March 7, 2023

Tyler Sadwith
Deputy Director, Behavioral Health
California Department of Health Care Services

RE: Behavioral Health Information Notice No.: 23-XXX

Sent via email to: BHFSOps@dhcs.ca.gov

Dear DHCS:

The California Alliance of Child and Family Services represents more than 160 community-based organizations throughout California that serve children, youth and families through behavioral health, education, foster care, prevention and juvenile justice programs. After a close review of the DHCS BHIN No.: 23-XXX, we emphasize three critical points in our letter: 1) the disadvantages of cost reconciliation; 2) the need to ensure that counties can use cost reconciliation *only* if there is a genuinely mutual agreement between the county and the provider that cost reconciliation is appropriate for the contracted program; and 3) the need for DHCS to very clearly set expectations of counties.

Some programs might benefit from reconciling program revenues to costs. These programs may be in a start-up phase or may have uncertain expenses and/or unpredictable service levels. Such programs include, for example, crisis services, enhanced care programs for youth with unmet complex needs and programs that deliver 24/7 care. However, these situations aside, there are several negative results of the cost reconciliation process. The cost reconciliation process can severely exacerbate the state's workforce crisis and undermine efforts to achieve network adequacy, provide access to services, and meet the varied behavioral health needs of California. When providers are reimbursed through cost reconciliation, they cannot predict their total reimbursement at the start of each fiscal year. This can prevent providers from increasing salaries to more competitive levels at the start of each fiscal year. Moreover, in some counties, the reconciliation process has been prolonged for years or even for more than a decade; these delays dramatically reduce any benefits associated with the process. In addition, cost-reconciled reimbursement denies providers the opportunity to retain any surplus they earn through program efficiencies. Counties have been instructed to create provider rates that balance positive and negative revenues across the array of programs and services. Cost reconciliation, even in one county, undermines a provider's ability to use these same strategies to ensure financial sustainability. These problems clearly undermine the goals of CalAIM.

In light of these critical disadvantages, counties should be permitted to use cost reconciliation and/or cost reporting only if the provider requests it -- through a genuinely collaborative decision-making process – and that these procedures are necessary in order to meet certain unique needs of the contracted program.

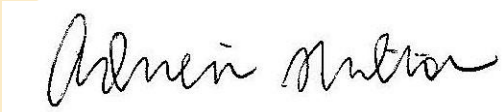
The draft policy creates a loophole with the following sentence: "However, if the financial arrangement advances the goals of CalAIM, MHPs, DMH/DMH/ODS counties may reconcile payments to a network provider with actual costs, and/or collect cost information from a network provider for services rendered after Behavioral Health Payment Reform is implemented." The CA Alliance recommends that the BHIN state more clearly that counties may not use cost reconciliation to determine final provider payments or use cost data to determine provider rates under CalAIM payment reform. We appreciate that the draft does state that counties may only use cost reconciliation and/or collect provider cost information if that arrangement is

"mutually agreed to" by the county and the provider. Nevertheless, in light of the differences in negotiating power and information asymmetry between counties and providers, and the critical importance of this issue, we request that the BHIN state this point more clearly. We recommend that the BHIN state that counties can use cost reconciliation only if the provider **requests** it. The phrase "mutually agreed to" implies that both parties have considered and negotiated nonessential contract provisions like cost reconciliation. In reality counites can add these provisions to contracts and providers generally believe they must accept the terms. Many behavioral health contracts include the budget, rates, and payment schedules together in financial exhibits, but information about the cost reporting and/or cost reconciliation processes are separate in the "boilerplate" parts of the contract. This leads many providers to believe they cannot negotiate those terms. The end result could be that a contract includes provider rates that were negotiated and agreed to with a planned surplus in the financial schedule but a cost reconciliation provision in the main contract that negates those rates.

Lastly, on page 2 of the BHIN in the first sentence under POLICY, the draft states: "DHCS expects counties to develop and implement local policies and procedures that reduce administration burden, reduce complexity, and increase flexibility for their network providers, consistent with the CalAIM goals listed above." We are concerned that this language is too vague and opens the door for counties to implement policies and procedures beneficial to their local programs but in conflict or detrimental to the broader system of care. We recommend that the language instead state, "DHCS will set clear standards and expectations for county processes and expects counties to develop and implement policies and procedures that align with and support CalAIM's goals to reduce administration burden, reduce complexity, and increase flexibility for their network providers." The many provider discussions taking place about payment reform have highlighted the fact that contracting and reporting processes vary widely across counties. The variation in contracting processes means that providers have to learn and follow policies that may actually conflict across counties.

The CA Alliance greatly appreciates the opportunity to offer feedback concerning the draft BHIN regarding the Elimination of Cost Reporting Requirements for Counties and Providers. We look forward to working with DHCS to help ensure that Payment Reform under CalAIM both reduces administrative complexity and supports the delivery of high-quality services. If you have any questions, please do not hesitate to reach out to ashilton@cacfs.org or 916-397-9405.

Respectfully,



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California Alliance of Child and Family Services