

Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON HEALTH
Mia Bonta, Chair
AB 2704 (Addis) – As Amended March 19, 2026

SUBJECT: Statewide Fee Schedule Pilot Program.

SUMMARY: Creates a pilot program to provide intensive technical assistance and support to help small and rural school districts, and programs serving children under five years of age or transition-age youth, participate in the Children and Youth Behavioral Health Initiative (CYBHI) Fee Schedule, wherein those entities can receive reimbursement for behavioral health services provided to children and youth.

EXISTING LAW:

- 1) Establishes the CYBHI, administered by the California Health and Human Services Agency and its departments, to transform the state’s behavioral health system into an innovative ecosystem in which all children and youth 25 years of age and younger, regardless of payer, are screened, supported, and served for emerging and existing behavioral health needs. [Welfare and Institutions Code (WIC) § 5961, *et seq.*]
- 2) Requires Department of Health Care Services (DHCS) to develop and maintain a school-linked statewide fee schedule for outpatient mental health or substance use disorder treatment provided to a student who is 25 years of age or younger at a schoolsite. [WIC § 5961.4]
- 3) Establishes the Department Managed Health Care (DMHC) to regulate health plans under the Knox-Keene Health Care Service Plan Act of 1975 and California Department of Insurance (CDI) to regulate health insurers. [Health and Safety Code (HSC) § 1340, *et seq.* and Insurance Code (INS) § 106, *et seq.*]
- 4) Establishes the Medi-Cal program, which is administered by DHCS, and under which qualified low-income individuals receive health care services. [WIC § 14000, *et seq.*]
- 5) Requires providers of medically necessary schoolsite services to be reimbursed by health care service plans, insurers, and Medi-Cal managed care plans, at a minimum, at the fee schedule rate or rates, regardless of network provider status. [HSC § 1374.722; INS § 10144.53; and WIC § 5961.4.]

FISCAL EFFECT: Unknown. This bill has not been analyzed by a fiscal committee.

COMMENTS:

- 1) **PURPOSE OF THIS BILL.** According to the author, for too many families on the Central Coast and in rural communities, mental health care is limited or simply out of reach. The author states this bill helps close that gap by giving schools a real pathway to deliver and sustain early behavioral health services.

2) BACKGROUND.

- a) **School-Based Behavioral Health Services.** Behavioral health services for children and transition-age youth function as forms of early intervention and preventive care, which can help avoid long-term or future unnecessary and costly mental health interventions, such as crisis stabilization, emergency department visits, or inpatient psychiatric hospitalization. Students are more likely to receive behavioral health services when they are provided on a school campus because it eliminates the need for transportation to off-site appointments, facilitates parent participation, encourages student self-referral, and increases the likelihood of completing treatment. In addition, school-based mental health professionals can better identify aggravating causal factors based on their more holistic knowledge of a student.
- b) **CYBHI.** The CYBHI is a multi-pronged initiative that began in 2021 and aims to promote the mental health and wellness of California’s children and teens. The initiative works across four strategic areas (workforce training and capacity, behavioral health ecosystem infrastructure, coverage and public awareness) and contains numerous individual programs and initiatives. Most initiatives are time-limited and focused on building infrastructure and capacity of the behavioral health system for children.
- c) **CYBHI Fee Schedule.** Of the various components of CYBHI, the CYBHI Fee Schedule has the potential to have the most significant long-term impact, because it is the only initiative designed to create an ongoing funding source to support the delivery of behavioral health in schools and in school-linked settings.

State law requires DHCS to develop and maintain a multi-payer, school-linked statewide fee schedule for medically necessary outpatient mental health or substance use disorder services provided to a student 25 years of age or younger at or near a school site. State law also requires Medi-Cal managed care *and* commercial plans and insurers to reimburse for such schoolsite services designated by DHCS, at or above the fee schedule rate, regardless of whether the school site is a network provider, and without subjecting services to prior authorization or cost-sharing. This means plans are prohibited from applying any copayment, coinsurance, or deductible that would normally apply to the service rendered, based on the plan design.

The CYBHI Fee Schedule requires payers to reimburse local educational agencies (LEAs) or institutions of higher education (IHEs) for a set of services provided at a school site, as defined. The services are provided by or arranged by the LEAs. Specifically, LEAs can provide the services “in-house” with their own staff or arrange for the provision of services through community-based providers that provide services at the school or otherwise partner with the LEA to provide services to students. Key design details of the CYBHI Fee Schedule are shown on the next page.

Category	Description
Services	Outpatient mental health and substance use disorder services identified in the reimbursement schedule published by DHCS, under four separate categories: <ol style="list-style-type: none"> 1. Psychoeducation 2. Screening and Assessment 3. Therapy 4. Case Management
Eligibility	Student 25 years of age or younger at a schoolsite*.
Providers	Local educational agencies or institutions of higher education, or their affiliated community-based behavioral health providers
Payers	Applies to: <ol style="list-style-type: none"> 1. State-regulated commercial health plans and insurers** 2. Medi-Cal managed care plans 3. Medi-Cal county behavioral health plans

*“School site” means a facility or location used for public kindergarten, elementary, secondary, or postsecondary purposes. It also includes a community-based facility or location, if the school or school district provides or arranges for the provision of services to its students at that location, including off-campus clinics, mobile counseling services, and similar locations.

** Applies to plans and insurers to the extent the plan or insurer is required to provide coverage for medically necessary treatment of mental health and substance use disorders.

To implement the fee schedule, DHCS has onboarded LEAs and IHEs in implementation “cohorts,” with each cohort selected based on operational readiness. The selection process considers factors such as Medi-Cal enrollment, service delivery infrastructure and capacity, data collection and documentation, and billing infrastructure. In addition, the state has selected Carelon Behavioral Health as the third-party administrator who serves as the statewide clearinghouse that receives and adjudicates claims from LEAs, and pays these claims on behalf of health plans. Carelon is also responsible for credentialing school-based providers for participation in the Fee Schedule on behalf of the state, as well as providing training and technical assistance to participating LEAs.

d) Implementation of the Fee Schedule. DHCS and participating LEAs and IHEs have made significant, if slow, progress in implementing the Fee Schedule. As of March 30, 2026:

- i)** ~700 LEAs and IHEs are enrolled in the CYBHI Fee Schedule program;
- ii)** ~3.6M students enrolled across participating schoolsites;
- iii)** 169 LEAs/IHEs (including 8 school-linked providers) have submitted claims;
- iv)** \$7.35 million in unique clean claims (includes all in-process and approved claims) have been submitted for reimbursement;

- v) 121,397 claims have been reimbursed, totaling \$6.84 million in new revenue for LEAs and IHEs;
- vi) 31,567 unique students have received services submitted for reimbursement; and,
- vii) 36 Managed Care Plans/Insurers are represented in the claims data.

The limited number of LEAs that have successfully submitted claims are disproportionately larger, better-resourced districts and county offices of education, which tend to have the staffing, administrative expertise, and economies of scale required to implement medical billing infrastructure. As one-time funds expire, the bill sponsor, Monterey County Office of Education, notes that under-resourced entities, including small and rural LEAs are at risk of being left without an ongoing funding source for behavioral health services.

- e) **Consortium Models.** According to DHCS, LEAs and IHEs may enroll in the CYBHI Fee Schedule program individually, or as part of a consortium. Consortia are another option to support LEAs and IHEs who may lack the capacity to administer all of the activities related to the Fee Schedule. A consortium model allows an LEA and IHE to share administration services for claims submission and reimbursements. In a consortium, one Lead LEA or one Lead IHE serves as an intermediary between the participating Consortium members (participating member LEAs) and Carelon Behavioral Health, the third-party administrator. The specific consortium model may vary depending on which program requirements (e.g., data sharing, submitting claims, receiving reimbursement) are delegated to a Lead LEA or IHE by its participating members. For example, the Lead LEA or IHE may be responsible for collecting and submitting required pre-requisite documentation and claims, as well as receiving and distributing payments on behalf of consortium members.
 - f) **Distinction Between this Bill and Other Technical Assistance Contracts and Materials.** DHCS and its contractors have provided and continue to provide significant technical assistance, training, responses to questions, toolkits, and other resources, in addition to grant providing funding for capacity-building. However, the cultural and administrative differences between health care programs and education entities are vast, staffing and expertise to implement such a technically complex program as the Fee Schedule is limited, and in spite of all the resources and effort that has been expended on technical assistance thus far, many LEAs and IHEs are still struggling to operationalize the Fee Schedule. The sponsor of this bill explains that many LEAs and IHEs lack the capacity to process and make use of the available resources, and really just need hands-on, direct help operationalizing the various aspects of the Fee Schedule, which is what this bill would allow a lead entity to do.
- 3) **SUPPORT.** This bill is sponsored by the Monterey County Office of Education and supported by Alameda County Office of Education and children's advocates. Supporters say that without targeted intervention for under-resourced entities, the Fee Schedule will widen, not close, inequities in access to behavioral health services. Supporters say this bill would help to address this gap by establishing a three-year program that is intentionally designed to provide the support certain LEAs and IHEs need to operationalize the Fee Schedule and fund behavioral health services for the children and youth they serve.

4) PREVIOUS LEGISLATION.

- a) AB 121 (Committee on Budget), Chapter 8, Statutes of 2025, appropriates \$20 million one-time Proposition 98 General Fund to the Department of Education to allocate the funds to Sacramento County Office of Education, in partnership with Santa Clara County Office of Education, no later than October 2025. Specifies funds will be administered through the capacity grant infrastructure, as established by the CYBHI, to local educational agencies to support, in the order of priority: (1) to prevent the disruption of youth mental health services; and (2) to provide technical assistance to local educational agencies for the continued implementation of the statewide fee schedule.
- b) AB 133 (Committee on Budget), 2021) establishes the framework for the CYBHI and the Fee Schedule Program, among other components of the CYBHI.

5) POLICY COMMENTS. It is clear that certain entities will need additional support to participate in the Fee Schedule and commence receiving reimbursements for behavioral health services provided to students, consistent with the vision of the CYBHI Fee Schedule. To ensure clarity in operation, in consultation with the Assembly Education Committee, this bill should be amended to address several issues, including:

- a) Rename the program to provide clarity about the program's purpose, such as calling it the "Statewide Fee Schedule Intensive Technical Support for Onboarding Program";
- b) Re-draft in an appropriate Education Code section and clearly designate California Department of Education as the department overseeing the program;
- c) Strike the designation of Monterey County Office of Education as the lead entity and instead require a request for proposals (RFP) and establish appropriate criteria for such an entity;
- d) Ensure realistic time frames for program milestones aligned with the timeline required to issue an RFP;
- e) Clarify that the program is intended to provide intensive, temporary technical support to "onboard" participants in the Fee Schedule, including clarifying which activities are direct services to support Fee Schedule implementation versus technical assistance;
- f) Restructure some of the criteria for entities to be selected as participating LEAs or IHEs as factors to prioritize, versus requirements;
- g) Require participating entities to be an LEA or IHE; and,
- h) Other minor, clarifying, and conforming amendments.

Because this bill is double-referred to the Assembly Education Committee, amendments will be adopted in that committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Monterey County Office of Education (sponsor)

Alameda County Office of Education

California Youth Empowerment Network

Everychild California

First 5 Association of California

Kidango

The Children's Partnership

Opposition

None on file

Analysis Prepared by: Lisa Murawski / HEALTH / (916) 319-2097