



May 26, 2023

Mr. Joe Stephenshaw, Director
Department of Finance
1021 O Street, Suite 3110
Sacramento, CA 95814

Honorable Nancy Skinner, Chair
Senate Committee on Budget and Fiscal Review
1020 O Street, Room 8630
Sacramento, CA 95814

Honorable Phil Ting, Chair
Assembly Committee on Budget
1021 O Street, Suite 8230
Sacramento, CA 95814

**RE: Governor’s Budget Proposal for County Behavioral Health Payment Reform Funding:
Request to Approve**

Dear Director Stephenshaw, Chair Skinner, and Chair Ting:

On behalf of the County Behavioral Health Directors Association of California (CBHDA), California State Association of Counties (CSAC), Urban Counties of California (UCC), Rural County Representatives of California (RCRC), California Alliance of Child and Family Services (CACFS), California Council of Community Behavioral Health Agencies (CBHA), California Opioid Maintenance Providers (COMP), California Association of Social Rehabilitation Agencies (CASRA), California Association of Alcohol and Drug Program Executives, Inc (CAADPE), and Telecare Corporation, we urge you to approve the Administration’s January Budget proposal for \$375 million state general fund to ensure that county behavioral health payment reform can be implemented by July 1st as planned by the Administration.

Behavioral health payment reform is a cornerstone of the CalAIM initiative and will transform how all Medi-Cal specialty mental health and substance use disorder treatment services are funded through

our county behavioral health plans. Reimbursement will shift for the first time in decades, from a cost-based reimbursement system to a fee-for-service plan rate structure. In addition, counties will shift financing from a system of upfront payment and reconciliation with the state (a process that can take place over a decade), to funding that is based on monthly claims. This monthly claim process requires counties to fund intergovernmental transfers prior to the submission of claims. Therefore, counties will require state general funds to mitigate the risk of counties simply running out of monthly cash to pay for these Medi-Cal claims.

In addition, counties do not have the ability to unilaterally redirect MHSA funding. Counties would need to apply MHSA funds according to the MHSA components and community priorities approved in three and five-year plans, and would not have the ability to spread those funds flexibly to ensure the overall Medi-Cal program expenditures are funded. In other words, MHSA funds are not specifically earmarked as a source of non-federal share for all Medi-Cal services and would still need to be approved through the local stakeholder process and spent according to MHSA components and plans.

Without the assistance of state general funds to ensure adequate cash flow as we transition to a new Medi-Cal financing mechanism (i.e., CPE to IGT) and payment methodology (cost-based to FFS), many counties will not have sufficient cashflow to ensure payment to providers. In the midst of a behavioral health crisis, and with the launch of CARE Court and the new mobile crisis benefit looming, the last thing we believe policymakers will want to see is a safety net that is unable to pay its providers. We urge support for the Administration's request for \$375 million in state general fund to support county behavioral health payment reform.

Sincerely,



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