



SAPC DIRECTOR UPDATE - BEHAVIORAL HEALTH COMMISSION

Advancing Value-Based Care for the Specialty SUD System

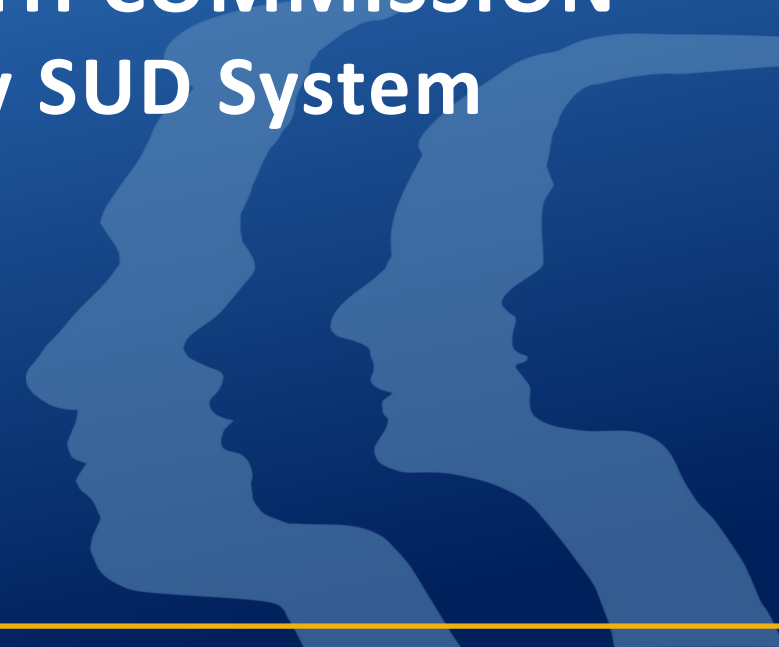
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Overview of Behavioral Health (BH) Payment Reform

- On July 1, 2023, counties across California implemented BH payment reform under the California Advancing and Innovating Medi-Cal (CalAIM) initiative.
- **One of the most significant changes to specialty substance use disorder (SUD) and mental health (MH) systems in decades, with significant changes at both the county (plan) level as well as at the provider agency level:**
 - Reimbursement Structure (moving from cost-based reimbursement to FFS)
 - Financing Mechanism (Intergovernmental Transfers; IGT)
 - Billing Codes (moving from HCPCS Level II to CPT/HCPCS Level I codes)
- **SAPC has the only specialty MH or SUD system in the State that has implemented a value-based reimbursement model**

SAPC's Key Goals for the Early Years of Payment Reform

1. Rates for the Future

- To set rates and establish capacity building and incentive funds that support the desired system of the future, and not just to support the system of today.

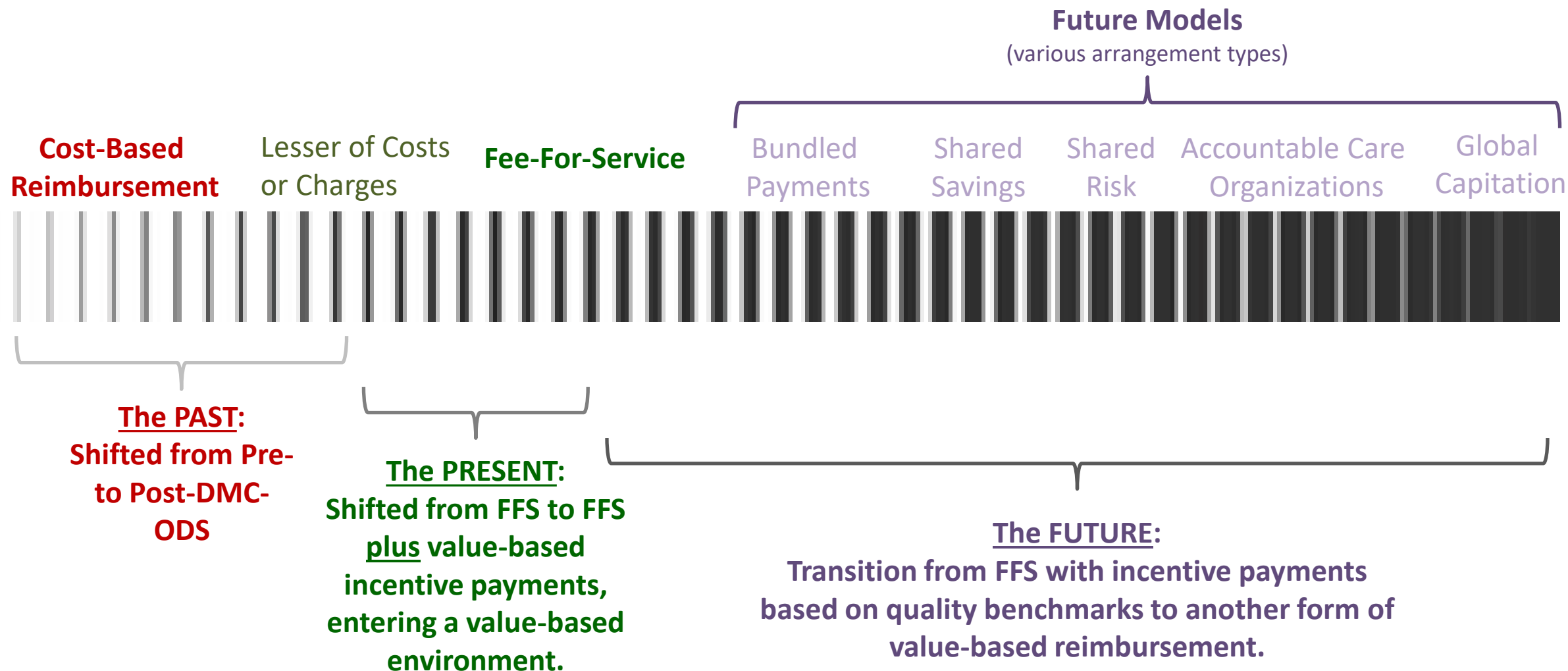
2. Facilitating Smooth Transition Away from Reliance on Costs to Fee-for-Service

- Specialty SUD systems have operated via a cost-based and scarcity mindset for decades, and the shift to fee-for-service (FFS) will require adapting practices, use of data, and a focus on prioritizing service delivery and volume, an essential evolution within value-based reimbursement (VBR).

3. Establishing Incentive Payments as a Driver of Practice Change

- To train the provider network to adapt their practices in response to financial incentives.

Overview of Behavioral Health Payment Reform



SAPC Payment Reform Preparation & Actions

What did SAPC do?

- **Right-sized contracts**
 - Priming/optimizing SAPC's funding for services
- **Tiered Base Rates**
 - Identify necessary costs plus quality inflators to set appropriate tiers that encourage continuums of care within agencies
- **Capacity Building & Incentives**
 - Fund meaningful change and initiatives that address foundational priorities/needs of the specialty SUD system
- **Practitioner-Specific Rates**
 - Match reimbursement with staffing level in non-residential settings

SAPC Payment Reform Preparation & Actions

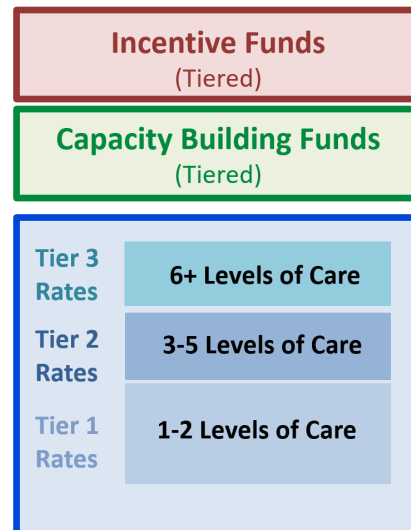
What Did SAPC Do?

- **Right-sized contracts** - *Priming/optimizing SAPC's funding for services*
 - Based on the three prior years' utilization activity.
 - DMC Treatment Program allocation was increased by \$74.8M (20%) in FY23-24 from the previous year.
 - From 2017 (the year the DMC-ODS was launched) to 2023:
 - **SUD treatment funding has been increased by \$290.1M (277%)**
 - **SAPC has increased the amount of DMC funds being leveraged by \$399.4M (828%) since 2016**

Tier Based Rates

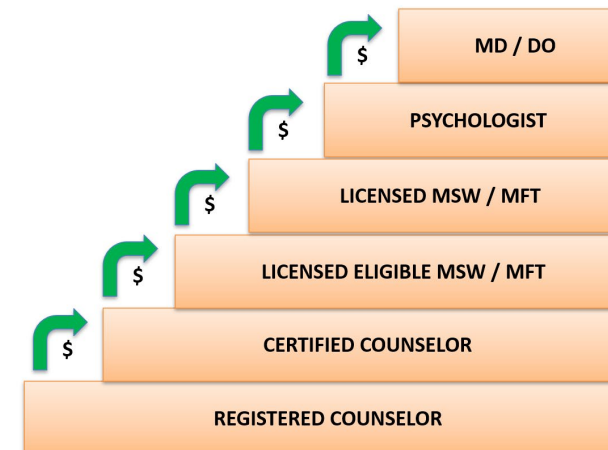
Tiered Based:

1. Base Rates
2. Capacity Building Funds
3. Incentive Funds



Practitioner Level Rates

Practitioner Level Rates – Non-Residential Settings



Practitioner level rates will increase based on practitioner type (orange boxes).

Capacity Building



Incentives



Future State

SUD Counselor Expedited
Training + Certification

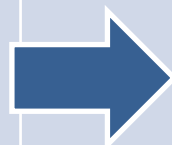
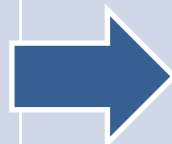
LPHA Sign-On/Loyalty and
Retention Bonuses

MAT Prescribing Clinician
Implementation Plan

MAT Prescribing Clinician
Verified Hours

Accounting Systems and
Infrastructure

Assessing and Enhancing
Financial Health



50% Certified Counselors

1:12 LPHA-to-Counselor Ratio

25% of Patients with OUD
Receive MAT

15% of Patients with AUD
Receive MAT

Early Interim Fiscal Reporting

\$23/hr. Counselor Min. Wage

Delivering Outcome-Based Care

Facilitating Team-Based Care

Receiving Non-FFS Rates (e.g.,
Case Rates, Bundled Rates)

Managing Upfront
Predictable Payments

Achieving Quality Benchmarks
Tied to Payments

Contractual Requirements

Payment Reform Impact – Year 1 (FY 2023-24): Measuring Success

Fiscal Impact

Provider Cost and Reimbursement

Are new rates meeting providers' costs for truly biopsychosocial service delivery?

Year 1 Findings

- Overall, providers are in a better position with FY 2023-24 rates than they were with FY 2022-23 rates.
 - **Compared to pre-payment reform in FY 2022-23, there were tier-based increases for Tier 1 (+ 7.7%), Tier 2 (+12.3%), and Tier 3 (+17.3%).**
 - These rate increases yielded additional revenue across all tiers compared to FY 2022-23:
 - **Tier 1 range:** From a 23% increase (ASAM 3.1) to a 659% increase (RBH).
 - **Tier 2 range:** From a 34% increase (RBH) to a 158% increase (ASAM 2.1).
 - **Tier 3 range:** From a 17% increase (ASAM 3.2-WM) to a 664% increase (RBH).
 - This is revenue that can be reinvested to achieve further growth.
- **Residential levels of care across all tiers experienced the largest revenue growth during this period.**

Lessons Learned

- Importance of ensuring providers have adequate and accurate accounting systems to properly track costs (see ***Accounting Systems and Infrastructure*** capacity building opportunity).
- Importance of collecting fiscal reports on a quarterly basis to better monitor provider-level costs (see ***Early Interim Fiscal Reporting*** incentive opportunity).

Payment Reform Impact – Year 1



Tier 1 - Level of Care	1	2.1	3.1	3.3	3.5	3.2-WM	OTP	RBH
Tier 1 - FY22-23 Revenue per UOS	\$8.01	\$12.46	\$81.35	\$147.35	\$110.06	\$190.12	-\$6.30	\$1.52
Tier 1 - FY23-24 Revenue per UOS	\$21.56	\$29.37	\$99.66		\$176.16		\$17.48	\$11.54
FY22-23 vs. FY23-24 Revenue Increase	169%	136%	23%		60%		377%	659%

Tier 2 - Level of Care	1	2.1	3.1	3.3	3.5	3.2-WM	OTP	RBH
Tier 2 - FY22-23 Revenue per UOS	\$8.01	\$12.46	\$81.35	\$147.35	\$110.06	\$190.12	-\$6.30	\$1.52
Tier 2 - FY23-24 Revenue per UOS	\$17.60	\$32.19	\$140.62	\$202.67	\$159.52	\$328.65		\$2.03
FY22-23 vs. FY23-24 Revenue Increase	120%	158%	73%	38%	45%	73%		34%

Tier 3 - Level of Care	1	2.1	3.1	3.3	3.5	3.2-WM	OTP	RBH
Tier 3 - FY22-23 Revenue per UOS	\$8.01	\$12.46	\$81.35	\$147.35	\$110.06	\$190.12	-\$6.30	\$1.52
Tier 3 - FY23-24 Revenue per UOS	\$29.36	\$36.93	\$149.72	\$328.22	\$179.40	\$222.21	\$17.99	\$11.61
FY22-23 vs. FY23-24 Revenue Increase	267%	196%	84%	123%	63%	17%	386%	664%

**Measuring
Success:**
Fiscal Impact

How much more revenue providers are generating per unit of service from pre- to post-payment reform.

SAPC 10-Year Payment Reform Roadmap

Purpose:

1. To provide a **living** roadmap for SAPC's payment reform approach, inclusive of its rate structure and value-based incentives,
2. To steer and shape the practice of its provider network, as well as to strengthen necessary system infrastructure, all with the aim of moving its network along the value-based journey.

Goal: To improve the quality of care for people with SUDs while balancing quality, outcomes, and costs.

Approach: A 10-year, phased implementation that carefully and progressively layers alternative payment strategies into the current FFS structure, ultimately arriving at value-based care or a similar approach.

Phase 1		Phase 2		Phase 3		Phase 4		Phase 5	
Investing in the Foundation		Implementing Outcome-Focused Reforms		Delivering Quality + Value		Managing Risks + Rewards		Operating in an Advanced Value-Based or Population Health Environment	
2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33

SAPC 10-Year Payment Reform Roadmap

	Phase 1		Phase 2		Phase 3		Phase 4		Phase 5	
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Rates Structure	FFS		FFS + narrow alternative payment strategies		FFS + expanded alternative payment strategies		FFS + expanded alternative payment strategies tied to quality and other measures		Advanced value-based or population-based payment model	
Capacity Building Focus Areas	SUD counselors + LPHA + R95 + foundational business operations		LPHA + MAT prescribers + access to care (including R95) + developing performance/risk metrics + assessing organizational risk + care coordination		Workforce sustainability + managing risks + care redesign in VBC + patient experience + balancing quality and cost		Internal performance metric monitoring + managing upfront, predictable payments		Fiscal/business operational needs	
Capacity Building payments become a smaller portion of our Capacity Building and Incentives investments over time.										
Incentives Focus Areas	SUD counselors + LPHA + access to care (R95) + enhancing data reporting		SUD counselors + LPHA + access to care (R95) + quality care + enhancing data reporting		Incentives as care and cost benchmarks/ expectations		Incentives as care and cost benchmarks/ expectations		Incentives as care and cost benchmarks/ expectations	
Incentive payments become a larger portion of our Capacity Building and Incentive investments over time.										

Next Steps: Continuing to Advance Value-Based Reimbursement for SUD Care

- SAPC is **planning for Year 3 of Payment Reform and its Value-Based Incentives (formerly Capacity Building and Incentives) programming.**
 - It is leveraging our *10-Year Payment Reform Roadmap* as a guide.
 - Shifting from foundational investments and measures to more outcome-focused reforms and measures.
- **Developing an alternative payment model (APM) framework to integrate into our FFS reimbursement structure,** further advancing our value-based reimbursement approach.
 - APM implementation is TBD.



**“The opposite of addiction is NOT sobriety;
the opposite of addiction is **connection**.”**

- Johann Hari, British-Swiss Writer