Lunch and Learn: Updates on Recent Federal Approvals for BH-CONNECT

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Background

Federal Approvals to Transform Behavioral Health Care in Medi-Cal: In mid-December, the Department of Health Care Services (DHCS) received approval from the Centers for Medicare & Medicaid Services (CMS) for the transformative BH-CONNECT initiative. BH-CONNECT grows out of our understanding of the lived experience of Californians with behavioral health needs and data-driven analysis of available services.

- BH-CONNECT seeks to transform California's behavioral health delivery system by expanding access to highly effective community-based services, strengthening the behavioral health workforce, and ensuring Medi-Cal members receive high quality care.
    - CMS approved key elements of BH-CONNECT through a new Section 1115 demonstration and a series of new State Plan Amendments (SPAs).
- As part of the BH-CONNECT Section 1115 approval, CMS also approved Transitional Rent services to ensure members going through vulnerable periods are stabilized, reducing their risk of returning to institutional care or experiencing homelessness.
- California also received approval to ensure eligibility for reentry services conforms with new federal rules and to align the provision of several Community Supports with CMS' updated health-related social needs (HRSN) services framework through updates to the CalAIM Demonstration.

Why BH-CONNECT?

- BH-CONNECT is at the center of an historic, multi-pronged initiative to transform and improve behavioral health services for California residents living with significant behavioral health needs.
- Prior to BH-CONNECT approval, California already had invested nearly $15 billion in state funds and launched landmark policy reforms to improve access and strengthen the continuum of care:
    - The California Advancing and Innovating Medi-Cal (CalAIM) includes policy and delivery system changes to transform Medi-Cal behavioral health to a more seamless system.

    - The Children and Youth Behavioral Health Initiative (CYBHI) is a historic investment to enhance, expand and redesign the systems that support behavioral health for children and youth.
    - The Behavioral Health Transformation (BHT) initiative, which Californians voted to pass in March 2024 as Proposition 1, works to modernize the broader public behavioral health delivery system, improve accountability and transparency, and expand the capacity of behavioral health care facilities.
    - The Behavioral Health Continuum Infrastructure Program (BHCIP) and the Behavioral Health Bridge Housing (BHBH) Program spur investments in infrastructure and new housing settings.
    - DHCS is strengthening the behavioral health crisis care continuum, including implementing mobile crisis services and the 988 Suicide and Crisis Lifeline.
- BH-CONNECT is a linchpin for this broader effort, offering sustainable financing for transformation initiatives through a combination of a Medicaid 1115 demonstration, new SPAs, and updates to state guidance.

Goals of BH-CONNECT: BH-CONNECT aims to:

- Expand the continuum of community-based services and evidence-based practices (EBPs) available through Medi-Cal for children, youth and adults living with mental health and substance use disorders (SUD).
- Strengthen family-based services and supports for children and youth living with significant behavioral health needs, including children and youth involved in child welfare.
- Incentivize behavioral health plans (BHPs) to improve access, health outcomes, and invest in delivery system reforms to better support Medi-Cal members living with significant behavioral health needs.
- Strengthen the workforce needed to deliver community-based behavioral health services and EBPs to members living with behavioral health needs.
- Access federal funds for short-term stays in facility-based care, but only for BHPs that commit to providing robust community-based services and meeting quality of care standards for such stays.
- Promote transitions out of facility-based care and support successful transitions to community-based care settings and community reintegration.
- Promote improved health outcomes, community integration, treatment and recovery for individuals who are homeless or at risk of homelessness and experiencing critical transitions.
- Improve stability for members going through vulnerable periods (including, but not limited to those living with significant behavioral health issues) through transitional rent services, reducing their risk of returning to institutional care or experiencing homelessness.

Key BH-CONNECT Federal Approvals:

- Section 1115 Demonstration Approvals:
  - Workforce Initiative
  - Activity Funds
  - Access, Reform and Outcomes Incentive Program
  - Community Transition In-Reach Services
  - Short-term Inpatient Psychiatric Care, including in Institutions for Mental Disease (IMDs)
  - Transitional Rent (Transitional Rent coverage will be available in the Medi-Cal Managed Care delivery system.)
- SPA Approvals:
  - Assertive Community Treatment (ACT)
  - Forensic ACT (FACT)
  - Coordinated Specialty Care for First Episode Psychosis (CSC for FEP)
  - Clubhouse Services
  - Individual Placement and Support (IPS) Model of Supported Employment
  - Enhanced Community Health Worker (CHW) Services

Other Components of BH-CONNECT: Leveraging Existing Authorities & State-Level Guidance:

- Centers of Excellence to support fidelity implementation of EBPs
- Clarification of coverage of evidence-based child and family therapies, including Multisystemic Therapy, Functional Family Therapy, Parent-Child Interaction Therapy, and High Fidelity Wraparound
- CANS Alignment
- Initial joint child welfare/specialty mental health visit
- County Child Welfare Liaison role within MCPs
- Implementation of CMS milestones related to quality of care for patients of inpatient and residential facilities

Behavioral Health: Section 1115 Demonstration Approvals

Activity Funds: Activity Funds will cover the costs of activities and items to support the health and wellbeing of children and youth involved in the child welfare system.

- Activity Funds will enable eligible children and youth in the child welfare system to participate in activities that support and promote inclusion in the community and promote improved physical and behavioral health outcomes.
- To qualify for Activity Funds, a child or youth must have a behavioral health condition or be at high risk for a behavioral health condition and be currently or formerly involved in the child welfare system.
- Activity Funds may cover the costs of the following types of activities:
    - Physical wellness activities and goods that promote a healthy lifestyle (e.g., sports club fees and gym memberships; bicycles, scooters, roller skates and related safety equipment)
    - Strengths-developing activities (e.g., music and art lessons, therapeutic summer camps)

Workforce Initiative: The Workforce Initiative will support the training, recruitment and retention of behavioral health practitioners to provide services across the continuum of care. Recipients of workforce funding will commit to serving Medi-Cal members living with significant behavioral health needs for 2-4 years.

Between 2025 and 2029, in partnership with the Department of Healthcare Access and Information (HCAI), DHCS will invest up to $1.9 billion in five workforce programs:

1. Medi-Cal Behavioral Health Student Loan Repayment Program

    - Licensed, prescribing behavioral health practitioners are eligible for up to $240k in loan repayment.
    - Non-prescribing licensed or associate level pre-licensure practitioners are eligible for up to $180k.
    - Non-licensed, non-prescribing practitioners including Counselors, Community Health Workers, Peer Support Specialists and Wellness Coaches are eligible for up to $120k.

2. Medi-Cal Behavioral Health Scholarship Program

    - Individuals participating in educational programs to become licensed, prescribing behavioral health practitioners are eligible for up to $240k in scholarship funding.
    - Individuals participating in educational programs to become non-prescribing licensed practitioners are eligible for up to $180k.
    - Individuals participating in educational programs to become non-prescribing, non-licensed practitioners are eligible for up to $120k.

3. Medi-Cal Behavioral Health Recruitment and Retention Program

    - Eligible “safety net” settings* may receive funding to:
        - Provide recruitment bonuses of up to $20,000 and retention bonuses of up to $4,000 each

    - Provide bonuses of up to $50,000 per individual to support students completing required training in advance of their final year of education
    - Provide up to $1,500 per practitioner to cover licensing or certification fees
    - Support supervision hours of pre-licensure or pre-certificate practitioners (up to $35,000 per year)
    - Cover backfill costs to support behavioral health practitioners receiving training in EBPs (between $250 and $750 per practitioner per day)

4. Medi-Cal Behavioral Health Community-Based Provider Training Program

    - Training programs may receive up to $10,000 per individual to train Alcohol or Other Drug Counselors, Community Health Workers and Peer Support Specialists.

5. Medi-Cal Behavioral Health Residency Training Program

    - Residency and fellowship programs can receive up to $250,000 per slot per year to expand residencies or fellowships.

* Eligible settings include rural hospitals with 30% Medi-Cal and/or uninsured population and other hospitals and behavioral health settings with a 40% or higher Medi-Cal and/or uninsured population.

Access, Reform and Outcomes Incentive Program: The Access, Reform and Outcomes Incentive Program will incentivize participating BHPs for improving access to behavioral health services and outcomes among Medi-Cal members living with significant behavioral health needs and making targeted behavioral health delivery system reforms.

- Participating BHPs may earn incentive payments over the 5-year demonstration period, with a total of $1.9B available to be earned among all participants.
- BHPs will be eligible to earn incentive payments for improving on measures in three key areas of focus:
    - 1. Improved access to behavioral health services (up to $850 million*): timely access to services, increased utilization of community-based services and evidence-based practices.
    - 2. Improved health outcomes and quality of life (up to $800 million*): improved performance on select behavioral health quality measures**, improved outcomes among members participating in certain services (e.g., ACT, IPS Supported Employment, Clubhouses).
    - 3. Targeted behavioral health delivery system reforms (up to $250 million*): reductions in county-specific quality improvement gaps, improved data sharing, improved crisis services capacity.
- To participate, BHPs must meet the following requirements:
    - In 2024, BHPs must have completed a self-directed assessment with the National Committee for Quality Assurance (NCQA) on NCQA's Managed

Behavioral Healthcare Organization (MBHO) standards. The assessment evaluated performance on managed care, quality improvement, and care coordination capabilities. 45 BHPs completed the assessment.
    - To earn incentive payments related to the implementation of key EBPs, BHPs must cover and implement ACT, FACT, CSC for FEP, Clubhouse Services, IPS Supported Employment, Peer Support Services, and/or Enhanced CHW Services.
- DHCS will assess whether BHPs are meeting performance requirements and distribute earned incentives on an annual basis. The first incentive program submission related to addressing gaps identified in the NCQA MBHO assessment will be due in June 2025.
- Any unearned incentive payments will be placed in a high-performance pool. To earn high-performance payments, BHPs must meet higher standards of access and outcome improvements.

*Total incentive dollars available to be earned among participating BHPs over the five-year demonstration period.

** Healthcare Effectiveness Data and Information Set (HEDIS) measures in alignment with Medi-Cal Behavioral Health Accountability Set and Medicaid Core Set reporting.

Community Transition In-Reach Services: Community Transition In-Reach Services provide transitional care management services to support individuals living with significant behavioral health needs who are returning to the community after long-term stays in inpatient, subacute, and residential facilities (including IMD settings).

- Participating BHPs will have the option to establish community-based, multi-disciplinary care transition teams that provide intensive pre- and post-discharge care planning and transitional care management services, for up to 180 days prior to discharge.
- The Community Transition In-Reach Services will support individuals living with significant behavioral health conditions who are experiencing or at-risk for long-term stays in institutional settings in returning to the community.
- Qualifying BHPs (see below) may provide Community Transition In-Reach Services in inpatient, residential, or subacute settings, including IMDs.

Qualifying BHPs must meet the following criteria and be approved by DHCS:

- Submit a plan to DHCS to describe how they will assess availability of mental health and/or SUD services and housing options and ensure an appropriate behavioral health continuum of care;
- Track and report data and trends in the number and utilization of beds across inpatient, subacute, and residential facilities; and

- Provide ACT, FACT, and Individual Placement and Support model of Supported Employment and Peer Support Services.

Federal Funding for Care Provided in IMDs: Under the SMI Program, BHPs can receive federal financial participation (FFP) for services provided to adult Medi-Cal members during short-term stays in IMDs.

- To participate, BHPs must:
    - Cover a "full suite" of BH-CONNECT EBPs;
        - Full Suite of EBPs for IMD Option
            - ACT
            - FACT
            - CSC for FEP
            - IPS Supported Employment
            - Enhanced CHW Services
            - Peer Support Services, including Forensic Specialization
    - Use FFP received for IMD services to support services and activities that benefit Medi-Cal members living with behavioral health needs; and
    - Meet federal and state requirements to ensure that IMDs are used only when there is a clinical need and that facilities meet quality standards.
- BHPs may "opt in" on a rolling basis during the 5-year demonstration.

* The IMD opportunity is limited to stays that are no longer than 60 days, with a requirement for a statewide average length of stay of 30 days.

Behavioral Health: SPA Approvals

BH-CONNECT EBPs: In addition to the Section 1115 demonstration, CMS approved key SPAs to expand coverage of EBPs available under Medi-Cal. EBPs are available at county option. Counties may begin covering these services on a rolling basis over the course of the demonstration period. DHCS is developing a case rate or bundled payment to streamline and standardize reimbursement for these EBPs, where applicable.

EBPs Available Across SMHS/DMC/DMC-ODS	Description

Enhanced CHW Services *Approved 12/13*	**Community Health Worker (CHW) Services** are preventive services delivered by trusted community members to prevent disease, disability and other health conditions or their progression; to prolong life; and promote physical and mental health and efficiency. California currently delivers CHW services throughout the Medi-Cal Managed Care system; the new SPA will ensure CHWs can also be reimbursed in specialty behavioral health delivery systems. CHW services covered by specialty behavioral health delivery systems for individuals that meet access criteria for Drug Medi-Cal (DMC), Drug Medi-Cal Organized Delivery System (DMC-ODS), or Specialty Mental Health Services (SMHS) will be called "Enhanced CHW Services."
IPS Supported Employment* *Approved 12/18*	**The Individual Placement and Support (IPS) model of Supported Employment** supports recovery of individuals living with significant behavioral health needs by helping individuals find and maintain paid competitive jobs through vocational assessment, job-finding assistance and skills training.

Note: Beginning July 2026, counties must offer IPS Supported Employment under BHT (Proposition 1).

EBPs Available In SMHS Only	Description
ACT* and FACT* *Approved 12/20*	**Assertive Community Treatment (ACT)** is widely considered to be the most effective community-based treatment option for many individuals living with significant mental health needs and the greatest level of functional impairment. ACT provides a person-centered, comprehensive approach to care delivered by a multidisciplinary team. **Forensic Assertive Community Treatment (FACT)** builds upon the evidence-based ACT model by making adaptations and training providers to address the needs of justice-involved individuals.

CSC for FEP* *Approved 12/20*	Like ACT, **Coordinated Specialty Care (CSC)** for **First Episode Psychosis (FEP)** is a team-based, comprehensive community-based treatment option that is tailored for individuals experiencing a first psychotic episode.
Clubhouse Services *Approved 12/20*	**Clubhouses** are rehabilitative programs that offer a physical location for people living with significant behavioral health needs to build relationships, engage in work and education activities, and receive supportive services.

Note: Beginning July 2026, counties must offer ACT, FACT, and CSC for FEP under BHT (Proposition 1).

Behavioral Health: Leveraging Existing Authorities & State-Level Guidance to Support Children & Youth

Other BH-CONNECT Components to Support Children & Youth: Under existing federal Medicaid authorities as well as other means, DHCS will strengthen family-based services and supports for children and youth living with significant behavioral health needs, including children and youth involved in child welfare.

- Establishment of an initial joint child welfare/specialty mental health visit at the entry point into child welfare, to conduct a comprehensive behavioral health assessment and connect the family to appropriate services.
- DHCS began requiring the Child Welfare Liaison within managed care plans (MCPs) in 2024. The Child Welfare Liaison is designed to be the point of contact for child welfare departments and to advocate on behalf of members involved in child welfare to ensure the needs of members involved with child welfare and foster care are met.
- Clarification of coverage requirements for EBPs for children and youth to support community-based care and avoid unnecessary inpatient and residential treatment, including for Multisystemic Therapy (MST), Functional Family Therapy (FFT), Parent-Child Interaction Therapy (PCIT), and High Fidelity Wraparound (see following slides).

BH-CONNECT Children & Youth EBPs: DHCS will clarify existing coverage requirements for four EBPs for children, youth, and families pursuant to the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit.

EBP	Description
Functional Family Therapy (FFT)	**FFT** is an effective, short-term, family-based, proprietary counseling service which seeks to empower families to solve their own problems through growth and change. FFT is designed for young people (ages 10-18) who are at risk of, or have been referred for, behavioral or emotional problems (e.g., delinquency, substance use).
Multisystemic Therapy (MST)	**MST** is an intensive, evidence-based, family-driven, proprietary treatment model for youth (ages 12 to 17 years old) who are involved in the juvenile justice system or who are at risk of out-of-home placement due to a history of delinquent behavior. This service emphasizes cultural responsiveness and the centering of home and community settings, as well as partnership with law enforcement and the juvenile justice system.
*The **EPSDT** benefit is a requirement for all state Medicaid programs. All children under the age of 21 enrolled in Medicaid are entitled to receive any Medicaid-coverable service in any amount that is medically necessary, regardless of whether the service is covered in the State Plan.*	

EBP	Description
Parent-Child Interaction Therapy (PCIT)	**PCIT** is an evidence-based, short-term treatment designed to foster the well-being of children and families of all cultures by teaching parents' strategies that will promote positive behaviors in children and youth (ages 2 to 7) who exhibit challenging behaviors such as defiance and aggression.
High Fidelity Wraparound (HFW)	**HFW** is a team-based and family-centered evidence-based practice that includes an “anything necessary” approach to care for children/youth living with the most intensive mental health or behavioral challenges. HFW is regarded as an alternative to out-of-home placement for children with complex needs, by providing intensive services in the family’s home and community.

*The **EPSDT** benefit is a requirement for all state Medicaid programs. All children under the age of 21 enrolled in Medicaid are entitled to receive any Medicaid-coverable service in any amount that is medically necessary, regardless of whether the service is covered in the State Plan.*

Note: Beginning July 2026, DHCS will implement HFW both as a statewide bundled service under Medi-Cal SMHS and as a county requirement under BHT (Proposition 1).

Implementation Timeline: DHCS will implement the BH-CONNECT demonstration using a phased approach beginning January 2025. BHPs and MCPs may opt in to participate in select initiatives on a rolling basis.

January 2025 (Demonstration Effective)

- BHPs opt-in on a rolling basis: IMD opportunity, BH-CONNECT EBPs, Community Transition In-Reach Services
- Launch Access, Reform and Outcomes Incentive Program
- Develop guidance on evidence-based family therapies
- Identify Centers of Excellence to support training and fidelity monitoring

July 2025

- Launch Activity Funds
- Launch Workforce Initiative
- Implement initial joint child welfare/behavioral health visit
- MCPs may cover Transitional Rent as an optional benefit

January 2026

- MCPs must cover Transitional Rent as a mandatory benefit for Behavioral Health Population of Focus. Coverage for other eligible populations remain optional

December 2026

- Implement service to track availability of inpatient and crisis stabilization beds

Evaluation: Consistent with CMS requirements for Section 1115 demonstrations, the BH-CONNECT demonstration will undergo an independent evaluation.

- The evaluation must examine impacts on access to and quality of care, utilization of services, and health outcomes.
- Components of the demonstration that are tailored to specific populations must include an assessment on whether the programs improved quality of care outcomes and access to health care for the targeted population while promoting desired administrative and fiscal efficiencies.

- Research questions and hypotheses will include, but are not limited to:
    - Long-term effects on behavioral health workforce staffing and retention
    - Improvements in access to and utilization of behavioral health care for Medi-Cal members and members' health outcomes
    - Utilization and length of stay in emergency departments, reductions in preventable readmissions to acute care hospitals and residential settings, increases in availability of crisis stabilization services, and improved care coordination
    - Discharges from residential settings into community/outpatient settings, admissions to acute level of care, and members' access to care and improved care coordination