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SAPC INFORMATION NOTICE 26-03

February 19, 2026

TO: Los Angeles County Substance Use Disorder
Contracted Residential Treatment Provider Agencies

FROM: Gary Tsai, M.D., Bureau Director 
Substance Abuse Prevention and Control Bureau

SUBJECT: The ASAM Criteria 4th Edition Residential Capacity Building Program

The American Society of Addiction Medicine (ASAM) Criteria 4th Edition represents a significant evolution of state-of-the-art substance use disorder (SUD) care. The California Department of Health Care Services (DHCS) plans to require implementation of these changes in July 2027. For residential settings, this includes substantive changes to minimum service requirements and necessitate enhancements in workforce and trainings to ensure co-occurring mental health disorder (COD) and withdrawal management (WM) capabilities and service access. This means that what is now only required of 3.2-WM programs – provision of withdrawal medications for alcohol withdrawal syndrome, opioid withdrawal syndrome, sedative withdrawal syndrome and/or for stimulant intoxication based upon the clinical needs of the client – will become a requirement of all residential programs along with expectations to serve those with mental health conditions.

To prepare for this impending requirement, the Department of Public Health, Substance Abuse Prevention and Control (DPH-SAPC) funded the ASAM Criteria 4th Edition Residential Capacity Building program to prepare its residential provider agency network to deliver these new service offerings and build operational capacity to comply with requirements and enable continued contracting. The program specifically focuses on establishing and expanding the residential workforce to address co-occurring mental health conditions and to put the systems in place to deliver this enhanced care,

including WM services before the deadline and receive technical assistance and support to optimize success before DHCS goes live with changes.

All clients admitted to residential sites of care are required to be assessed for mental health symptoms via the ASAM Criteria (Dimension 3) and withdrawal risks (Dimension 1). Sites participating in this program will be required to recruit and utilize diagnosing Licensed Practitioners of the Healing Arts (LPHAs) to provide a direct diagnostic evaluation and develop a care plan for clients with mental health symptoms (Dimension 3). The plan of care may also include ongoing treatment provided directly by LPHAs. Sites may receive additional capacity building funding to expand residential WM capacity, which will require expanding 3.2-WM bed capacity and/or optimizing use of current licensed 3.2-WM beds. Participating provider agencies/sites will be required to indicate their plan to align with ASAM 4th Edition requirements.

This Information Notice launches the ASAM Criteria 4th Edition Residential Capacity Building Program to support staffing and operational expenses to establish co-occurring capability and ensure residential WM services are offered at DPH-SAPC contracted residential sites of care.

Eligibility

Incentive funding will be available to contracted SUD treatment provider agencies who operate residential sites of care (ASAM 3.1, 3.2-WM, 3.3, and 3.5 levels of care), subject to DPH-SAPC approval based on financial and compliance performance.

Total Incentive Funding Allocation

Time-limited incentive funds to support capacity building will be allocated in awards of up to \$400,000 per each residential site of care, based on DPH-SAPC's discretion and approval of agency implementation plans and budgets.

Requirement: Diagnosing Licensed Practitioners of the Health Arts (LPHA) Staff Provide Direct Care to Clients with Co-Occurring Disorders

All provider agencies participating in this initiative will be required to develop workflows, ensure sufficient staffing, and recruit diagnosing LPHA clinicians to provide direct clinical services to clients in residential sites of care. Not fewer than 80% of clients whose ASAM assessment includes symptoms on Dimension 3 must receive a diagnostic assessment directly performed by a diagnosing LPHA. When the diagnostic assessment confirms the presence of one or more mental health diagnoses, these diagnoses shall be documented in the clinical record, both in the applicable diagnostic fields within Sage-PCNX and in the CalOMS reporting form. All clients with mental health diagnoses shall receive no fewer than one service provided directly by a diagnosing LPHA per admission.

The implementation of this workflow shall include care directly provided by one or more of the diagnosing LPHAs listed below:

- Psychiatrist (MD or DO)
- Psychiatric Advanced Practice Nurse (APRN)
- Licensed Clinical Psychologist (LCP)
- Licensed Clinical Social Worker (LCSW)
- Licensed Professional Clinical Counselor (LPCC)
- Licensed Marriage and Family Therapist (LMFT)
- Licensed-eligible LPHA working under the supervision of these types of licensed clinicians

Expand Residential Withdrawal Management

Treatment provider agencies that operate residential sites may receive additional time-limited start-up incentive funding to launch or expand residential WM: *Expanding withdrawal management through this program is optional for treatment agencies who operate 3.5 LOC residential sites that already provide on-site residential withdrawal management (3.2-WM) at each of their 3.5 LOC residential sites. For treatment agencies operating 3.5 LOC sites that do not currently offer residential withdrawal management (3.2-WM), this is a **required component of this capacity building program.***

- **Launch 3.2-WM:** Residential sites that are not already licensed to deliver 3.2-WM services must obtain requisite state licensure and certification to deliver 3.2-WM, including establish all operational practices, hire required LPHA staff, and begin enrolling clients in WM services during Fiscal Year (FY) 2026-2027 (July 1, 2026 - June 30, 2027).
- **Expand 3.2-WM:** Residential sites that are already licensed to deliver 3.2-WM services must increase the number of clients receiving 3.2-WM services by a minimum of 20% during FY 2026-2027 (July 1, 2026 - June 30, 2027) as compared with FY 2024-2025 (July 1, 2024 - June 30, 2025). This expansion may include adding non-contracted beds to the contract for the purpose of increasing WM services.

DHCS plans to require WM services in all residential sites beginning July 2027, therefore, all residential provider agencies are required to participate in this preparatory effort if they plan to offer 3.5 LOC at sites not currently licensed to offer 3.2-WM now. Regardless of participation, however, provider agencies must have a plan and be able to operationalize these WM services by the State's deadline to enable continued contracting.

Implementation Expectations

These start-up capacity building funds are intended as a cost-sharing arrangement designed to be aligned and supported with treatment provider agency's own investments. It will be dispersed over an 18-month period spanning three (3) FYs (FY 25-26, FY 26-27, and FY 27-28) in accordance with the table below. Residential SUD provider agencies that opt-in to this ASAM Criteria 4th Edition Residential Capacity Building Program will use their available internal data to propose a budget that exceeds the total amount of capacity building funding offered. The co-occurring mental health staffing and 3.2-WM expansion are designed to be sustainable beyond the term of this program through ongoing Medi-Cal billing.

The implementation plan must include DPH-SAPC-approved budgeted expenses that exceed the total amount of capacity building incentive funding per site. A minimum of 85% of allowable budget and expenses must be used to fund staffing. Up to 15% of the proposed budget may be used for indirect expenses, including needed supplies, DHCS licensure (e.g., Incidental Medical Services [IMS] certification or residential 3.2-WM licensure), trainings, and overhead expenses needed to operationalize the workflow.

These funds may be used in conjunction with additional programs and funding initiatives to improve the delivery of residential care and expand WM capabilities. These funds may not be used to duplicate or supplant activities already funded through other incentives, grants, awards, or funding streams such as the Drug Medi-Cal Organized Delivery System (DMC-ODS).

Incentive Funding Plan

Provider agencies that have DPH-SAPC approved implementation plans and demonstrate satisfactory progress with this program will receive scheduled payments in accordance with the table below:

Quarter	Maximum Site Award LPHA COD Staffing Only	Maximum Site Award LPHA COD Staffing + 3.2-WM
FY25-26 Q3	Implementation Plan Due	
FY25-26 Q3	\$200,000	\$250,000
FY26-27 Q3	\$75,000	\$100,000
FY27-28 Q1	\$25,000	\$50,000
Total	\$300,000	\$400,000

Implementation Plan Approval Process

Provider agencies submit Attachment I – ASAM Criteria 4th Edition Residential Capacity Building Program Implementation Plan:

1. Complete and submit using the submission guidance and by the deadline posted in the appended Implementation Plan.
2. DPH-SAPC will review and provide feedback on the Implementation Plan with the contracted residential provider agency.
3. Once approved, DPH-SAPC will return the approved Implementation Plan with signature and invoicing instructions.

DPH-SAPC will closely monitor the progress of program including tracking the number of clients with mental health diagnoses, the extent to which LPHAs have been providing direct services to clients, and residential WM utilization. If DPH-SAPC determines that sufficient progress is not being made, additional payments may be withheld and up to the full amount of ASAM Criteria 4th Edition Residential Capacity Building Program funds are at-risk of recoupment, at the discretion of DPH-SAPC.

Additional Information

For additional questions or requests, please contact: SAPC.QI.UM@ph.lacounty.gov

Attachment

Attachment I – ASAM Criteria 4th Edition Residential Capacity Building Program Implementation Plan

GT:bh