

# Senate Bill 1335

## Improving Access to Drug Medi-Cal

*Senator Holly Mitchell, 30<sup>th</sup> Senate District*



### IN BRIEF

SB 1335 will make it easier for community health centers to provide substance use disorder treatment and medically necessary specialty mental health services to our most vulnerable communities. It will do this by providing Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) with an option to be reimbursed on a fee-for-service (FFS) basis rather than a prospective payment system (PPS) basis. In doing so, this bill will expand substance use disorder treatment and specialty mental health services at FQHCs and RHCs.

### BACKGROUND

Health centers are reimbursed for services rendered using an all-inclusive bundled rate called the Prospective Payment System (PPS). Current law permits Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) to carve pharmacy and dental services out of their PPS rates, allowing them to provide these services at fee-for-service (FFS) rates instead. SB 1335 would add Drug Medi-Cal (DMC) and Specialty Mental Health Program (MHP) services to the elective carve-out.

#### **What is the PPS Payment System?**

FQHCs are required to offer medical and behavioral health care to everyone, regardless of ability to pay. To better respond to the unique needs of individual communities, the scope of services offered to patients varies by individual FQHC sites.

To ensure that medically necessary services are available to qualified patients, and ensure that federal grants are not used to subsidize state Medicaid programs, Congress created a unique reimbursement methodology for FQHC's called PPS. PPS is an all-inclusive bundled per-visit reimbursement methodology that is based on a health centers total allowable costs at an individual site.

FQHCs are reimbursed at the PPS rate on a per-visit basis when a patient is treated by an eligible provider.

For FQHCs, who are the foundation of health care in low-income and uninsured communities, PPS has been a valuable program that has ensured health centers financial viability. However, due to the complex nature of the reimbursement methodology calculations, health centers are not adequately reimbursed for programs like Drug Medi-Cal and Specialty Mental Health, and therefore cannot reasonably offer those services.

#### **What is Drug Medi-Cal?**

The Drug Medi-Cal Treatment Program provides medically necessary substance use disorder treatment services. Last year, the federal Centers for Medicare and Medicaid Services (CMS) approved California's Drug Medi-Cal Organized Delivery System (DMC-ODS) Waiver amendment, which provides a continuum of care for substance use disorder treatment services. The DMC-ODS Waiver allows for local control of the DMC provider network and administration, and greatly expands DMC services.

#### **What are Specialty Mental Health Services?**

The Department of Health Care Services (DHCS) distinguishes between specialty mental health care and general mental health care. Specialty Mental Health Care is defined in the state's 1915b Mental Health Services Consolidation Waiver, whereas general mental health care can be provided by a general health care practitioner.

Specialty mental health care is under the purview of county Mental Health Programs (MHP), who contract with DHCS to provide medically necessary specialty mental health services.

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MHPs select and credential provider networks, negotiate rates, authorize services and pay for services rendered by specialty mental health providers. General mental health care remains under DHCS purview through managed care or fee for service Medi-Cal (MC/FFS).

### **Current Reimbursement for Behavioral Health Services**

All FQHCs provide behavioral health services, either directly or through contract. Most FQHCs provide behavioral health services by including the cost of those services in their PPS rate. If a patient visits a FQHC for medical care or behavioral health care, and is treated by a PPS eligible provider, the FQHC is reimbursed using their PPS rate.

### **ISSUE**

Thanks to the success of the Affordable Care Act, more people than ever are eligible for health care coverage programs like Medi-Cal and Drug Medi-Cal and have the ability to seek necessary care. To meet this need and ensure a proper continuum of care, FQHCs are vitally important.

However, due to the structure of PPS and rules that govern provider types eligible for reimbursement, FQHCs do not have flexibility to use the provider types who are proven to be most effective for substance use disorder treatment - peer support specialists, group counseling, drug abuse counselors, etc. In addition, PPS rules make it difficult to contract with counties for both DMC and MHP services.

This bill will clarify that FQHCs and RHCs can carve DMC and MHP services out of their PPS rate so they can provide these vital services using appropriately qualified providers and in partnership with county programs.

### **THE SOLUTION**

SB 1335 will add the Drug Medi-Cal Program (DMC) and county specialty mental health plan (MHP) services to the types of services for which federally qualified health centers (FQHCs) and rural health clinics (RHCs) may elect reimbursement on a fee-for-service (FFS) basis instead of the prospective payment system (PPS) basis.

### **SPONSORS**

California Primary Care Association  
Community Clinic Association of Los Angeles County  
Los Angeles County Board of Supervisors

### **SUPPORT**

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San Ysidro Health Center  
South Central Family Health Center  
The Coalition of Orange County

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TALKING POINTS

- A January 2015 report from the UCLA Center for Health Policy Research confirmed that community-based primary care is often the first line of defense for detection and treatment of mental health issues when it found that 70% of behavioral health conditions are first diagnosed in the primary care setting.
- SB 1335 will improve Californians' access to Substance Use Disorder treatment by eliminating a barrier which prevents community health centers from participating in the Drug Medi-Cal (DMC) and Specialty Mental Health programs.
- Under the Medi-Cal expansion and new DMC-ODS waiver, FQHCs are critically needed in the behavioral health continuum of care, but find it difficult to contract with counties, even when the counties want to contract with health centers.
- Such contracting also allows FQHCs to provide different types of services with different types of providers (i.e. peer support specialists; group counseling; drug abuse counselors) which may be more limited under the FQHC prospective payment system (PPS).
- SB 1335 will improve access to behavioral health service by providing legal certainty and clarify that FQHCs and RHCs can provide these important behavioral health services outside of the PPS rate.
- SB 1335 will add the Drug Medi-Cal Program (DMC) and county specialty mental health plan (MHP) services to the types of services for which federally qualified health centers (FQHCs) and rural health clinics (RHCs) may elect reimbursement on a fee-for-service (FFS) basis instead of the PPS basis, thereby expanding the services offered and provider types available at FQHCs and RHCs.
- PROVIDE REAL LIFE EXAMPLE FROM YOUR HEALTH CENTER.