

ASSEMBLY THIRD READING

AB 2704 (Addis)

As Amended April 27, 2026

Majority vote

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.

COMMENTS

School-Based Behavioral Health Services. Universal behavioral health services for children and transition-age youth function 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.

CYBHI Fee Schedule. 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. Most initiatives are time-limited and focused on building infrastructure and capacity of the behavioral health system for children. Of the various components of CYBHI, the CYBHI Fee Schedule 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 the Department of Health Care Service (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 school site 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 behavioral health 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.

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.

Implementation of the Fee Schedule. DHCS and participating LEAs and IHEs have made significant, if slow, progress in implementing the Fee Schedule. 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.

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 are delegated to a Lead LEA or IHE by its participating members.

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 providing grant 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.

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. This bill helps close that gap by giving schools a real pathway to deliver and sustain early behavioral health services.

Arguments in 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.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

- 1) Proposition 98 General Fund cost pressures of \$50 million to fund the program. In its letter of support, Monterey County Office of Education, the sponsor of this bill, urges Members of the Assembly Committee on Health to appropriate \$50 million one-time to support the program.
- 2) Costs to the California Department of Education (CDE) would likely be less than the equivalent of a single staff position in the first year of implementation, mainly to select an LEA to serve as the lead entity. For its part, CDE estimates costs of about \$203,500 to \$273,500 in 2026-27 and \$198,000 to \$268,000 in 2027-28 for one or two staff positions, operating expenses and equipment, and Statewide Cost Allocation Plan (General Fund).
- 3) Minor and absorbable costs to DHCS to provide consultation.
- 4) The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

VOTES

ASM HEALTH: 16-0-0

YES: Bonta, Chen, Addis, Aguiar-Curry, Ahrens, Caloza, Carrillo, Mark González, Johnson, Patel, Patterson, Rogers, Sanchez, Schiavo, Sharp-Collins, Stefani

ASM EDUCATION: 9-0-0

YES: Patel, Hoover, Alvarez, Bonta, Castillo, Garcia, Lowenthal, Pellerin, Zbur

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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