



**Directors' Report for the Departments of Mental Health (DMH) and Public Health - Substance Abuse Prevention and Control (DPH-SAPC)
Behavioral Health Commission Meeting
May 14, 2026**

The Department of Mental Health's (DMH) contracted and directly operated facilities are often subject to the Institute of Mental Disease (IMD) exclusion. DMH plans to opt-in in early 2027 to the Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) IMD Federal Financial Participation (FFP) waiver for some of its facilities. The waiver permits an average length of stay of 30 days, which excludes most residential settings.

The Department of Public Health – Substance Abuse Prevention and Control (DPH-SAPC) is already authorized to receive FFP for designated IMD settings in the specialty substance use disorder (SUD) system (residential and inpatient settings) under its existing federal waiver authority under California's Drug Medi-Cal Organized Delivery System (DMC-ODS), which has been in place in Los Angeles County since 2017. This authority includes FFP for services delivered in designated IMD settings and has enabled DPH-SAPC to expand and strengthen its SUD system over time. Since implementation in 2017, DPH-SAPC has maximized Medi-Cal reimbursement to increase overall investment in SUD treatment and recovery services across the continuum by 275%, including residential beds and services, outpatient services, Medications for Addiction Treatment (MAT), and prevention. Despite the fact that DMH does not have a similar waiver for IMD, it has expanded its network of treatment services that take place in excluded settings to ensure services are available. DMH has also developed several restorative care campuses that follow all IMD guidelines to innovatively build facilities that allow for Medi-Cal billing, such as the Martin Luther King Jr. (MLK) Behavioral Health Center (BHC) and Los Angeles (LA) General campuses.

With the transformation under Behavioral Health Services Act (BHSA), both departments have been working hard preparing for launch on July 1, 2026. As we move ahead, DMH will also be opting in on a flow basis to various evidence-based practice opportunities and to the IMD waiver. DPH-SAPC participates in other BH-CONNECT initiatives, including the Workforce Initiative Program and Managed Care Plan (MCP) Transitional Rent to strengthen the SUD workforce and expand funding options to support recovery-oriented housing.

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