Public SUD/DMC Finance Overview, Issues & Updates

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CIBHS Fiscal Leadership Institute
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Agenda

1. Overview: SUD funding streams

2. Hot issues/Updates
   - SABG “Reform”
   - DMC-ODS compliance
   - Federal OIG Audit of CA SUD Programs

3. Resource pages
OVERVIEW: SUD FUNDING STREAMS

California County Behavioral Health Funding

The money comes from a variety of sources.

- Federal Mental Health Medicaid Matching Funds: $3.04 billion
- Mental Health Services Act: $1.77 billion
- 2011 Realignment: $1.39 billion
- 1991 MH Realignment: $1.31 billion
- Federal SUD Medicaid Matching Funds: $990 million
- Federal SA/FT Block Grant: $215.6 million
- Other (MH Block Grant, County MOE, County GF): $212.8 million
- State General Fund: $102.7 million

Estimated using FY 2017-18 CA state budget and related sources, November 2018
Primary Funding Sources for Substance Use Disorder Services

- **2011 Realignment – Behavioral Health Sub Account**
  - 2011 Realignment Behavioral Health Growth Special Account

- **Federal Substance Abuse Prevention & Treatment Block Grant (SABG)**

- **Federal FFP reimbursement for Drug Medi-Cal**

- **State general funds**
  - ACA expansion population and specific DMC-ODS services
2011 Realignment BHS for SUD

• DMC benefit realigned to counties; obligation to administer all Medicaid state plan services and supply non-federal share
  • See Information Notice 18-009
• SUD services for the EPSDT population included (though not explicitly)
  • See Information Notice 16-063
• BHS funds may also be used for non-DMC SUD program costs, e.g. drug court treatment services
• DMC claims are one component of 2011 BHS allocation methodology
• Counties have discretion over the proportion of BHS funds they use for SUD vs. SMH

DMC State General Funds (SGF) and Federal Financial Participation (FFP)

• FFP accounts for more than two-thirds of DMC program expenditures
• SGF is roughly 10 percent and is available for:
  • Medi-Cal ACA expansion population
  • Specified DMC-ODS services
    • Residential
    • Intensive Outpatient Treatment
• Proportion of FFP and SGF will vary by county
• Will SGF investment and FFP percentage grow with DMC-ODS implementation?
Drug Medi-Cal Expenditures

Source: California State Budget (FY 19-20 Proposed) - April 2019

<table>
<thead>
<tr>
<th></th>
<th>Drug Medi-Cal 2018-19</th>
<th>Drug Medi-Cal 2019-20</th>
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<tr>
<td></td>
<td>(dollars in thousands)</td>
<td>(dollars in thousands)</td>
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<tr>
<td>Total:</td>
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<td>General Funds</td>
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<td>County Funds</td>
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<tr>
<td>Federal Funds</td>
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<td>$70,333</td>
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Federal Substance Abuse Prevention & Treatment Block Grant (SABG)

- SABG funds are awarded to the state of California, contracted to counties by DHCS, and subcontracted by counties to treatment providers to “plan, implement, and evaluate activities that prevent and treat substance use disorders.”
- Majority of funds are discretionary, with the following exceptions:
  - Primary prevention set-aside (federal)
  - Perinatal set-aside (federal)
  - Adolescent and Youth Treatment Program
  - Friday Night Live/Club Live
- Intended to supplement, not supplant, existing state funds – generally payer of last resort after DMC and 2011 Realignment BHS
- Statewide MOE required
HOT ISSUES & UPDATE

Substance Abuse Block Grant (SABG)
Distribution & Oversight Changes

- Key References:
  - IN 18-057: SABG New Reporting and Payment Processes
  - DHCS SABG Policy Manual v. 1
- SABG funding is a payer of last resort and cannot supplant DMC or other state funding of SUD prevention and treatment programs.
- DHCS has begun to implement a statewide corrective action plan (CAP) prompted by an audit of the Department’s management of federal SABG funds.
- Changes to SABG distribution and oversight processes will include:
  - Annual budgets and quarterly invoicing for SABG funds
  - More frequent fiscal audits (conducted by DHCS A&I team)
  - Updated contract language
  - Revision of SABG allocation methodology
- Many counties will need to adjust their SABG spending.
Allowable SABG Expenditures
(Discretionary) *See p. 15 of SABG manual

- Residential and nonresidential treatment
- Recovery support services
  - Room and board, infrastructure development, linkages to permanent housing
- Ancillary services
  - Assessment, case management, outreach/engagement, secondary prevention, transportation (when not otherwise funded), medical care for perinatal/pediatric populations
- Other required services (IVDUs, Tuberculosis)
- Administrative Services
- Resource Development
  - Planning, coordination, needs assessment, QA, training (post-employment), program development, research & evaluation, information systems

SABG Spending Prohibitions

Per federal regulations, SABG funds may NOT be expended on the following (p. 3-4 of SABG manual):

- Inpatient hospital services
- Cash payments to clients
- Most capital expenditures
  - No purchases of land, buildings, or major medical equipment; may permit minor improvements and some I.T. expenses
- “Financial assistance” to for-profit entities
- Injection supplies/needle exchange programs
- Salaries in excess of “Level 1 of the Executive Salary Schedule”
- Purchase of treatment services in “penal or correctional institutions”
- To match or “draw down” other federal funds
- To supplant state funding
SABG & Supplantation
*See pages 8 and H-13 of SABG manual

- Federal policy: “The Block Grant shall not be used to supplant state funding of alcohol and other drug prevention and treatment programs.”
- Federal policy: “… The Secretary requires the state not to use the Block Grant to supplant State funding of substance abuse prevention and treatment programs.”
- State explanation: “If SABG funds were spent on a SUD services that the county would have provided regardless of receiving SABG funding, the county supplaned state funds and violated the restrictions on expenditures found in 42 USC 300x-31.”

SABG Funding Hierarchy
*See Appendix F -1 in SABG manual

- Limited use of SABG for Medi-Cal eligible clients:
  - Services not covered by Medi-Cal or Medicare
  - Transitional Housing or Recovery Residences
  - Gaps in Medi-Cal eligibility

- Anything that can be retroactively billed to Medi-Cal should be!
  - This includes services rendered by providers awaiting certification.

- Spend Behavioral Health Subaccount (BHS) funds before spending SABG.
  - Note: BHS is primary resource for costs that exceed the DMC maximum allowance.

- Use set-asides before discretionary if appropriate.
SABG Indirect Cost Rates

• Unlike DMC, will not be capped at 15 percent

• Under federal regulation, subcontractors (subgrantees) may negotiate rate directly with federal agency or with state agency

• DHCS still to determine methodology
  • Proposal: adopt CA Dept. of Public Health negotiated rates

• CBHDA proposal: Allow counties to opt into using DPH rate or work with state to develop local SABG-specific rate

• For Q1 of 2019, counties should use current indirect cost rate methodology (per cost reports)

2019 Supplemental SABG Awards – Proposed Activities

• Prevention and Youth
  • Training and start-up costs for new EBPs
  • Town Hall meetings
  • Cannabis summit
  • Social media: stigma reduction, youth Tx
  • Expanded community-based screening & assessment

• Purchase early intervention curriculums

• Adult public education
  • Safe storage and disposal of medications
  • Cannabis

• Workforce development/training
  • motivational interviewing, relapse prevention, trauma-informed care, cognitive behavioral interventions, medication assisted treatment, and care coordination

• EHR reporting improvements
DMC-ODS Compliance

- Are DMC-ODS counties submitting DMC claims for all ODS services included in state-county contracts?

- Known challenges:
  - Physician consultation
  - Recovery services
  - Youth services

- May lead to corrective action and (eventually) sanctions
  - Enhanced financial reporting/monitoring
  - Removal from waiver participation

Federal OIG Audit of California SUD Programs

- U.S. Dept. of Health & Human Services Office of the Inspector General (OIG) = independent auditor

- Conducting review of federal expenditures within CA’s SUD treatment programs, inclusive of
  - Drug Medi-Cal
  - SABG

- Goal: examine state oversight and any “areas of potential risk and abuse”

- Will conduct audits and site visits with individual counties
ODS resource pages

- DHCS DMC-ODS homepage
- DMC-ODS STCs and CPE protocol
  - [http://www.dhcs.ca.gov/provgovpart/Pages/Special-Terms-and-Conditions.aspx](http://www.dhcs.ca.gov/provgovpart/Pages/Special-Terms-and-Conditions.aspx)
- DMC-ODS webinars
  - [https://www.dhcs.ca.gov/provgovpart/Pages/DMC_ODS_Webinars.aspx](https://www.dhcs.ca.gov/provgovpart/Pages/DMC_ODS_Webinars.aspx)
    - Includes presentation on ODS claiming and extensive 3-part fiscal overview
- Fact Sheets, FAQs, and Information Notices
  - [http://www.dhcs.ca.gov/provgovpart/Pages/FAQs_Fact_Sheets.aspx](http://www.dhcs.ca.gov/provgovpart/Pages/FAQs_Fact_Sheets.aspx)
    - Includes FAQs on billing and fiscal considerations
- CIBHS waiver trainings homepage
  - [https://www.cibhs.org/dmc-ods-waiver-trainings](https://www.cibhs.org/dmc-ods-waiver-trainings)
- CBHDA committee pages
  - [https://www.cbhda.org/members/](https://www.cbhda.org/members/)
    - SAPT
    - Medi-Cal Policy
    - Financial Services
DMC resource pages

- MHSUDS Information Notices (current & archived)
- Drug Medi-Cal Forms
  - http://www.dhcs.ca.gov/formsandpubs/forms/Pages/DMC-Forms.aspx
- SUD Directories
  - http://www.dhcs.ca.gov/provgovpart/Pages/SUD-Directories.aspx
    - Includes directories of county AOD Administrators and beneficiary access lines
- DMC Provider Billing Manual – April 2019
- DMC Title 22 Regulations
  - http://www.dhcs.ca.gov/services/adp/Pages/CA_Code_Regulations.shtml.aspx
    - Or try Title 22 Training (2016) or Title 22 FAQs
- SUD Cost Report Manual (Fall 2017) and DHCS Cost Report page
  - https://www.dhcs.ca.gov/provgovpart/Pages/Fiscal_Management.aspx

SABG resource pages

- Substance Abuse Block Grant (SABG) home page
  - https://www.dhcs.ca.gov/provgovpart/Pages/Substance-Abuse-Block-Grant-SABG.aspx
- Resources from DHCS webinars
  - July 26th 2018 Q & A:
  - October 1st 2018 Presentation:
- Important SABG Information Notices
  - 18-058: SABG Room & Board for Transitional Housing, Recovery Residences, & Residential Treatment
  - 18-057: SABG New Reporting and Invoicing Processes
  - 17-047: SABG Coverage Gaps in DMC and DMC-ODS Services
  - 17-013: Allocation of Funding for SUD PPFD, FY 2017-18
    - Attachments include allocation summary, funds exchange methodology, and spending periods
- DHCS SABG Policy Manual v. 1
ADDITIONAL QUESTIONS OR DISCUSSION?

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