



# COUNTY OF SONOMA

575 ADMINISTRATION  
DRIVE, ROOM 102A  
SANTA ROSA, CA 95403

## SUMMARY REPORT

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**Agenda Date:** 10/15/2024

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**To:** County of Sonoma Board of Supervisors  
**Department or Agency Name(s):** Department of Health Services  
**Staff Name and Phone Number:** 707-565-4774  
**Vote Requirement:** Majority  
**Supervisorial District(s):** Countywide

**Title:**

Contracting Updates Related to Medi-Cal Payment Reform

**Recommended Action:**

1. Accept staff recommendation of a 1/12th monthly advance with monthly service review, quarterly performance evaluation and year-end reconciliation for Medi-Cal providers of Specialty Mental Health Services and Drug Medi-Cal Services included in CalAIM Payment Reform contracting with the Department of Health Services.
2. Delegate authority to the Director of Health Services, or designee, to amend current contracts with the current thirteen (13) Behavioral Health Medi-Cal providers to implement advanced payment procedures beginning with the month of January 2025, subject to review and approval by County Counsel. There will be no change to the contract maximums or term of the agreements.

**Executive Summary:**

The Department of Health Services' (hereinafter "DHS" or "the Department") Behavioral Health Division functions as the County's Mental Health Plan and works with numerous Medi-Cal partners to deliver Specialty Mental Health Services across the county. The Department also works with Drug Medi-Cal providers who deliver Substance Use Disorder Treatment Services across the county.

These thirteen crucial partners provide services like crisis intervention, targeted case management, and therapeutic behavioral services. As California Advancing and Innovating Medi-Cal (CalAIM) has transformed the administrative processes across this service delivery system, there are areas left to county discretion. One of these areas is alternate payment model options under CalAIM Payment Reform.

This item will describe the options available to the Department for contracting with Medi-Cal providers of Specialty Mental Health and Substance Use Disorder treatment services and the Department's recommendation to advance a 1/12th monthly payment, implement monthly service review and quarterly performance evaluations, and a year-end reconciliation process.

DHS staff will conduct internal monthly reviews of providers' performance reports compared to budgeted figures and future projections, to review utilization and identify potential underperformance risks as soon as possible. Staff will also conduct 1:1 quarterly performance evaluation meetings with each participating community based organization to review their cumulative performance against target thresholds.

**Discussion:**

## **CalAIM Initiative**

CalAIM is a multi-year initiative by the State Department of Health Care Services (DHCS) to improve quality of life and health outcomes by implementing broad delivery system, program, and payment reform across the Medi-Cal program. CalAIM is designed to support whole-person, integrated care. The behavioral health components of this effort include behavioral health payment reform towards a simpler, more flexible system, better outcomes for patients, a reduction in health disparities, and delivery system improvements. The majority of the DHCS policy changes were launched in 2022, with implementation continuing through 2027.

### **Behavioral Health Payment Reform**

The CalAIM Behavioral Health Payment Reform initiative seeks to move counties away from cost-based reimbursement systems that incentivize volume of services, and towards value-based models that enable counties and providers to structure services to improve the quality of life for Medi-Cal beneficiaries.

The current cost-based reimbursement model is administratively burdensome and incentivizes County Mental Health Plans to charge by the minute for services. This encourages volume over outcome of services for all participants and creates extensive documentation requirements. The complexity of the cost settlement process creates significant audit risk for the department. Long delays caused by statutory requirements in audit timelines create budget challenges for counties by requiring them to carry financial risk over multiple years. Opportunities for system reinvestment and value-based payments have historically been limited. In short, interventions that might reduce high-cost service utilization were not previously incentivized.

DHCS' long-term vision of payment reform is to 1) move to capitated payments (per member per month) for Behavioral Health Plans to maximize delivery system flexibility, 2) explore options for alternative payment models for Behavioral Health providers, and 3) expand value-based payment arrangements to incentivize desired outcomes.

DHCS has informed counties that they may set differing rate/payment structures for different providers. Specifically, "DHCS neither requires nor recommends that counties adopt equivalent rate structures or reimbursements models for all of network providers," meaning the Department can utilize different payment models for different types of service agencies (outpatient vs. residential for example).

### **Alternative Payment Models (APM) and Incentives to Drive Innovation and Reform**

As counties consider the payment models for Behavioral Health providers, DHCS recommends several options, including:

1. Capacity building payments to providers that meet programmatic targets.
2. Performance incentives to providers that meet performance targets.
3. Rate differentials for field/home-based services.
4. Rate increases designed to attract new providers and build capacity for specific services.
5. Advance payments of up to 15 percent or higher of a contracted provider's estimated annual payment to mitigate risk and support cash flow.
6. 1/12th financing, a monthly payment amount based on an annual contract amount, may serve as an interim option.

DHCS urges counties to achieve greater flexibility in processes and terms used for provider agreements,

procurements, and contracts to maintain strong access to care. For example, counties and providers may benefit from more frequent rate renegotiations, contract term renegotiations, and additional flexibilities in contract terms.

DHS is recommending the Board select option 6) 1/12th monthly advance with monthly service review, quarterly performance evaluation and year end reconciliation.

### **Sonoma County DHS Proposed Model**

DHS proposes to adopt a 1/12th advance payment model as it is one of the eligible DCHS Alternate Payment Models, in which performance thresholds are set based upon Fee-for-Service (FFS) targets, and savings and risk are shared between DHS and the Community Based Organization (CBO) Medi-Cal network providers. Specifically, underperformance to the target would result in a recoupment (risk-sharing) and overperformance is considered for mid-year contract rate adjustments (savings-sharing).

Currently, thirteen (13) Specialty Mental Health and Substance Use Disorder Medi-Cal contract agencies would operate on an advanced-payment model, contingent upon meeting specified thresholds of performance. These agencies comprise the outpatient and residential behavioral health network, qualifying them for the CalAIM Behavioral Health Payment Reform Alternate Payment Models.

The Performance Threshold is calculated based on the fiscal break-even point for service volume, by converting the provider level rates into a single base rate, and then projecting the service unit target necessary to achieve revenue capture sufficient to cover the contract maximum.

DHS's Revenue Management Unit (RMU) will ensure an accurate, valid, and complete invoice and Service Verification Attestation Form are submitted prior to continuing monthly pre-payments.

A monthly Monitoring Plan has been implemented to regularly track progress towards the Performance Threshold. The Monitoring Plan includes: 1) monthly service review and reconciliation process, 2) monthly fiscal reporting meetings, and 3) quarterly performance evaluation meetings.

DHS staff will conduct internal monthly reviews of providers' performance reports compared to budgeted figures and future projections, in order to review utilization and identify potential underperformance risks as soon as possible. Staff will also conduct 1:1 quarterly performance evaluation meetings with each participating CBO to review their cumulative performance against target thresholds. Failure to meet pre-identified performance thresholds will result in a Corrective Action Plan (CAP) for the next quarter, and potentially a reduction in the monthly pre-payment amount as the year continues, and/or payment recoupment initiation.

### **Payment Model Options**

Based upon the guidance from state DHCS outlined above, staff considered three potential advanced payment models and worked with County Counsel, the Auditor/Controller/Treasurer/ Tax Collector's office, and the County Administrator's Office to evaluate each model. The group considered semi-annual (6-month), quarterly (3-month) and 1/12<sup>th</sup> (monthly) pre-payment models.

After considering the implications of each option, staff recommends a monthly pre-payment model, (option 6). This will mitigate the risks of large cash advances by allowing for continuous monitoring and correction opportunities, while keeping providers on a consistent payment calendar to meet cash flow and payroll obligations.

The Department also requests the Board delegate authority to the Director of Health Services, or designee, to amend the current agreements with the 13 Behavioral Health Medi-Cal providers in order to implement

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advanced payment processes beginning January 2025. There will be no change to each contract's maximum amount and term. Attachment 1 is a list of the current Medi-Cal and Drug Medi-Cal providers and the related contracts.

**Strategic Plan:**

N/A

**Racial Equity:**

**Was this item identified as an opportunity to apply the Racial Equity Toolkit?**

No

**Prior Board Actions:**

N/A

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY24-25 Adopted</b>	<b>FY25-26 Projected</b>	<b>FY26-27 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested			
<b>Total Expenditures</b>			
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
<b>Total Sources</b>			

**Narrative Explanation of Fiscal Impacts:**

There is no fiscal impact related to this item.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

N/A

**Attachments:**

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Attachment 1 - Medi-Cal and Drug Medi-Cal Provider Contracts

**Related Items “On File” with the Clerk of the Board:**

None