaries to receive supplemental reimbursement up to 100% of the allowable costs of providing the services. To receive the supplemental payments, the public agency must certify that they incurred the public expenditures.

The Supplemental Payment Program is pending approval from the Centers for Medicare and Medicaid Services (CMS).

Reason for Change from Prior Estimate:
The expected CMS approval date shifted from FY 2012-13 to FY 2013-14.

Methodology:
1. The FY 2008-09 estimates were developed using the final filed cost reports received from each county mental health plan.

2. The unreimbursed costs for county-operated providers was calculated based on the difference between the county operated provider's gross allowable cost and the gross schedule of statewide maximum allowance (SMA).

SPECIALTY MENTAL HEALTH SVCS SUPP REIMBURSEMENT

REGULAR POLICY CHANGE NUMBER: 61

3. The amount of unreimbursed costs was increased by the ratio of county costs to total mental health plan costs to account for unreimbursed costs for contract providers.

4. The FY 2009-10 estimates were developed using the final filed cost reports received from each county and are still under Department review.

5. Assume the FY 2010-11 supplemental payments will increase by 10% from the payment for FY 2009-10.

(In Thousands)

	FFP - REGULAR	FFP - ARRA	TOTAL FFP
FY 2008-09 FFP	$51,463	$12,079	**$63,542**
FY 2009-10 FFP	$89,172	$20,484	**$109,656**
FY 2010-11 FFP	$98,089	$22,532	**$120,621**
Total for FY 2013-14	$238,724	$55,095	**$293,819**

Funding:
Title XIX 100% FFP (4260-101-0890)

HEALTHY FAMILIES - SED

REGULAR POLICY CHANGE NUMBER:	62
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1712

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$23,950,000	$22,250,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$23,950,000	$22,250,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$23,950,000	$22,250,000

DESCRIPTION

Purpose:
This policy change estimates the healthy families enrollees who are Seriously Emotionally Disturbed (SED).

Authority:
California Insurance Code 12693.61 and 12694.1

Interdependent Policy Changes:
Not Applicable

Background:
The Healthy Families Program (HFP) provides low cost insurance for eligible children under the age of 19 whose families:

- Do not have insurance,
- Do not qualify for zero share of cost Medi-Cal,
- Income is at or below 250 percent of the federal poverty level.

Mental health services for the HFP subscribers who are SED are “carved-out” of the HFP health plans’ array of covered services and are provided by county mental health departments. County mental health departments are responsible for the provision and payment of all treatment of SED conditions, with the exception of the first thirty days of psychiatric inpatient services per benefit year, which remain the responsibility of the HFP health plan. This covered benefit is referred to as the “HFP SED benefit.”

When a county mental health department assumes responsibility for the treatment of the HFP subscriber’s SED condition, it can submit claims to obtain federal reimbursement for the services. County mental health departments receive 65% federal FFP reimbursement for services provided to HFP subscribers and pay for the 35% match with realignment dollars or other local funds.

HEALTHY FAMILIES - SED

REGULAR POLICY CHANGE NUMBER: 62

Effective July 1, 2012, the Department of Mental Health (DMH) functions related to the HFP SED benefit was shifted to the Department.

On January 1, 2013, HFP ceased to enroll new subscribers and began transitioning HFP subscribers into Medi-Cal. The transition will continue through a phase-in methodology that will be completed in calendar year 2013.

Reason for Change from Prior Estimate:
Updated claims data increased expenditures.

Methodology:

1. The costs are developed using 70 months of Short-Doyle/Medi-Cal (SD/MC) approved claims data, excluding disallowed claims. The SD/MC data is current as of March 31, 2013, with dates of service from February 2007 through November 2012.

2. Due to the lag in reporting of claims data, the most recent six months of data must be weighted (Lag Weights) based on observed claiming trends to create projected final claims and clients data.

3. Applying more weight to recent data necessitates the need to ensure that lag weight adjusted claims data (a process by which months of partial data reporting is extrapolated to create estimates of final monthly claims) is as complete and accurate as possible. The development and application of lag weights is based upon historical reporting trends of the counties.

4. Medi-Cal Specialty Mental Health programs costs are shared between federal funds (FFP) and a county match. Medicaid Children's Health Insurance Program (M-CHIP) claims are eligible for federal reimbursement of 65%.

5. The forecast is based on a service year of costs. This accrual cost is below:

	(In Thousands)		
Accrual Estimate	**TF**	**FFP**	**County**
FY 2010-11	$27,553	$17,909	$9,644
FY 2011-12	$31,342	$20,372	$10,970
FY 2012-13	$33,409	$21,716	$11,693
FY 2013-14	$34,124	$22,181	$11,943

6. On a cash basis for FY 2012-13, the Department will be paying 1% of FY 2010-11 claims, 41% of FY 2011-12 claims, and 71% of FY 2012-13 claims.

	(In Thousands)		
Cash Estimate	**TF**	**FFP**	**County**
FY 2010-11	$276	$179	$97
FY 2011-12	$12,850	$8,353	$4,498
FY 2012-13	$23,720	$15,418	$8,302
TOTAL FY 2012-13	$36,846	**$23,950**	$12,897

HEALTHY FAMILIES - SED

REGULAR POLICY CHANGE NUMBER: 62

7. On a cash basis for FY 2013-14, the Department will be paying 1% of FY 2011-12 claims, 29% of FY 2012-13 claims, and 71% of FY 2013-14 claims.

(In Thousands)

Cash Estimate	TF	FFP	County
FY 2011-12	$313	$204	$110
FY 2012-13	$9,689	$6,298	$3,391
FY 2013-14	$24,228	$15,748	$8,480
TOTAL FY 2013-14	$34,230	**$22,250**	$11,981

Funding:
Title XXI 100% FFP (4260-113-0890)

KATIE A. V. DIANA BONTA

REGULAR POLICY CHANGE NUMBER:	63
IMPLEMENTATION DATE:	1/2013
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1718

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$9,785,000	$23,161,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$9,785,000	$23,161,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$9,785,000	$23,161,000

DESCRIPTION

Purpose:
This policy change estimates the increase in costs due to the *Katie A. v. Diana Bontá* lawsuit.

Authority:
Katie A. v. Diana Bontá

Interdependent Policy Changes:
Not Applicable

Background:
On March 14, 2006, the U.S. Central District Court of California issued a preliminary injunction in *Katie A. v. Diana Bontá*, requiring the provision of Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program "wraparound" and "therapeutic foster care" (TFC) mental health services under the Specialty Mental Health Services waiver to children in foster care or "at risk" of foster care placement. On appeal, the Ninth Circuit Court reversed the granting of the preliminary injunction and remanded the case to District Court in order to review each component service to determine whether they are mandated Medicaid covered services, and if so, whether the Medi-Cal program provides each service effectively. The court ordered the parties to engage in further meetings with the court appointed Special Master. On July 15, 2011, the parties agreed to a proposed settlement that was subject to court approval and on December 2, 2011, the court granted final approval of the proposed settlement. Since October 13, 2011, the parties have met with the Special Master to develop a plan for settlement implementation. As a result of the lawsuit, beneficiaries meeting medical necessity criteria may receive an increase in existing services that will be provided in a more intensive and effective manner. These additional services are available effective January 1, 2013.

Reason for Change from Prior Estimate:
This is no change.

KATIE A. V. DIANA BONTA

REGULAR POLICY CHANGE NUMBER: 63

Methodology:

1. The *Katie A*. cost estimate is based on two factors:

   - An increase in the penetration rate of children receiving specialty mental health services within the *Katie A*. subclass of clients; and

   - An increase in the cost of services per client for existing clients due to the availability of more intensive services.

2. The estimated annual cost for new clients is $38,830,000 and the estimated annual increase in cost for existing clients is $14,672,000, giving a total annual cost of $53,502,000.

	(In Thousands)		
Accrual Estimate	**New**	**Existing**	**Total**
Annual	$38,380	$14,672	$53,502

3. Assume the additional services began January 1, 2013.

4. In FY 2012-13, assume the accrual estimate is the full year costs.

   $53,502,000 ÷ 12 months x 6 months = $26,751,000

5. Based on historical claims received, assume 73% of the each fiscal year claims will be paid in the year the services occur. The remaining 27% is paid in the following year.

	(In Thousands)		
Cash Estimate	**TF**	**FFP**	**County**
FY 2012-13	$19,570	**$9,785**	$9,785
FY 2012-13	$7,182	$3,591	$3,591
FY 2013-14	$39,139	$19,570	$19,569
FY 2013-14	$46,321	**$23,161**	$23,160

Funding:

Title XIX 100% FFP (4260-101-0890)

TRANSITION OF HFP - SMH SERVICES

REGULAR POLICY CHANGE NUMBER:	64
IMPLEMENTATION DATE:	1/2013
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1719

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$7,931,000	$32,731,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$7,931,000	$32,731,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$7,931,000	$32,731,000

DESCRIPTION

Purpose:
This policy change estimates the federal reimbursement for specialty mental health benefits associated with transitioning the Healthy Families Program (HFP) subscribers into the Medi-Cal program.

Authority:
AB 1494 (Chapter 28, Statutes of 2012)

Interdependent Policy Changes:
PC 2 Transition of HFP to Medi-Cal

Background:
AB 1494 transitions all HFP subscribers into the Medi-Cal program using a phased-in approach beginning January 2013. Under the HFP, the mental health services provided to the Seriously Emotionally Disturbed (SED) enrollees are carved out and provided by county mental health plans. The Medi-Cal program does not have an "SED carve-out," but it does carve out from Medi-Cal managed care plans any mental health services beyond what a primary care physician can provide within their scope of practice; this includes Medi-Cal specialty mental health services. Children transitioning from the HFP to Medi-Cal will have access to the carved-out Medi-Cal specialty mental health services provided by county mental health plans if they meet medical necessity criteria for those services. County mental health plans are eligible to claim FFP through the CPE process.

The first group of children transitioned from HFP to Medi-Cal on January 1, 2013. The remaining groups will transition to Medi-Cal in phases throughout calendar year 2013 and upon CMS approval for each transition phase.

HFP subscribers that transition to the Medi-Cal program are considered Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) eligible and can receive the full array of Medi-Cal specialty mental health services based on medical necessity and their mental health needs.

TRANSITION OF HFP - SMH SERVICES

REGULAR POLICY CHANGE NUMBER: 64

Reason for Change from Prior Estimate:
Revision based on the updates to HFP caseload and phase-in.

Methodology:

1. Beginning January 1, 2013, HFP subscribers began transitioning to Medi-Cal.

2. The majority of mental health services provided to current SED enrollees will continue under the Medi-Cal specialty mental health services. As such, the current SED expenditures will shift from the HFP Families – SED policy change to the Children's SMHS and Adult's SMHS policy changes.

3. Additional EPSDT clients may be served by the mental health plans as a result of changing from SED criteria to Medi-Cal medical necessity criteria, which will increase utilization of outpatient services.

4. Additional psychiatric inpatient services will be provided by the mental health plans that were previously covered by the HFP managed care plans.

	(In Thousands)		
	TF	**FFP**	**County**
SED Services	$19,356	$12,581	$6,775
Outpatient	$9,194	**$5,976**	$3,218
Inpatient	$3,008	**$1,955**	$1,053
FY 2012-13	$31,558	$20,512	$11,046

	(In Thousands)		
	TF	**FFP**	**County**
SED Services	$26,521	$17,239	$9,282
Outpatient	$37,944	**$24,664**	$13,280
Inpatient	$12,411	**$8,067**	$4,344
FY 2013-14	$76,876	$49,970	$26,906

Funding:
Title XXI 100% FFP (4260-113-0890)

SOLANO COUNTY SMHS REALIGNMENT CARVE-OUT

REGULAR POLICY CHANGE NUMBER:	65
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1716

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$2,769,000	$2,769,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$2,769,000	$2,769,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$2,769,000	$2,769,000

DESCRIPTION

Purpose:
This policy change estimates the cost of Solano County exercising their right to assume responsibility for providing or arranging for Medi-Cal specialty mental health services.

Authority:
Not Applicable

Interdependent Policy Changes:
Not Applicable

Background:
Prior to FY 2012-13, the Medi-Cal managed care program, Partnership Health Plan, “carved in” specialty mental health services for Solano County.

Effective July 1, 2012, the Solano County mental health plan terminated its contractual relationship with Partnership Health Plan and assumed responsibility to provide or arrange for the provision of the full array of Medi-Cal specialty mental health services to eligible Medi-Cal beneficiaries, with the exception of Partnership Health Plan enrollees that are Kaiser Permanente members. Partnership Health Plan will continue to capitate payments for Kaiser Permanente specialty mental health services provided to Kaiser Permanente members, pursuant to the terms of a separate agreement between Partnership Health Plan and Kaiser Permanente.

The Medi-Cal Managed Care contract will be reduced for the mental health services component and the mental health managed care funding to Solano County will increase by the same amount. Solano County will provide the Department with the portion of its 2011 Realignment funds associated with the capitated amount provided by the Department to Partnership Health Plan for specialty mental health services for Kaiser Permanente members.

Reason for Change from Prior Estimate:
There is no change.

SOLANO COUNTY SMHS REALIGNMENT CARVE-OUT

REGULAR POLICY CHANGE NUMBER: 65

Methodology:

1. Partnership Health Plan has identified that it pays out approximately $4.5 million total funds (TF) to Solano County Mental Health Plan and $1 million TF to Kaiser Permanente in capitation payments per year for specialty mental health services.

(In Thousands)

	TF	FFP	County
FY 2012-13	$5,538	**$2,769**	$2,769
FY 2013-14	$5,538	**$2,769**	$2,769

Funding:

Title XIX FFP (4260-101-0890)

OVER ONE-YEAR CLAIMS

REGULAR POLICY CHANGE NUMBER:	66
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1717

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$2,000,000	$3,000,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$2,000,000	$3,000,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$2,000,000	$3,000,000

DESCRIPTION

Purpose:
This policy change estimates the claims that are submitted by county mental health plans for late eligibility determinations.

Authority:
Title 22, California Code of Regulations 50746 and 51008.5
Welfare & Institutions Code 14680-14685.1
Specialty Mental Health Services Consolidation Waiver

Interdependent Policy Changes:
Not Applicable

Background:
County mental health plans have begun submitting Medi-Cal specialty mental health service claims for clients with Letters of Authorization for late eligibility determinations. When an over one-year claim is determined as eligible by the Department, the county has 60 days to submit the claim for payment.

Reason for Change from Prior Estimate:
Updated data shows additional claims will be paid in FY 2013-14.

Methodology:
1. One-year claims are based on actual claims received from the counties.

(In Thousands)

	TF	FFP	County
FY 2012-13	$4,000	**$2,000**	$2,000
FY 2013-14	$6,000	**$3,000**	$3,000

Funding:
Title XIX 100% FFP (4260-101-0890)

SPECIALTY MENTAL HEALTH LAWSUITS

REGULAR POLICY CHANGE NUMBER:	67
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1715

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$370,000	$0
- STATE FUNDS	$180,000	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$370,000	$0
STATE FUNDS	$180,000	$0
FEDERAL FUNDS	$190,000	$0

DESCRIPTION

Purpose:
This policy change estimates the cost of the lawsuit settlement with three mental health providers.

Authority:
Hillsides Home for Children, et al. v. California, et al,
Hathaway-Sycamores Child and Family Services, et al. v. California, et al, and
Five Acres v. California, et al

Interdependent Policy Changes:
Not Applicable

Background:
Three Los Angeles Mental Health Plan contract providers filed a writ of mandate requesting the court to direct the Department to approve certain Specialty Mental Health service claims from FY 1999-00 and FY 2000-01. The cases are referred to as:

- *Hillsides Home for Children, et al. v. California, et al,*
- *Hathaway-Sycamores Child and Family Services, et al. v. California, et al, and*
- *Five Acres v. California, et al*

The Department denied the original claims for various reasons, including lack of Medi-Cal eligibility on the date of service. Upon subsequent review with corrected claim information from the providers, the Department determined that these service claims were for Medi-Cal eligible beneficiaries. The settlement agreement requires Los Angeles County to pay the providers for the claims, certify the public expenditures, and submit the claims to the Department.

Reason for Change from Prior Estimate:
There is no change.

SPECIALTY MENTAL HEALTH LAWSUITS

REGULAR POLICY CHANGE NUMBER: 67

Methodology:

1. The costs are based on approved claims at issue in the lawsuit.

2. All three lawsuits will be paid in FY 2012-13.

Lawsuit	TF	FFP	GF
Hillsides Home for Children	$ 85,000	$ 44,000	$ 41,000
Hathaway-Sycamores Child	$ 84,000	$ 43,000	$ 41,000
Five Acres	$ 201,000	$ 104,000	$ 98,000
Total	**$ 370,000**	$ 191,000	**$180,000**

Funding:
State Only General Fund (4260-101-0001)
Title XIX 100% FFP (4260-101-0890)

SISKIYOU COUNTY MENTAL HEALTH PLAN OVERPAYMENT

REGULAR POLICY CHANGE NUMBER:	68
IMPLEMENTATION DATE:	1/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1660

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$0	$0
- STATE FUNDS	$6,227,000	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$0	$0
STATE FUNDS	$6,227,000	$0
FEDERAL FUNDS	-$6,227,000	$0

DESCRIPTION

Purpose:
This policy change estimates the cost of federal financial participation (FFP) repayments made to the Centers for Medicare and Medicaid Services (CMS) for improper claims for Medi-Cal services made by Siskiyou County Mental Health Plan. In addition, Siskiyou County General Fund (GF) reimbursements are also included in this policy change.

Authority:
Title 42, United States Code (USC) 1396b(d)(2)(C)

Interdependent Policy Changes:
Not Applicable

Background:
During the audit and cost settlement process, the Department identified overpayments to Siskiyou County Mental Health Plan as a result of improper Medi-Cal billing practices. Pursuant to federal statute, the Department must remit the overpaid FFP to CMS within a year of the discovery date. While the county acknowledged its Medi-Cal billing problems, it is unable to repay the amounts owed in a significant or timely manner. Consequently, the County will reimburse the Department in the amount of $200,000 per year until it fulfills its obligation for repayment. The County submitted its first payment of $200,000 in August 2012.

Reason for Change from Prior Estimate:
There is no material change.

Methodology:
1. The Department began making repayments to CMS in January 2012.

2. Siskiyou County will reimburse $200,000 annually to the GF beginning August 2012. As a result, of the total FFP repayment of $6,227,000 that the Department will make in FY 2012-13, $6,027,000 will be paid from the GF. Reimbursements are shown in the Management Summary.

SISKIYOU COUNTY MENTAL HEALTH PLAN
OVERPAYMENT
REGULAR POLICY CHANGE NUMBER: 68

Date of Overpayment Discovery	FY 2012-13 Repayment		FY 2013-14 Repayment	
8/4/2011	$2,189,000			
11/15/2011	$ 586,000			
12/21/2011	$ 95,000			
3/12/2012	$3,357,000			
Total:	**$6,227,000**	GF		
	($200,000)		**($200,000)**	Reimbursement

Funding:
GF (4260-101-0001)
Title XIX FFP (4260-101-0890)
Reimbursement GF (4260-610-0995)

IMD ANCILLARY SERVICES

REGULAR POLICY CHANGE NUMBER:	69
IMPLEMENTATION DATE:	7/1999
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	35

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$0	$0
- STATE FUNDS	$6,000,000	$6,000,000
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$0	$0
STATE FUNDS	$6,000,000	$6,000,000
FEDERAL FUNDS	-$6,000,000	-$6,000,000

DESCRIPTION

Purpose:
This policy change estimates the cost of federal financial participation (FFP) repayments that the Department must make to the Centers for Medicare and Medicaid Services (CMS) for inappropriately claimed ancillary services for Medi-Cal beneficiaries residing in Institutions for Mental Diseases (IMDs).

Authority:
Title 42, Code of Federal Regulations 435.1009
Welfare & Institutions Code 14053.3

Interdependent Policy Changes:
PC 70 Reimbursement in IMD Ancillary Services Costs

Background:
Ancillary services provided to Medi-Cal beneficiaries who are ages 22 through 64 residing in IMDs are not eligible for State or Federal reimbursement. These ancillary services are to be county-funded. Separate aid codes or other identifiers are not available to indicate a Medi-Cal beneficiary is residing in an IMD; therefore, the Department's Fiscal Intermediary is unable to determine that these claims are ineligible for reimbursement. CMS requires repayment of the FFP, which the Department has calculated retrospectively based on beneficiaries' dates of residence in an IMD as provided by service encounter data.

Effective July 1, 2012, the administration of Medi-Cal Specialty Mental Health Services transferred to the Department from the former Department of Mental Health.

Reason for Change from Prior Estimate:
There is no change.

Methodology:
Not Applicable

IMD ANCILLARY SERVICES

REGULAR POLICY CHANGE NUMBER: 69

Services Rec'd	FY 2012-13	FY 2013-14
10/01/09 - 09/30/10	$6,000,000	$0
10/01/10 - 09/30/11	$0	$6,000,000
Total:	**$6,000,000**	**$6,000,000**

Funding:
State General Fund (4260-101-0001)
Title XIX FFP (4260-101-0890)

REIMBURSEMENT IN IMD ANCILLARY SERVICES COSTS

REGULAR POLICY CHANGE NUMBER:	70
IMPLEMENTATION DATE:	7/2013
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1711

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$0	-$12,000,000
- STATE FUNDS	$0	-$12,000,000
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$0	-$12,000,000
STATE FUNDS	$0	-$12,000,000
FEDERAL FUNDS	$0	$0

DESCRIPTION

Purpose:
This policy change reflects the General Fund (GF) reimbursement for inappropriately claimed Medi-Cal ancillary services provided to beneficiaries in Institutions for Mental Diseases (IMDs).

Authority:
Title 42, Code of Federal Regulations, section 435.1009
Welfare & Institutions Code, section 14053.3

Interdependent Policy Changes:
Not Applicable

Background:
Ancillary services provided to Medi-Cal beneficiaries who are ages 22 through 64 residing in IMDs are not eligible for state or federal reimbursement. These ancillary services are to be county-funded. The Department has released billing instructions to the provider community through a Medi-Cal provider bulletin and to counties through an all counties director's letter. Because separate aid codes or other identifiers are not available to indicate whether a Medi-Cal beneficiary is residing in an IMD, providers have no indication from the Medi-Cal Eligibility Data System (MEDS) that they should not claim for these Medi-Cal beneficiaries. Repayment of the FFP is required by the Centers for Medicare & Medicaid Services (CMS) and is calculated retrospectively based on claims reimbursed for beneficiaries' ancillary services and dates of residence in an IMD as provided by the counties' service encounter data reporting.

The Department is developing eligibility and claiming processes to stop inappropriate claiming and reimbursement for ancillary services. In addition, the Department anticipates utilizing a three-step approach as outlined below:

1. The Department has developed one list of IMD facilities, which has been distributed to IMD facilities.

REIMBURSEMENT IN IMD ANCILLARY SERVICES COSTS

REGULAR POLICY CHANGE NUMBER: 70

2. The Department will publish policy guidance through an All County Welfare Director's Letter (ACWDL) or similar instruction that will instruct counties that claims for IMD ancillary services shall not be submitted to Medi-Cal.

3. The Department will establish a system change in MEDS that would prevent inappropriate claiming for ancillary services.

Reason for Change from Prior Estimate:
This is no change.

Methodology:
1. The costs for ancillary services provided to beneficiaries in IMDs are in the Medi-Cal base estimate.

2. In FY 2013-14, the Department expects to collect costs beginning with FY 2008-09.

3. The reimbursement includes repayment for both federal and general fund.

Dates of Service	FY 2013-14
FY 2008-09	**($12,000,000)**

Funding:
State Only General Fund (4260-101-0001)
Reimbursement (4260-610-0995)

CHART REVIEW

REGULAR POLICY CHANGE NUMBER:	71
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1714

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	-$590,000	-$580,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	-$590,000	-$580,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	-$590,000	-$580,000

DESCRIPTION

Purpose:
This policy change estimates the savings from on-site chart reviews of mental health providers.

Authority:
Title 9, California Code of Regulations 1810.380

Interdependent Policy Changes:
Not Applicable

Background:
Since January 2005, the Department has been conducting on-site chart reviews of mental health providers by comparing claims to the corresponding patient chart entries.

Reason for Change from Prior Estimate:
Fiscal estimates have been updated to reflect current chart review data.

Methodology:
1. Chart review recoupment estimates are based on both inpatient and outpatient chart reviews.

	TF	FFP
FY 2012-13	**($590,000)**	**($590,000)**
FY 2013-14	**($580,000)**	**($580,000)**

Funding:
Title XIX 100% FFP (4260-101-0890)

INTERIM AND FINAL COST SETTLEMENTS - SMHS

REGULAR POLICY CHANGE NUMBER: 72
IMPLEMENTATION DATE: 7/2012
ANALYST: Raman Pabla
FISCAL REFERENCE NUMBER: 1713

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	-$26,634,000	-$70,714,000
- STATE FUNDS	$1,151,000	$39,385,000
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	-$26,634,000	-$70,714,000
STATE FUNDS	$1,151,000	$39,385,000
FEDERAL FUNDS	-$27,785,000	-$110,099,000

DESCRIPTION

Purpose:
This policy change estimates the interim and final cost settlements for specialty mental health services (SMHS).

Authority:
Welfare & Institution Code 14705(c)
Title 9, California Code of Regulations 1840.105

Interdependent Policy Changes:
Not Applicable

Background:
The Department reconciles interim settlements to county cost reports for mental health plans (MHPs) for children, adults, and Healthy Families SMHS. The Department completes interim settlements within two years of the end of the fiscal year. Final settlement is completed within three years of the last amended county cost report the MHPs submit to the Department.

The reconciliation process for each fiscal year may result in an overpayment or underpayment to the county and will be handled as follows:

- For counties that have been determined to be overpaid, the Department will recoup any overpayments.
- For counties that have been determined to be underpaid, the Department will make a payment equal to the difference between the counties cost report and the Medi-Cal payments.

Reason for Change from Prior Estimate:
FY 2013-14 expenditures have been updated to include final cost settlements.

INTERIM AND FINAL COST SETTLEMENTS - SMHS

REGULAR POLICY CHANGE NUMBER: 72

Methodology:

1. Interim cost settlements are based upon the difference between each county MHP's filed cost report and the payments they received from the Department.

2. Final cost settlement is based upon the difference between each county MHP's final audited cost report and the payments they received from the Department.

3. Cost settlements for services, administration, utilization review/quality assurance, and mental health Medi-Cal administrative activities are each determined separately.

	Underpaid	Overpaid	Net
Interim Settlement (FY 2008-09)			
Children and Adults	$7,466,000	($60,879,000)	($53,413,000)
M-CHIP*	$254,000	($1,419,000)	($1,165,000)
Healthy Families*	$1,869,000	($2,353,000)	($484,000)
Final Settlement (Multi-Years)			
Children and Adults	$38,014,000	($10,152,000)	$27,862,000
M-CHIP*	$734,000	$0	$734,000
Healthy Families*	$1,324,000	($1,492)	($168,000)
Total FY 2012-13	$49,661,000	($76,295,000)	**($26,634,000)**

	Underpaid	Overpaid	Net
Interim Settlements (FY 2009-10)			
Children and Adults	$50,739,000	($80,501,000)	($29,761,000)
M-CHIP*	$2,942,000	($2,441,000)	$501,000
Healthy Families*	$671,000	($4,213,000)	($3,542,000)
Interim Settlements (FY 2010-11)			
Children and Adults	$51,005,000	($81,100,000)	($30,094,000)
M-CHIP*	$2,942,000	($2,441,000)	$501,000
Healthy Families*	$671,000	($4,213,000)	($3,542,000)
Final Settlement (Multi-Years)			
Children and Adults	$1,022,000	($5,727,000)	($4,704,000)
Healthy Families*	$20,000	($93,000)	($73,000)
Total FY 2013-14	$110,013,000	($180,729,000)	**($70,714,000)**

4. Cost settlements prior to realignment may consist of General Fund (GF) and federal funds participation (FFP).

INTERIM AND FINAL COST SETTLEMENTS - SMHS

REGULAR POLICY CHANGE NUMBER: 72

	TF	GF	FFP
Children and Adults	($25,551,000)	$1,151,000	($26,702,000)
M-CHIP*	($431,000)	$0	($431,000)
Healthy Families*	($652,000)	$0	($652,000)
Total FY 2012-13	**($26,634,000)**	**$1,151,000**	**($27,785,000)**
Children and Adults	($64,557,000)	$39,385,000	($103,942,000)
M-CHIP*	$1,001,000	$0	$1,001,000
Healthy Families*	($7,158,000)	$0	($7,158,000)
Total FY 2013-14	**($70,714,000)**	**$39,385,000**	**($110,099,000)**

Funding:
Title XIX FFP (4260-101-0001/0890)
Title XXI FFP (4260-113-0890)*
State General Fund (4260-101-0001)

ELIMINATION OF STATE MAXIMUM RATES

REGULAR POLICY CHANGE NUMBER:	204
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1759

	FY 2012-13	FY 2013-14
FULL YEAR COST - TOTAL FUNDS	$90,494,000	$124,484,000
- STATE FUNDS	$0	$0
PAYMENT LAG	1.0000	1.0000
% REFLECTED IN BASE	0.00 %	0.00 %
APPLIED TO BASE		
TOTAL FUNDS	$90,494,000	$124,484,000
STATE FUNDS	$0	$0
FEDERAL FUNDS	$90,494,000	$124,484,000

DESCRIPTION

Purpose:
This policy change estimates the elimination of the state maximum rates for Medi-Cal specialty mental health services.

Authority
Assembly Bill 1297 (Chapter 651, Statutes of 2011)

Interdependent Policy Changes:
Not Applicable

Background:
The Welfare and Institution Code, sections 5720 and 5724, limited reimbursement of specialty mental health services to the state maximum rates. The state maximum rate is a schedule of maximum allowances (SMA) for specialty mental health services. AB 1297 amended W& I Code, sections 5720 and 5724 to change the manner in which specialty mental health services are reimbursed. AB 1297 requires the Department to reimburse mental health plans based upon the lower of their certified public expenditures or the federal upper payment limit. The federal upper payment limit will be equal to the aggregate allowable cost or customary charge for all specialty mental health services provided by the mental health plan and its network of providers. These changes to the reimbursement methodology will result in an increase of federal reimbursement to mental health plans for specialty mental health services.

Reason for Change from Prior Estimate:
There is no change.

Methodology:
1. The costs are developed using FY 2009-10 final filed cost reports received from each county.

2. The costs in excess of the SMA that was not reimbursed in the past but are eligible for reimbursement under AB 1297, is budgeted in this policy change.

ELIMINATION OF STATE MAXIMUM RATES

REGULAR POLICY CHANGE NUMBER: 204

3. Assume each year, there will be an increase of 10% from the payment for FY 2009-10, which is the most recent fiscal year for which cost reports are available.

4. The accrual estimates are:

(In Thousands)

FY 2012-13	TF	FFP	M-CHIP	County
Children	$129,552	$63,016	$2,288	$64,248
Adults	$104,440	$52,220	$0	$52,220
Total	$233,992	$115,236	$2,288	$116,468

(In Thousands)

FY 2013-14	TF	FFP	M-CHIP	County
Children	$139,517	$67,863	$2,464	$69,190
Adults	$112,474	$56,237	$0	$56,237
Total	$251,991	$124,100	$2,464	$125,427

5. On a cash basis for FY 2012-13, the Department will be paying 77% of FY 2012-13 claims. In FY 2013-14, the Department will be paying 23% of FY 2012-13 claims and 77% of FY 2013-14 claims.

(In Thousands)

FY 2012-13	TF	FFP	M-CHIP*	County
Children	$99,755	$48,522	$1,762	$49,471
Adults	$80,419	$40,210	$0	$40,209
Total	$180,174	**$88,732**	**$1,762**	$89,680

(In Thousands)

FY 2013-14	TF	FFP	M-CHIP*	County Match
Children	$137,225	$66,749	$2,423	$68,053
Adults	$110,626	$55,312	$0	$55,313
Total	$247,851	**$122,061**	**$2,423**	$123,366

Funding:
Title XIX 100% FFP (4260-101-0890)
Title XXI 100% FFP (4260-113-0890)*

COUNTY SPECIALTY MENTAL HEALTH ADMIN

OTHER ADMIN. POLICY CHANGE NUMBER: 3
IMPLEMENTATION DATE: 7/2012
ANALYST: Raman Pabla
FISCAL REFERENCE NUMBER: 1721

	FY 2012-13	FY 2013-14
TOTAL FUNDS STATE	$126,625,000	$141,726,000
FUNDS FEDERAL	$0	$0
FUNDS	$126,625,000	$141,726,000

DESCRIPTION

Purpose:
This policy change estimates the county administrative costs for the Specialty Mental Health Medi-Cal Waiver, Medicaid Children's Health Insurance Program, and Healthy Families Program administered by county mental health departments.

Authority:
Welfare & Institutions Code 14711(c)

Interdependent Policy Changes:
Not Applicable

Background:
Counties may obtain federal reimbursement for certain costs associated with administering a county's mental health program. Counties must report their administration costs and direct facility expenditures quarterly.

Reason for Change from Prior Estimate:
There is no change.

Methodology:
1. Mental Health administration costs are based on historical trends. Below are the costs on an accrual basis for Medi-Cal (MC), Healthy Families Program (HFP), and Medicaid Children's Health Insurance Program (M-CHIP):

(In Thousands)

Fiscal Year	MC	HFP	M-CHIP	Total
FY 2011-12	$228,641	$1,728	$844	$231,213
FY 2012-13	$255,988	$1,935	$844	$258,767
FY 2013-14	$287,592	$1,451	$844	$289,887

(In Thousands)

Fiscal Year	Total	FFP	County
FY 2011-12	$231,213	$115,992	$115,221
FY 2012-13	$258,767	$129,800	$128,967
FY 2013-14	$289,887	$145,288	$144,599

COUNTY SPECIALTY MENTAL HEALTH ADMIN

OTHER ADMIN. POLICY CHANGE NUMBER: 3

2. Based on historical claims received, assume 77% of the each fiscal year claims will be paid in the year the services occur. The remaining 23% is paid in the following year.

(In Thousands)

Fiscal Year	Accrual	FY 2012-13	FY 2013-14
MC	$228,641	$52,587	$0
HFP	$1,728	$397	$0
M-CHIP	$844	$194	$0
FY 2011-12	$231,213	$53,178	$0
MC	$255,988	$197,111	$58,877
HFP	$1,935	$1,490	$445
M-CHIP	$844	$650	$194
FY 2012-13	$258,767	$199,251	$59,516
MC	$287,592	$0	$221,446
HFP	$1,451	$0	$1,117
M-CHIP	$844	$0	$650
FY 2013-14	$289,887	$0	$223,213

3. Mental Health administration costs are shared between federal funds (FFP) and county funds. Healthy Families (HF) claims are eligible for federal reimbursement of 65%. Medi-Cal (MC) claims are eligible for 50% federal reimbursement.

(In Thousands)

	FY 2012-13			FY 2013-14		
Claims	TF	FFP	County	TF	FFP	County
MC	$249,699	$124,849	$124,850	$280,323	$140,162	$140,161
HFP*	$1,887	$1,227	$660	$1,562	$1,015	$547
M-CHIP*	$844	$549	$295	$844	$549	$295
Total	$252,430	**$126,625**	$125,805	$282,729	**$141,726**	$141,003

Funding:
Title XIX 100% FFP (4260-101-0890)
Title XXI 100% FFP (4260-113-0890)*

SMH MAA

OTHER ADMIN. POLICY CHANGE NUMBER:	9
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1722

	FY 2012-13	FY 2013-14
TOTAL FUNDS STATE	$22,905,000	$24,509,000
FUNDS FEDERAL	$0	$0
FUNDS	$22,905,000	$24,509,000

DESCRIPTION

Purpose:
This policy change budgets the federal financial participation (FFP) for claims submitted on behalf of specialty mental health plans (MHPs) for Medicaid administrative activities.

Authority:
Welfare & Institutions Code 14132.47
AB 2377 (Chapter 147, Statutes of 1994)

Interdependent Policy Changes:
Not Applicable

Background:
AB 2377 authorized the State to implement the Medi-Cal Administrative Claiming Process. The Specialty Mental Health Waiver program submits claims on behalf of MHPs to obtain FFP for Medicaid administrative activities necessary for the proper and efficient administration of the specialty mental health waiver program. These activities ensure that assistance is provided to Medi-Cal eligible individuals and their families for the receipt of specialty mental health services.

Reason for Change from Prior Estimate:
There is no material change.

Methodology:
1. County mental health plans submit claims for reimbursement on a quarterly basis. Claims may be submitted up to six months after the close of a fiscal year (FY).

2. Based on claims from FY 2005-06 through FY 2010-11, the average annual increase in mental health (MH) Medi-Cal administrative activities (MAA) claims was 7%.

3. Assume claims will continue to increase by 7% each year for FY 2011-12, FY 2012-13, and FY 2013-14.

SMH MAA

OTHER ADMIN. POLICY CHANGE NUMBER: 9

4. In FY 2010-11, the Department received $36,971,000 in MH MAA claims on an accrual basis.

(In Thousands)

Fiscal Years	Expenditures	Growth	Increase	Revised Expenditures
FY 2010-11	$36,971	7%	$2,588	$39,559
FY 2011-12	$39,559	7%	$2,769	$42,328
FY 2012-13	$42,328	7%	$2,963	$45,291

5. Based on historical claims received, assume 12% of fiscal year claims will be paid in the year the services occur. The remaining 88% is paid in the following year.

(In Thousands)

Fiscal Years	Accrual	FY 2012-13	FY 2013-14
FY 2011-12	$39,559	$34,812	$0
FY 2012-13	$42,328	$5,079	$37,249
FY 2013-14	$45,291	$0	$5,435
Total	$127,178	$39,891	$42,684

6. MH MAA total expenditures are shared between FFP and county funds. Skilled professional medical personnel are eligible for enhanced federal reimbursement of 75%. All other personnel are eligible for 50% federal reimbursement.

(In Thousands)

	FY 2012-13			FY 2013-14		
Fiscal Year	TF	FFP	County	TF	FFP	County
FY 2011-12	$34,812	$19,989	$14,823	$0	$0	$0
FY 2012-13	$5,079	$2,917	$2,162	$37,249	$21,388	$15,861
FY 2013-14	$0	$0	$0	$5,435	$3,121	$2,314
Total	$39,891	**$22,905**	$16,986	$42,684	**$24,509**	$18,175

Funding:
Title XIX 100% FFP (4260-101-0890)

COUNTY UR & QA ADMIN

OTHER ADMIN. POLICY CHANGE NUMBER:	10
IMPLEMENTATION DATE:	7/2012
ANALYST:	Raman Pabla
FISCAL REFERENCE NUMBER:	1729

	FY 2012-13	FY 2013-14
TOTAL FUNDS STATE	$16,333,000	$16,798,000
FUNDS FEDERAL	$0	$0
FUNDS	$16,333,000	$16,798,000

DESCRIPTION

Purpose:
This policy change estimates the county utilization review (UR) and quality assurance (QA) administrative costs.

Authority:
Welfare & Institutions Code 14711

Interdependent Policy Changes:
Not Applicable

Background:
UR and QA activities safeguard against unnecessary and inappropriate medical care. Federal reimbursement for these costs is available at 75% for skilled medical personnel and 50% for all other personnel claims.

Reason for Change from Prior Estimate:
There is no change.

Methodology:
1. UR and QA expenditures are shared between federal funds (FFP) and county funds (CF).

2. UR and QA costs are based on historical trends. UR and QA costs on an accrual basis are:

	(In Thousands)		
Fiscal Year	**TF**	**FF**	**CF**
FY 2011-12	$24,456	$15,924	$8,532
FY 2012-13	$25,271	$16,455	$8,816
FY 2013-14	$25,957	$16,901	$9,056

3. Based on historical claims received, assume 77% of the each fiscal year claims will be paid in the year the services occur. The remaining 23% is paid in the following year.

COUNTY UR & QA ADMIN

OTHER ADMIN. POLICY CHANGE NUMBER: 10

(In Thousands)

Fiscal Year	Accrual	FY 2012-13	FY 2013-14
FY 2011-12	$24,456	$5,626	$0
FY 2012-13	$25,271	$19,458	$5,812
FY 2013-14	$25,957	$0	$19,987
Total		$25,084	$25,799

4. Skilled professional medical personnel are eligible for enhanced federal reimbursement of 75%. All other personnel are eligible for 50% federal reimbursement.

(In Thousands)

	FY 2012-13			FY 2013-14		
Personnel	TF	FFP	CF	TF	FFP	CF
Other	$9,920	$4,960	$4,960	$10,204	$5,102	$5,102
Medical	$15,164	$11,373	$3,791	$15,595	$11,696	$3,899
Total	$25,084	**$16,333**	$8,751	$25,799	**$16,798**	$9,001

Funding:
Title XIX 100% FFP (4260-101-0890)

INTERIM AND FINAL COST SETTLEMENTS-SMHS

OTHER ADMIN. POLICY CHANGE NUMBER: 11
IMPLEMENTATION DATE: 7/2012
ANALYST: Raman Pabla
FISCAL REFERENCE NUMBER: 1757

	FY 2012-13	FY 2013-14
TOTAL FUNDS STATE	$15,821,000	$26,641,000
FUNDS FEDERAL	$0	$0
FUNDS	$15,821,000	$26,641,000

DESCRIPTION

Purpose:
This policy change estimates the federal funds for the interim and final cost settlements on specialty mental health services (SMHS) administrative expenditures.

Authority:
Welfare & Institution Code 14705(c)

Interdependent Policy Changes:
Not Applicable

Background:
The Department reconciles interim settlements to county cost reports for mental health plans (MHPs) for utilization review/quality assurance (UR/QA), mental health Medi-Cal administrative activities (MH MAA), and administration. The Department completes interim settlements within two years of the end of the fiscal year. Final settlement is completed within three years of the last amended cost report the county MHPs submit to the Department.

The reconciliation process for each fiscal year may result in an overpayment or underpayment to the county and will be handled as follows:

- For counties that have been determined to be overpaid, the Department will recoup any overpayments.
- For counties that have been determined to be underpaid, the Department will reimburse the federal funds.

Reason for Change from Prior Estimate:
There is no change.

Methodology:
1. Interim cost settlements are based upon the difference between each county MHP's filed cost report and the payments they received from the Department.
2. Final cost settlement is based upon the difference between each county MHP's final audited cost report and the payments they received from the Department.

INTERIM AND FINAL COST SETTLEMENTS-SMHS

OTHER ADMIN. POLICY CHANGE NUMBER: 11

3. Cost settlements for services, administration, UR/QA, and MH MAA are each determined separately.

(In Thousands)

	Underpaid	Overpaid	Net FFP
Interim Settlements (FY 2008-09)			
SMH Admin	$26,316	($18,480)	$7,836
UR/QA	$13,341	($1,103)	$12,238
MH MAA	$1,787	($1,728)	$59
Healthy Families*	$106	$0	$106
Final Settlements(Multi-Years)			
SMH Admin	$0	($3,400)	($3,400)
UR/QA	$6	($704)	($698)
MH MAA	$0	($302)	($302)
Healthy Families*	$21	($39)	($18)
Total FY 2012-13	$41,577	($25,756)	**$15,821**

	Underpaid	Overpaid	Net FFP
Interim Settlements (FY 2009-10)			
SMH Admin	$22,970	($21,736)	$1,234
M-CHIP*	$489	$0	$489
UR/QA	$12,774	($1,241)	$11,533
MH MAA	$1,419	($2,689)	($1,270)
Healthy Families*	$1,335	$0	$1,335
Interim Settlements (FY 2010-11)			
SMH Admin	$22,970	($21,736)	$1,234
M-CHIP*	$489	$0	$489
UR/QA	$12,774	($1,242)	$11,532
MH MAA	$1,419	($2,689)	($1,270)
Healthy Families*	$1,335	$0	$1,335
Total FY 2013-14	$77,974	($51,333)	**$26,641**

Funding:
Title XIX 100% FFP (4260-101-0890)
Title XXI 100% FFP (4260-113-0890)*