STATE OF CALIFORNIA--HEALTH AND WELFARE AGENCY PETE WILSON, GOVERNOR

DEPARTMENT OF MENTAL HEALTH
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February 28, 1997

DMH LETTER NO.: 97-02

TO : LOCAL MENTAL HEALTH DIRECTORS
LOCAL MENTAL HEALTH PROGRAM CHIEFS
LOCAL MENTAL HEALTH ADMINISTRATORS
COUNTY ADMINISTRATIVE OFFICERS
CHAIRPERSONS, LOCAL MENTAL HEALTH BOARDS

SUBJECT : PSYCHIATRIC HEALTH FACILITY COST LIMITS

REFERENCE : Supersedes DMH Letter No. 94-17

EXPIRES : Retain Until Superseded

Enclosed is the revision of the Department of Mental Health (DMH) report that specifies the limits on costs or charges for Psychiatric Health Facilities (PHFs), including the limits on charges of Structured Outpatient Services (SOPS) provided in PHFs.

The policy specifies where costs or charges are applicable, defines PHF costs and charges, describes the method for departmental consideration of local conditions, and sets the cost limitations at both the 60 percent and the 75 percent levels by Health Service Area regions. The policy also defines SOPS and specifies the application procedure for SOPS certification.

The monitoring of PHF and SOPS costs and charges will occur during regularly scheduled relicensure reviews. Any questions regarding this policy may be addressed to Delores Spahnn, Ph.D. of Licensing and Certification at (916) 654-2396.

STEPHEN W. MAYBERG, Ph.D.
Director

Enclosure

cc: California Mental Health Planning Council
Chief, Technical Assistance and Training
Directors, Psychiatric Health Facilities

PSYCHIATRIC HEALTH FACILITY
COST LIMITATIONS

Psychiatric Health Facilities (PHFs) were created in 1978 by an act of the California Legislature to provide a low cost alternative to hospital-based psychiatric care. The Department of Mental Health (DMH) regulates and licenses PHFs and ensures compliance with Welfare and Institutions Code (WIC) provisions which limit the costs or charges for care and treatment in a PHF.

Section 4080 (h) (2) of the WIC specifies that DMH shall review and may approve a program and facility, "... only if the average per diem charges or costs of service provided in the facility is approximately 60 percent of the average per diem charges or costs of similar psychiatric services provided in a general hospital".

DMH may also approve PHF programs which are federally certified or accredited by a nationally recognized commission which accredits health care facilities if the average per diem charges or costs do not exceed 75 percent of the average per diem charges or costs of similar psychiatric services provided in a psychiatric or general hospital.

CHARGES OR COSTS

The law provides for either charges (private) or costs (public) as the basis of comparison between PHFs and psychiatric care in a general hospital. For public sector PHFs operated by local county governments, the basis of cost is the adjusted gross cost per day as reported in the Cost Reporting/Data Collection (CR/DC) Annual Report. In the private sector, the costs to the consumer are the actual charges accrued from the program and room and board in the private PHF.

The reported costs of a program must include all the costs or charges for programs required by law or regulation including, but not limited to, nursing care, social services, rehabilitation services, pharmaceutical services, activities programs, treatment supplies, equipment, food and administrative overhead.

No ancillary program charges are permitted in PHFs which would cause the total charges for services provided by the PHF program to exceed the legal cost limitation as specified in this policy letter.

Services that are neither required by law or regulation, nor routinely offered in private or public PHF programs, may be excluded from the cost or charges for comparison purposes in the daily rate. PHFs must furnish the total annual costs of these services to Licensing and Certification in DMH.

The cost of physician services is not included in the reported costs for hospitals or PHFs operated in the private sector. These charges are generally billed separately to the patient and not included in statewide cost reports provided by the Office of Statewide Health Planning Department (OSHPD). In order to make valid comparisons between PHFs and hospital based care, the costs or charges of PHFs will not consider physician costs.

PHF programs may be asked to report these physician costs to Licensing and Certification for either the past calendar or fiscal year.

SIMILAR PSYCHIATRIC SERVICES PROVIDED IN A GENERAL HOSPITAL

In the acute psychiatric care data provided to OSHPD, two peer groups serve as comparisons for hospital based care, "Acute Psychiatric Hospitals" and "Hospitals with Moderate Psychiatric Emphasis". The costs or charges of these groups, as compiled and reported by OSHPD, will serve as the operational definition of "costs for similar psychiatric services provided in a general hospital".

APPLICATION PROCEDURE - 75 PERCENT LIMITATION RATE

A PHF may make application in writing to DMH for the permission to charge at the 75 percent per diem rate through Licensing and Certification. The application is to include the following information:

1. Documentation that the PHF meets the criteria specified which makes it eligible to increase the per diem up to 75 percent; that is, accreditation by the Joint Commission on Accreditation of Health Organizations (JCAHO) or certification by the Health Care Financing Administration (HCFA).

2. The proposed amount of the increased per diem.

LOCAL CONDITIONS

Section 5652.5 (h) of the WIC provides that the DMH "...shall take into account local conditions affecting the costs or charges." Accordingly, the peer group hospitals will be grouped by region for purposes of calculating the average per diem cost or charge.

The DMH utilizes the existing geographic delineation of Health Service Areas (HSAs) as specified by OSHPD to "consider local conditions." In cases where a single HSA does not contain at least four comparison hospitals, contiguous HSAs are grouped to create a significant comparison base. Only HSAs with similar demographic and cultural characteristics, e.g., rural versus urban, will be grouped. The following groupings of counties will be utilized for the 1996-97 Fiscal Year.

GROUP A

Alpine	El Dorado	Merced	San Joaquin	Tehama
Amador	Glenn	Modoc	Shasta	Trinity
Butte	Humboldt	Nevada	Sierra	Tuolumne
Calaveras	Lake	Placer	Siskiyou	Yolo
Colusa	Lassen	Plumas	Stanislaus	Yuba
Del Norte	Mendocino	Sacramento	Sutter	

GROUP B

Marin	San Mateo
San Francisco	Santa Clara

GROUP C

Alameda	Napa	Sonoma
Conta Costa	Solano	

GROUP D

Monterey	San Luis Obispo	Santa Cruz
San Benito	Santa Barbara	Ventura

GROUP E

Fresno	Kings	Mariposa
Kern	Madera	Tulare

GROUP F

Los Angeles

GROUP G

Inyo	Riverside
Mono	San Bernadino

GROUP H

Orange

GROUP I

Imperial
San Diego

SIXTY AND 75 PERCENT COST OR CHARGE LIMITATIONS

The following data are obtained annually by DMH in preparation for determining the limitation of costs or charges by PHFs.

1. The costs or charges of all hospitals in a given HSA group that fall within the peer groups of Acute Psychiatric Hospitals and Hospitals with Moderate Psychiatric Emphasis as reported and published by OSHPD.

2. The average per diem cost or actual charge for each licensed PHF in California after deducting physician costs and other excludable costs, if any.

The per diem limit for PHFs is determined by calculating the mean cost or charge for similar services within each HSA grouping. To determine the two costs or charge limits, the regional mean is multiplied by 0.60 and 0.75. Figures are rounded to the nearest 0.50.

Historically, DMH calculated the 60 percent limit at 65 percent in deference to statutory language that uses the term "approximately" when referring to cost or charge limits. Because PHFs may choose to seek authorization to charge at the 75 percent limit, DMH no longer calculates the additional 5 percent into the cost/charge limit.

The per diem cost limit derived from this formula constitutes the legal limit for the average charges for both the public and private sectors. Those PHFs interested in utilizing the 75 percent per diem limit schedule must have authorization from DMH. Programs that are reimbursed through public funding sources may be further limited and regulated in their costs.

1996-97 COST LIMITATIONS

The following table contains the cost/charge limitations for PHF programs until July 1, 1997.

Group	60% Limit	75% Limit	HSA
A	$716.00	$ 895.00	1, 2, & 6
B	688.50	860.50	4, 7
C	937.00	1,171.50	3, 5
D	748.00	935.00	8, 10
E	556.00	695.50	9
F	875.00	1,094.00	11
G	694.00	867.50	12
H	968.50	1,210.50	13
I	651.00	813.50	14

STRUCTURED OUTPATIENT SERVICES

Pursuant to Chapter 241, Statutes of 1991 (AB 404, Murray), DMH may issue a special permit to a PHF to provide Structured Outpatient Services (SOPS) as an alternative to acute inpatient hospitalization..

SOPS services may consist of morning, afternoon, or full daytime organized programs, not exceeding 10 hours, for acute daytime care of patients. SOPS may be an alternative to admission to inpatient services, utilized as part of an aftercare plan following discharge from inpatient care, or as both.

APPLICATION PROCEDURE - SOPS CERTIFICATION

Licensed PHFs wishing to obtain a permit to provide SOPS must file an application with a designated fee to the DMH. Applicants must also furnish the DMH with all facility policies and procedures relevant to the SOPS program including numbers of additional program staff, professional qualifications of SOPS staff, the appointment of a SOPS coordinator and any other information or documentation the DMH may require.

Upon receipt of the application letter and supporting documents, DMH will consider the request and respond to the applicant within 30 days regarding the status of the application. When the request for a SOPS permit is granted, DMH will notify the applicant in writing of the approval and issue the permit.

1996-97 SOPS COST LIMITATIONS

PHFs authorized by special permit to provide SOPS for up to 10 daytime hours shall not charge more than 60 percent of the facility's authorized per diem for inpatient services. The per diem charge for patients in either a morning or afternoon program shall not exceed 30 percent of the facility's authorized per diem for inpatient services.

The following table contains the cost/charge limits for PHF SOPS programs until July 1, 1997.

Group	PHF	SOPS		PHF	SOPS	
	60 % LIMIT	1/2 day	full day	75 % Limit	1/2 day	full day
A	$716.00	$215.00	$430.00	$ 895.00	$268.50	537.00
B	688.50	206.50	413.00	860.50	258.00	516.00
C	937.00	281.00	562.00	1,171.50	351.50	703.00
D	748.00	224.50	449.00	935.00	280.50	561.00
E	556.00	167.00	333.50	695.50	208.50	417.00
F	875.00	262.50	525.00	1,094.00	328.00	656.00
G	694.00	208.00	416.50	867.50	260.00	520.50
H	968.50	290.50	581.00	1,210.50	363.00	726.30
I	651.00	195.50	390.50	813.50	244.00	488.00

ANNUAL REVIEW

DMH will review the adjusted costs/charges of each licensed PHF and SOPS program annually and notify those programs that are not in compliance with these cost limitations. Sanctions may be taken against programs that fail to comply with the per diem limits as defined in this letter.

LICENSE FEES

PHF licensure and SOPS permit fees are determined by DMH's costs associated with licensure and monitoring activity of the programs. PHFs operated by local governments are exempt from paying any licensure or special permit fees. The following fees are applicable for fiscal year 1996-97.

	PHF	SOPS
Application Fee	$1,000.00	$600.00
Per bed license Fee	189.00	113.00