



*Established in 1991, UCC serves as the representative voice for state legislative advocacy for high-population counties in California. Initially composed of seven counties, the association has grown to 14 today. Just over 80 percent of the state's population reside in UCC counties. Consequently, urban counties carry out critical programs and services to the state's most vulnerable populations. For more information, including details on our Board of Directors, please visit [our website](#).*

## July 25, 2023

### **Publishing Note: Schedule for Legislature's Summer Break**

Please note that during the Legislature's summer break, we will be publishing our update on a less-than-weekly basis. Unless something exceptionally consequential happens between now and mid-August, look for our next newsletter at some point during the week of August 7 in which we will provide a preview of the Legislature's remaining four weeks of session; the focus during the last month will be fiscal hearings and then several weeks of floor sessions to determine which measures end up on the Governor's desk for his review and action. Members return to Sacramento on Monday, August 14.

### **Governor Newsom Signs Remaining Bills in 2023-24 Budget Package**

During the Legislature's final week of session prior to breaking for summer recess, Governor Gavin Newsom was joined by legislative leaders when he **approved** the remaining bills in the 2023-24 budget package, including bills comprising the infrastructure package that was the key sticking point in budget negotiations. In addition, the Department of Finance has released its annual **summary** of the enacted state budget. We understand from leadership staff that additional budget-related measures will emerge in August or September when the Legislature returns from summer recess.

Click [here](#) to review the June Budget Package: 2023-24 Budget Bills and Trailer Bills.

For a summary of the main elements of budget and trailer bills, refer to this [document](#).

## **Next Steps for Governor's Behavioral Health Modernization Proposal; LAO Releases its Initial Response**

When members return in August, the Legislature will be holding special hearings to discuss the Administration's behavioral health modernization proposal (**SB 326**, Eggman) and proposed housing/behavioral health infrastructure bond (**AB 531**, Irwin). The Senate Health Committee is having an informational hearing on August 16, and the Assembly Health and Assembly Housing Committees are holding a joint hearing on August 22. The two Assembly committees will convene on the afternoon of August 22 to formally vote on SB 326. Based on recent conversations with the Governor's Office, the Administration is anticipating several sets of amendments to both measures in the coming weeks.

In related news, the Legislative Analyst's Office released an **analysis** in mid-July of the behavioral health modernization proposal. In brief, the LAO recommends rejecting the Governor's proposal to reduce allowable county reserves; suggests that the Legislature consider ways to address MHSA revenue volatility head on, including exploring the applicable tax base or revenue source; and presents a number of questions about the sufficiency of the Administration's justification for the proposed reforms, including whether behavioral health outcomes would be improved, how the proposal interacts with other major initiatives intended to serve individuals experiencing homelessness and behavioral health conditions, and what may be the specific impacts on individual counties.

### **Medi-Cal Updates from DHCS' July 20 Stakeholder Advisory Committee**

The Department of Health Care Services (DHCS) Medi-Cal Stakeholder Advisory Committee (**SAC**) met on July 20 and discussed several initiatives currently occurring at DHCS and within the Newsom Administration. The following summarizes key highlights from that meeting.

#### **Behavioral Health Modernization**

The Administration provided an update on the behavioral health modernization proposal and changes since the March discussion. SAC members asked several questions, including how DHCS is assessing the current behavioral health system of care and the potential impacts of the proposed approach by the Administration to reform the Mental Health Services Act (MHSA). Concerns were raised about including substance use disorder without additional resources.

DHCS Director Michelle Baass responded that DHCS is trying to get direct feedback on what may not be prioritized under proposal. She also noted that the Administration is proposing to change the three-year planning process to

have an integrated picture that will best permit evaluation of how to blend, braid, and leverage dollars not currently part of the conversation.

Other stakeholders raised concerns about impacts on equity populations, how to better develop thinking around using residential 24-hour treatment (beyond the current model of crisis intervention and housing), whether there currently is too much flexibility on county expenditures, the impacts to youth, lack of clear guidance on setting aside funds to continue critical current programs, and the need for SUD workforce.

### **Managed Care Organization Tax**

Stakeholders asked if there are end dates to the rate increases being funded with the Managed Care Organization (MCO) tax. DHCS responded that there are not, but that further conversations would take place after six years. DHCS is assuming that the MCO tax will be renewed after three years, but at a lower level, so work will need to be done to address the difference in available revenue as a result.

### **Justice-Involved Initiative**

DHCS released draft guidance on the Justice-Involved Initiative in June, and the comment period has since closed. DHCS expects to finalize guidance later this summer. Applications for round three of the PATH justice-involved capacity building program funds are now available with a July 31, 2023 deadline. DHCS also is circulating a technical assistance survey for correctional facilities and county behavioral health departments.

Stakeholders raised concerns about the effectiveness of the handoffs, including county health in the engagement, conflicting billing guidance, and identifying people for in-reach. The majority of people in county correctional facilities are there for less than a 90-day stay, so in these instances, counties will need to think through how to address the needs of this population within a reduced timeframe.

### **Medi-Cal Redeterminations**

DHCS shared initial information on Medi-Cal redeterminations based on renewal process data from June 2023. Each month approximately 1 million people will need to be redetermined; DHCS is estimating 26 percent of enrollees can be auto-renewed.

For the month of June, 81 percent of eligible renewals returned their packet. Twenty-one percent were disenrolled, mainly for not returning the packet. Of the 21 percent whose coverage was terminated, around 199,000 of those were for “procedural” reasons, meaning they didn’t send their enrollment packets back or didn’t send all of the necessary information along. There is a 90-day

appeal opportunity, and the state expects that the disenrollment numbers will be closer to 17 percent.

### **Health Plan Transitions and Status of Readiness for 2024**

At its last meeting, the SAC discussed managed care plan readiness. During the July meeting, they focused on continuity of care. All managed care plans (MCPs) are subject to operational readiness for 2024, which entails a full review of readiness deliverables. DHCS is conducting a deep dive of high priority MCPs: new market, substantial new members, capacity and staffing. DHCS sought feedback and released policy guidance on member enrollment and continuity of care components. The oversight and monitoring chapter is forthcoming. All members required to transition MCPs by January 1, 2024 are eligible for continuity of care protections using policy levers.

The Behavioral Health Stakeholder Advisory Committee met in the afternoon and received updates on the new Contingency Management benefit, Behavioral Health Bridge Housing (BHBH), Behavioral Health Continuum Infrastructure Program (BHCIP), and documentation redesign.

### **Contingency Management**

Through the CalAIM 1115 demonstration, California is the first state in the nation to cover contingency management. Twenty-four counties are participating in the Recovery Incentives Program (referred to as Contingency Management or CM); all of these counties are part of the Drug Medi-Cal Organized Delivery System waiver. Participants earn a maximum of \$599 over the 24-week period in the form of gift cards, and they receive incentives for testing negative for stimulants only - even if they test positive for other drugs. To date, Los Angeles, Kern, Riverside, Fresno, and San Francisco are currently providing CM. DHCS is initially financing the non-federal share with federal DHCS Home and Community Based Services (HCBS) spending plan funds. Those HCBS funds must be spent by March 31, 2024. If they elect to participate after the pilot period ends, the counties themselves will be responsible for covering the non-federal share of services, administrative costs, and incentives associated with CM.

Stakeholders noted a very rocky start to the program and significant delays; however, patient feedback has been positive. Stakeholders also asked whether the evaluation would look at racial disparities – including who is offered the program and who participates and whether the participation numbers are low. (DHCS noted 188 enrollees since the first site went live in early April.) Additional questions included what happens when the HCBS funds expire and how that will impact planning and delivery.

### **Behavioral Health Bridge Housing (BHBH)**

DHCS is projecting 8,000 total beds will be funded through BHBH. The Administration is envisioning that the MHSR reform will provide sustainable funding for BHBH in the long-term. Thirty-nine counties have initially received awards. Cohort 1 CARE Act counties are being prioritized among 39 counties. Additionally, \$50 million will be for tribal entities for BHBH; DHCS is anticipating making awards in November to tribes. The remaining \$500 million will be competitive rounds of funding. DHCS will release more information later this fall or early winter.

Stakeholders asked how this program fits with future funds and initiatives and what managed care plans are doing with housing. Additionally, stakeholders cautioned about stretching the funds for too short of a length of stay and instead urged the state to focus on keeping people housed until they can get permanent housing. They also asked about how to address recovery housing to assure that the housing does not discriminate against people on methadone or buprenorphine. Stakeholders also advocated for including board and care homes. DHCS noted that they have seen board and care patches as a heavy component for many counties in their BHBH plans. Stakeholders also asked to make sure that the justice-involved population is getting access to housing services.

**Behavioral Health Continuum Infrastructure Program (BHCIP) Update**

DHCS has awarded five of the six rounds of BHCIP funding. The sixth round, focused on unmet needs, is under development. DHCS anticipates releasing the RFA in January 2024, with award announcements in July 2024.

Stakeholders asked for more information about facilities focused on children and youth – how many have been approved and the projected opening dates; whether IMDs and locked facilities are included; how to improve the process and reporting once grants are approved; how the department is identifying unmet need in relation to Round 6; long-term accountability on how facilities are used, who benefits from them, and whether Medi-Cal beneficiaries benefit; and whether funding is going to law enforcement.