

## Sustaining HealthySteps: States' Approaches to Financing an Evidence-based Model for Healthy Early Childhood Development

### Addressing child and family health in pediatric primary care

As evidenced by a growing body of [research](#), a person's health and well-being throughout their life are profoundly impacted by their early years. During these years, the [family context](#) in which a child develops is a critical influencing factor. Pediatric primary care serves as the cornerstone of a family's interaction with the health care system, which is the only nearly [universally](#) accessed system during these formative years before a child begins school. It offers a crucial opportunity to not only assess the child's health but also to identify and address the various needs of the family as a whole.

It is [recommended](#) that children have 14 well-child pediatric appointments in their first four years of life. Given the frequency of contact, there is growing recognition of the importance of [family-centered](#) strategies within pediatric primary care settings during this time. Pediatric primary care<sup>1</sup> is a prime location for [dyadic](#) interventions, which support children's health by also supporting caregivers. This is especially important as many caregivers do not prioritize their own [health](#) care during their child's early years.

[HealthySteps, a program of ZERO TO THREE](#), is an evidence-based dyadic care model that integrates a child development expert into the primary care team to promote healthy relationships, foster positive parenting, strengthen early social and emotional development, and ensure access to services that address both child and family needs. HealthySteps nurtures the physical and emotional growth of young children (ages birth through 3) within the context of their families. Given HealthySteps'

#### ***What is HealthySteps?***

- ⇒ HealthySteps is a risk-stratified, evidence- and population health-based [model](#) with three tiers of service and eight core components.
- ⇒ A child development expert, known as a [HealthySteps Specialist](#), sees families as part of the primary care team during pediatric visits for patients ages birth through 3.
- ⇒ The HealthySteps Specialist [offers](#) referrals, psychoeducation, anticipatory guidance, and counseling for common and complex parenting challenges. These include feeding, attachment, behavior, sleep, parental depression, and adapting to life with a baby or young child.
- ⇒ *HealthySteps-aligned services* are services that support the delivery of the core components of the HealthySteps model. Examples include psychotherapy, lactation counseling and tobacco cessation services.
- ⇒ HealthySteps Specialists must hold at a minimum a bachelor's degree in early childhood or a related field. There are HealthySteps Specialist [Competencies](#) that describe dispositions, knowledge and skills essential for the role. The HealthySteps National Office recommends sites hire a licensed behavioral health professional to serve as the Specialist, as they can provide behavioral health services for families with higher-level needs.
- ⇒ [Evaluations](#) of HealthySteps to date have shown a wide range of key positive outcomes in child health, parenting knowledge and practices, family health and well-being, and high satisfaction among primary care practices and providers.

<sup>1</sup> Inclusive of family medicine practices

success and impact, a growing number of states are establishing public financing mechanisms to sustain it.

**This white paper examines the state funding initiatives for HealthySteps and HealthySteps-aligned services that are relevant for Pennsylvania and provides an analysis of these sustainability pathways.**

It will inform the development of PolicyLab at Children’s Hospital of Philadelphia’s (CHOP) strategy and recommendations regarding sustaining and scaling HealthySteps in Pennsylvania. The white paper may also be salient to other states looking to sustain HealthySteps. The information in this paper was obtained through a combination of key informant interviews and a scan of relevant published materials. Key informant interviews were conducted from November 2023 through January 2024 with experts at the HealthySteps National Office at ZERO TO THREE who led efforts in relevant states.

HealthySteps is one model within a fragmented landscape of programs promoting healthy early childhood development, spanning child care, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), home visiting, Early Intervention, and more. Advocacy in this field often emphasizes individual models rather than fostering a robust, coordinated system. PolicyLab recognizes the critical services HealthySteps provides, while also championing integrated child- and family-serving systems that foster collaboration, break down silos, and minimize duplication. To that end, PolicyLab supports several other early childhood initiatives that leverage the pediatric primary care setting. The financing mechanisms reviewed in this white paper may be relevant for these as well.

**HealthySteps at Children’s Hospital of Philadelphia (CHOP)**

With philanthropic support and investment from CHOP’s Department of Child and Adolescent Psychiatry and Behavioral Sciences, PolicyLab at CHOP is leading a [project](#) to implement, evaluate and explore long-term funding solutions for HealthySteps in the CHOP Primary Care network. In June 2023, HealthySteps launched at CHOP Primary Care’s Cobbs Creek location, a practice that serves nearly 3,000 children ages birth through 3 and their families. This is a practice where more than 80% of patients have public insurance, and the overall patient population is 91% Black/African American, 1.5% Asian, 1.5% multiple races, 1% White, and 5% other, with approximately 3% of the patient population identifying as Hispanic or Latinx.

Patients and families served by the Cobbs Creek practice often face complex social issues and require clinical, therapeutic, and social services beyond the typical capacity of primary care providers during and after a well-child visit. Existing payment models do not reimburse for all of these services. Implementing HealthySteps has afforded an opportunity to provide more robust, prevention-focused resources for young children and their caregivers, but payment pathways are needed to support program sustainability.

**Payment policy limits scalability of HealthySteps in PA**

Dyadic models of care, including HealthySteps, have been proven [effective](#) in promoting optimal development in early childhood. Unfortunately, in Pennsylvania and states across the nation, a critical issue is the lack of sustainable [funding](#) for these approaches within the current health care payment structure. Most dyadic behavioral health services delivered in the pediatric setting are only reimbursable for children diagnosed with mental health disorders; however, few young

children match the type, intensity, or frequency of symptoms to warrant a mental health diagnosis from the [DSM-5-TR manual](#) that was designed for adults and older children. Moreover, many of the HealthySteps Specialists' encounters do not qualify as psychotherapy due to their length and/or discussion content.

### ***Role of Medicaid in children's health***

In recent years, Medicaid has been the [largest](#) source of health spending on children, covering [more than half](#) of American children. As of March 2024, [37,538,169](#) children were enrolled in Medicaid and CHIP nationwide, including [1,487,463](#) in Pennsylvania. Together, Medicaid and CHIP cover “[two-thirds](#) of BIPOC [Black, Indigenous, and People of Color] children, and 90 percent of children at risk due to medical conditions or adverse social determinants.”

With Medicaid coverage, children are eligible to receive, at no cost, health care services including dental, mental health, and specialty services through the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) [benefit](#). These factors render Medicaid an important [partner](#) in efforts to improve children's health.

One goal of the interventions delivered by the HealthySteps Specialist is to help prevent the development of behavioral health disorders. Health care reimbursement policies influence service delivery and workforce structures, and in the absence of payment, health care providers are limited in their ability to offer services, like HealthySteps, that can move the needle on combating disparities and improving outcomes for children and families. Improving child health outcomes requires [rethinking](#) the delivery and payment of health care services, including the requisite workforce, particularly in public programs like Medicaid and the Children's Health Insurance Program (CHIP).

### **Public financing models for HealthySteps**

In collaboration with the HealthySteps National Office, PolicyLab identified public financing approaches that support HealthySteps and HealthySteps-aligned services in Maryland, Arkansas, New Jersey, California and New York as salient. The path to sustaining HealthySteps is through Medicaid in all states. Three states (Maryland, Arkansas and New Jersey) created enhanced payment models within Medicaid; in contrast, California established Medicaid fee-for-service benefits. New York funds HealthySteps through both Medicaid billing pathways and investment from its Office of Mental Health (OMH).

#### *Medicaid enhanced payment models*

Experts in Medicaid policy and maternal and child health [recommend](#) “provid[ing] enhanced payment for pediatric primary care providers that adopt a comprehensive team-based care approach to serve as a care ‘hub’ for families and nurture the parent-child relationship.” [Patient-centered medical homes often](#) receive a per member per month payment on top of customary fee-for-service payments for their Medicaid patients. Enhanced payments can take different forms, two of which are described in the state profiles below.

HealthySteps focuses primarily on prevention and health promotion. Maryland Medicaid and the HealthySteps National Office developed the first enhanced payment model for HealthySteps because they viewed it as well-suited to these goals and the model's [core components](#), which transform the practice. While both an enhanced payment and a fee-for-service approach can help fund a HealthySteps Specialist's salary and benefits, the enhanced payment may provide more flexibility and room for practice innovation.

Interviewees shared that the enhanced payment is administratively simple and non-burdensome for clinics and Medicaid. Initial effort is needed to demonstrate to staff how to navigate this payment mechanism, but following that, it is straightforward. The simplicity of the payment structure was key to obtaining buy-in from Medicaid managed care organizations (MCOs) in Maryland. It has also proven easy for policymakers to understand.

The group that designed the first enhanced payment model for HealthySteps sought to establish an equitable model wherein each site would be able to hire a HealthySteps Specialist who was well-suited for that community. Given workforce shortages, it can be difficult to hire licensed behavioral health clinicians; moreover, individuals without these licenses also bring valuable assets. Hence, Maryland and Arkansas do not impose requirements regarding HealthySteps Specialists' licensures or degrees.<sup>2</sup> The enhanced payment is billed either by the practice or by the primary care provider.

### Maryland

Effective January 1, 2023, Maryland Medicaid provides an additional reimbursement of \$15.00 for well-child and sick visits for children ages birth through 3<sup>3</sup> who seek care at a practice implementing HealthySteps. This enhanced payment is provided regardless of whether the child sees the practice's HealthySteps Specialist. As the HealthySteps model includes a set of [universal services](#) for all children birth through age 3 and transforms pediatric practices, children who do not meet with the Specialist benefit as well.

Medicaid behavioral health services are [carved out](#) in Maryland; the enhanced payment is furnished by physical health MCOs. MCOs participating in the state's Medicaid Managed Care program are required to contract with at least one HealthySteps site. Maryland Medicaid uses Healthcare Common Procedure Coding System (HCPCS) code H0025 ("Behavioral health prevention education service") for the \$15.00 additional payment. In order to receive the payment, a clinic must be trained as a HealthySteps site by the HealthySteps National Office and must have achieved model fidelity or be on track to do so.<sup>4</sup> Clinics register in the state system and add the names of their primary care providers; then, these providers can bill H0025 and receive reimbursement.

In 2021, former Governor of Maryland Larry Hogan announced a [\\$72 million maternal and child health care transformation initiative](#). Funds from this initiative were used to launch the enhanced payment for HealthySteps. Starting in 2024, the enhanced payment is wrapped into the Medicaid capitated rate. Accordingly, the state legislature does not determine the allocation of funds to HealthySteps. Medicaid is responsible for maintaining the enhanced payment.

The enhanced payment does not currently cover all HealthySteps costs. Maryland sites braid this reimbursement with funding from philanthropy, grants and health system investment. With this funding mechanism in place, interviewees shared that additional practices are interested in joining the HealthySteps Network. The current focus is on scaling across the state and identifying payment mechanisms to support HealthySteps and HealthySteps-aligned services in Federally Qualified Health Centers (FQHCs).

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<sup>2</sup> The HealthySteps National Office provides sites with a standard set of [HealthySteps Specialist Competencies](#) to support high-quality service delivery.

<sup>3</sup> The enhanced payment in Maryland, Arkansas and New Jersey may be provided until the day the child turns four.

<sup>4</sup> This is the case in Arkansas and New Jersey as well.

## Arkansas

Rather than providing an enhanced payment for each sick or well-child encounter at a HealthySteps site, Arkansas implemented a Per Beneficiary Per Month (PBPM) payment (\$3.44 per month) for HealthySteps sites as part of the state's [patient-centered medical home program](#), in which most pediatric practices in Arkansas participate. The enhanced payment launched on January 1, 2024. Medicaid behavioral health services are not carved out in Arkansas.

Over several years, Arkansas Medicaid leadership and the state legislature grew supportive of HealthySteps. In April 2023, the Arkansas legislature passed [House Bill 1574](#), which directs the state's Medicaid program to furnish an enhanced payment to “physician practices enrolled in the patient-centered medical home program that currently and actively participate in a team-based, evidence-based pediatric practice transformation model of care.” The legislation asks the state to create a list of appropriate models, which the state has done; it currently includes only HealthySteps.

As in Maryland, to cover all of their costs, Arkansas sites braid the PBPM payment with other funding sources such as grants, commercial insurers and existing Medicaid reimbursements for certain services (for instance, Medicaid reimburses for maternal depression screenings in primary care and will soon begin reimbursing for developmental screenings). Advocates seek to increase the enhanced payment to \$5.00 PBPM and establish a comparable enhancement with commercial insurers.

## New Jersey

In summer 2023, New Jersey passed its budget for fiscal year 2024 with a [line item](#) that directs Medicaid to implement an enhanced payment for HealthySteps akin to Maryland's model. The budget rendered \$1 million available to HealthySteps sites (it allocated \$500,000 that is eligible for a federal match). As Medicaid behavioral health services are [carved out](#), physical health Medicaid MCOs will pay an additional amount for well-child and sick visits for children under 4 years old. The rate has not been determined and the payment is not yet available to practices.

While there has been growing interest in HealthySteps among New Jersey Medicaid leadership in recent years, the agency was not able to prioritize it due to competing priorities. However, an interested state lawmaker suggested requesting the enhanced payment through the state budget process and this led to its inclusion in the fiscal year 2024 budget.

Like Maryland and Arkansas, New Jersey HealthySteps sites will braid funding from the enhanced payment with other revenue streams to cover all of their HealthySteps costs. New Jersey Medicaid is conducting cost projections to establish a rate for the enhanced payment. Once the payment is accessible to sites, the HealthySteps National Office plans to aid the scaling of HealthySteps by strategically aligning prospective sites with interested funders to invest in start-up costs.

## A Medicaid fee-for-service model: California

California's approach to sustainably financing HealthySteps also uses Medicaid funding; however, it does so through Medicaid fee-for-service. Over the last few years, the California Department of Health Care Services (DHCS) created a set of benefits within Medi-Cal

(California Medicaid) that comprises California’s sustainability pathway for HealthySteps and HealthySteps-aligned services.

**Dyadic benefits:** Dyadic services and dyadic caregiver services are covered by Medi-Cal as of January 1, 2023. Medi-Cal defines dyadic services as “preventive behavioral health services for recipients ages 0 to 20 years and/or their caregivers.” These [include](#) dyadic behavioral health well-child visits, dyadic comprehensive community support services, dyadic psychoeducational services, and dyadic family training and counseling for child development. They can be billed under the child’s Medi-Cal coverage. Dyadic caregiver services [encompass](#) a set of “assessment, screening, counseling and brief intervention services” furnished to the caregiver in order to support the child. These must be provided in a child’s visit in which the child and caregiver are present; then, they can be billed under the child’s Medi-Cal coverage. California’s dyadic benefits are the first of their kind.

**Z-codes for psychotherapy:** Since 2020, individual, family and group psychotherapy can be covered by Medi-Cal for children who do not have a mental health diagnosis. California’s [Non-Specialty Mental Health Services manual](#) guides providers to use Z-codes (such as Z65.9 – Problem related to unspecified psychosocial circumstances) in place of diagnoses for children who experience persistent mental health symptoms in the absence of a disorder, have at least one of a set of risk factors, or have a parent/guardian with a risk factor.

In California, HealthySteps is most easily sustained when the HealthySteps Specialists are health care workers with degrees and licensures that permit them to bill for the aforementioned services. The HealthySteps National Office has compiled a [document](#) that lists services and the providers that can be reimbursed for them.

The HealthySteps National Office, HealthySteps sites at the University of California San Francisco (UCSF), and the California Children’s Trust developed a [proposal](#) for a dyadic payment for two health plans in 2020. San Francisco Health Plan then created a dyadic payment for preventive behavioral health well-child visits at the UCSF sites. Influenced by these innovative payments, the state introduced the \$800 million Medi-Cal dyadic benefit package in 2021 based on HealthySteps. This transpired in the context of California’s broader [transformation](#) of Medi-Cal and a \$4.6 billion [investment](#) in transforming mental health care for children.

As HealthySteps is primarily a health prevention and promotion model, it is expected that the dyadic benefits will cover much of its cost. Thus far, utilization of these benefits has been lower than expected, in part due to a barrier regarding same-day billing exclusions for FQHCs. California has submitted a pending state plan amendment to remedy this issue. Despite initial hurdles, HealthySteps’ footprint in California is expanding, and there is significant investment from health plans and public sources to support further growth.

#### State agency support and Medicaid billing pathways: New York

More than half of all HealthySteps sites in New York currently receive funding support through the New York State Office of Mental Health (OMH). A major milestone for HealthySteps sustainability is the ability for New York Medicaid-enrolled providers to utilize Z-codes for psychotherapy, as providers in California can. The state’s recent decision to cover community health worker (CHW) services for children with Medicaid may enable CHWs to support

HealthySteps Specialists. Advocates continue to explore additional payment mechanisms for HealthySteps in New York.

**Z-code for psychotherapy:** Like California, New York Medicaid recently [published a clarification for medical necessity related to psychotherapy services](#). It allows children and/or their caregivers to receive psychotherapy services to prevent children’s behavioral health issues. Starting April 1, 2023, New York State Medicaid-enrolled providers can use ICD-10 code Z65.9 (Problem related to unspecified psychosocial circumstances) to designate individual, family or group psychotherapy services as medically necessary for Medicaid members under 21 years of age when no behavioral health diagnosis is present. Thus, HealthySteps sites that have Medicaid-enrolled licensed behavioral health providers as HealthySteps Specialists can be reimbursed for psychotherapy services. However, this alone is not a comprehensive sustainability pathway for HealthySteps for several reasons. Mainly, preventive psychotherapy is a HealthySteps-aligned service, not a core component; and not all HealthySteps Specialists are licensed behavioral health providers credentialed with New York Medicaid.

New York published its billing policy clarification for Z65.9 after OMH and the Office of Health Insurance Programs (OHIP) learned of California’s guidance on using Z-codes to provide psychotherapy to children without diagnoses. In 2022, New York’s budget included funding for Medicaid that was used to fund the new Z-code. Throughout 2022, the HealthySteps National Office, OMH and OHIP partnered to define the benefit. [Guidance](#) was released in January 2023.

**Coverage of CHW services:** As of January 1, 2024, children under age 21 with Medicaid coverage are eligible for [CHW services](#) in New York. A CHW “[functions](#) as a liaison between health care systems, social services, and community-based organizations to improve overall access to services and resources and to facilitate improved health outcomes for the populations served.” New York Medicaid reimburses for health advocacy, health education, and health navigation supports and services performed by CHWs. Care coordination and systems navigation is a [core component](#) of the HealthySteps model. This is not a comprehensive sustainability pathway for HealthySteps, as most HealthySteps Specialists are not CHWs and New York places a [limit](#) on the units of services children can receive from CHWs per year. However, this benefit may increase the number of CHWs that can be embedded into HealthySteps sites and work alongside HealthySteps Specialists to deliver care coordination services to families.

**OMH funding:** HealthySteps practices in New York also receive strong support from OMH, which has been funding cohorts of HealthySteps sites since 2017. In 2022, New York began an investment with OMH of \$10 million annually over five years to expand HealthySteps to additional practices. In late 2023, as part of her comprehensive [plan](#) to transform mental health care in New York, Governor Kathy Hochul [allocated](#) an additional \$7 million yearly, resulting in more than \$17.7 million annually for HealthySteps over the five-year period with a goal of growing the program to serve roughly 354,000 children at 224 sites statewide by 2027. (For comparison, there are currently 298 sites in the national HealthySteps network.)

OMH currently funds 44 active HealthySteps sites with 50 more sites onboarding; 41 New York HealthySteps sites are not supported through OMH. These are financed by a variety of other sources including cities, counties, health systems, federal grants, philanthropy, and billing for some HealthySteps and HealthySteps-aligned services (such as psychotherapy). The

HealthySteps National Office continues to explore opportunities to bolster HealthySteps' sustainability in New York through different mechanisms such as an enhanced payment or state directed payments.

## **Key considerations for states aiming to sustain and scale HealthySteps**

### *What does sustainability mean?*

The public financing mechanisms described in this paper are creating sustainable environments for HealthySteps. For one site in Maryland, the enhanced payment covered approximately 75% of the cost of the program in under a year.

It is important to note that each HealthySteps site is different. Where a Medicaid financing mechanism is in place, it is easier for sites with high proportions of patients with Medicaid coverage to be sustained versus sites with fewer patients with Medicaid coverage. It is often easier for sites in urban settings to be sustained compared to rural sites which often have lower patient volumes.

To fully cover the cost of HealthySteps, sites in the five states highlighted above are braiding funding from sources including states, philanthropy and health systems. Certain state Medicaid programs reimburse for some HealthySteps core components (such as maternal depression screenings) or HealthySteps-aligned services (such as psychotherapy for children without behavioral health diagnoses). Medicaid programs also already cover psychotherapy provided to children with diagnoses (a small portion of HealthySteps patients).

The ability to use Z-codes for psychotherapy for children without a behavioral health diagnosis in California is a critical complement to the state's dyadic benefits package. According to interviewees, establishing both an enhanced payment and the Z-code pathway could also enable HealthySteps sites to generate sufficient revenue to sustain the program. Thus, the most promising pathway to sustaining HealthySteps entails combining Medicaid coverage of Z-codes for psychotherapy with either a Medicaid dyadic benefits package or enhanced payment.

Many health care systems across the country have recognized the value of integrating a HealthySteps Specialist and have invested in funding one or more of them long-term, either to help offset costs not covered by public funding mechanisms (where they are in place), or as the sole funding mechanism to support organizational priorities (such as population health efforts).

The public financing mechanisms reviewed in this paper do not cover the one-time costs of launching new HealthySteps sites (with the exception of New York's OMH funding). Practices have used state, philanthropic, health plan, and health system funds for these initial training and onboarding costs. In some states, HealthySteps expanded before a public financing mechanism was in place; in others, the payment pathway led to growth.

### *States' journeys: executive versus legislative pathways*

States have implemented public financing mechanisms through executive branch agencies (primarily Medicaid), the legislature, or both. In Maryland and California, Medicaid worked with advocates to establish a payment mechanism. In the remaining three states, the path was not as straightforward. Advocates in Arkansas both worked with Medicaid and pursued legislation to assure the enhanced payment would be permanent in the face of political changes. Medicaid's support was important to the legislation's success. In New Jersey, Medicaid could not prioritize the enhanced payment amid the 2023 eligibility redeterminations, but lawmakers



were interested in it. Two agencies in New York (OMH and Medicaid) worked with advocates to institute two different forms of funding.

Legislation that directs Medicaid to fund team-based, evidence-based pediatric practice transformation models of care, as Arkansas has passed, may provide the greatest assurance of an enhanced payment's permanence. In Maryland and New Jersey, the enhanced payment for HealthySteps lies within the state's Medicaid budget. Now that these Medicaid programs have been modified, interviewees expect it is unlikely that they would retract this benefit. This is not necessarily the case for states that provide funding for HealthySteps separate from their Medicaid budgets. In these states, funding allocated towards HealthySteps may be at greater risk of not keeping up with need or being cut.

#### *Features of states' payment models*

Both Medicaid enhanced payment models and Medicaid fee-for-service approaches are viable pathways to sustaining HealthySteps and HealthySteps aligned-services (particularly when paired with Medicaid coverage of one or more Z-codes for psychotherapy). Each state Medicaid program may decide which approach is better suited for its goals.

Maryland's and New Jersey's enhanced payment models provide a payment for each encounter, whereas Arkansas Medicaid pays per beneficiary per month. Each has an advantage, according to interviewees: the former model better controls costs by only furnishing a payment when a patient attends a visit. However, Arkansas' model may be considered simpler administratively.

In all states, HealthySteps Specialists who meet the state's degree and licensure requirements can bill Medicaid for behavioral health treatment services (for children with behavioral health diagnoses, and in states that allow the use of Z-codes as primary diagnosis codes, for children without behavioral health diagnoses). They can also provide a higher level of therapeutic treatment to patients where it is needed. However, given the national behavioral health workforce shortage, it may not be possible to hire HealthySteps Specialists with behavioral health licensures in every community. Moreover, it is important to consider the strengths that individuals without degrees/licensures may offer, such as language skills or familiarity with the community. According to interviewees, not requiring HealthySteps Specialists to have behavioral health backgrounds allows flexibility considering workforce shortages and enables the cultivation of a diverse workforce to support families' needs.

### ***Key ingredients for success***

Across the five states, interviewees identified the following factors as key ingredients for success.

**Longstanding, trusted partnerships among policymakers and stakeholders:** Interviewees emphasized that this was the most vital ingredient for success across all five states. In most cases, trusting relationships were cultivated over several years.

Interviewees highlighted that key to Arkansas' success was the leadership of the state's American Academy of Pediatrics chapter, which worked closely with Medicaid and the legislature. In New York, the HealthySteps National Office joined early childhood advocacy efforts aligned with HealthySteps' sustainability goals and collaborated to "raise all ships." In some cases, the HealthySteps National Office entered into formal partnerships with stakeholders, funded by philanthropy; one such partnership facilitated the opening of the Z65.9 billing pathway.

**Alignment with state priorities:** Several interviewees highlighted the importance of the alignment of payment innovation for HealthySteps with state priorities. California, for instance, has been investing in ambitious initiatives to transform children's behavioral health and Medi-Cal overall.

**Engagement with Medicaid MCOs:** Several interviewees underscored the value of MCO engagement. In Maryland, for instance, MCOs were brought into the conversation regarding establishment of the enhanced payment early, which was critical to ensure smooth implementation.

**A demonstration project:** In California, piloting the dyadic payment at UCSF's HealthySteps sites leveraging San Francisco Health Plan payments led to the development of the statewide dyadic benefits. It helped that DHCS had seen HealthySteps in action.

**Family voices:** According to interviewees, showcasing the voices of families "helped bring HealthySteps to life" in New Jersey. A caregiver testified at a hearing on infant and early childhood mental health held by the Assembly Women and Children Committee, which was powerful for legislators.

**Provider voices:** In New York, providers across health systems voiced the need for HealthySteps.

**A multi-pronged approach for FQHCs:** States are facing barriers to providing an enhanced payment to FQHCs for multiple reasons. Where this happens, interviewees stated it is important to form a multi-pronged sustainability approach that can address both FQHC and non-FQHC HealthySteps sites. Medicaid reimbursement for psychotherapy for children without diagnoses through Z-codes can help to sustain HealthySteps in FQHCs.

**Looking to other states:** Several states have based their efforts on other states' models. New York, for instance, leveraged California's guidance on Z-codes to establish its Z-code billing pathway.

## **Applying learnings to Pennsylvania**

The vast majority of Pennsylvania children with Medicaid coverage are enrolled in managed care, [similar](#) to most states reviewed in this white paper. Medicaid behavioral health is carved out (financed separately from physical health MCOs) in Pennsylvania, as is the case in [Maryland](#) and [New Jersey](#). Maryland's and New Jersey's enhanced payments are administered through physical health MCOs, as HealthySteps has been [shown](#) to improve a range of physical child health outcomes and drive [cost savings](#).

Pennsylvania has a dyadic benefit, but it [appears](#) to require a diagnosis and to be limited to family therapy. HealthySteps would not be reimbursable through family therapy codes alone.

There have been recent efforts to utilize preventive behavioral health Z-codes in the Commonwealth. In 2019, Community Behavioral Health—the MCO that provides behavioral health services for Philadelphians with Medicaid coverage—worked with the Pennsylvania Office of Mental Health and Substance Abuse Services to make an [accommodation](#) that allowed Behavioral Health Consultants working in FQHCs in Philadelphia to utilize 23 Z-codes when one of these is most applicable for an encounter.

The Pennsylvania Department of Human Services (PA DHS) and the Pennsylvania Community Health Worker Collaborative are currently [preparing a Medicaid state plan amendment](#) that would authorize payment for CHW services. As is the case in New York, CHWs can work alongside HealthySteps Specialists to connect families to needed services and supports. Additionally, depending on the limits on units billed annually and HealthySteps Specialists' backgrounds, some Specialists can be certified as CHWs and bill for services.

In early 2024, PA DHS submitted a [waiver application](#) to the Centers for Medicare & Medicaid Services proposing the provision of continuous coverage for children ages birth through 6 enrolled in Medicaid in Pennsylvania. Expanding and sustaining families' access to evidence-based dyadic care models for healthy early childhood development such as HealthySteps would be an effective way to leverage continuous coverage for young children.

It is critical for HealthySteps sites to work in coordination with other early childhood programs and services as part of a larger system that supports children and families. In Pennsylvania, this would include Child Care Works, Early Intervention, Early Head Start, home visiting, and others.

**Authors:** Emma Golub, Kali Hackett

*Disclaimer:* This white paper reflects our best understanding of payment pathways for HealthySteps and HealthySteps-aligned services. We welcome hearing about other mechanisms. If we misinterpreted or misrepresented something, please let us know so that we can update our work.

**Contact:** Emma Golub, [golube@chop.edu](mailto:golube@chop.edu)

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1. ZERO TO THREE. 2023. “State Sustainability Examples Presentation.”