



Fact Sheet:

Drug Medi-Cal Direct Contracts



Fiscal Year 2006-07 Direct Contract

In Fiscal Year 2006-07, the Department of Alcohol and Drug Programs (ADP) maintained 37 direct provider contracts for Drug Medi-Cal (DMC) services in 17 counties (Alameda, Butte, El Dorado, Imperial, Kern, Lake, Los Angeles, Napa, Orange, Sacramento, San Diego, San Joaquin, San Luis Obispo, Solano, Stanislaus, Sutter/Yuba, and Yolo). Over \$17.132 million was budgeted to these direct contracts.

Authority

As a result of the class action lawsuit, **Sobky v. Smoley**, on August 22, 1994, an **Order for Permanent Injunction** was filed that mandated the State to implement specific court orders related to DMC services.

Prior to the lawsuit, counties could decide which providers would be certified to participate in the DMC program and the maximum amount of their funding. As a result of the litigation, any provider may now apply for certification and, if it meets the standards, may bill DMC services for eligible beneficiaries and also determine the number of beneficiaries it wishes to serve. Counties retain their roles as administrators of all DMC services, but they are now required to contract with all certified providers who wish to bill DMC. If a county decides not to administer the DMC program in its county, the State must contract directly with certified providers within the county. While ADP prefers that the county maintain its administrative role in DMC services, the

State is prepared to accept the direct contract responsibility whenever necessary.

Direct Contract Process

Immediately upon learning of the need for a direct contract, the State contacts the provider and requests a proposed budget for the time period needed. Most direct contracts are for the entire fiscal year; however, for newly certified providers, the contract date is the date of certification through the end of the State fiscal year. This allows counties that wish to initiate a contract with providers that are directly contracting with the State to have an opportunity to transition the contracts back to the county at one point in the fiscal year.

Contract budgets are reviewed for accuracy and appropriateness and, if approved, a contract is generated and is then sent to the provider for review and approval and returned to ADP. A copy of the fully executed contract is mailed to the provider and claims against the contract can then be processed for payment.