



C A L I F O R N I A D E P A R T M E N T O F  
**Mental Health**

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DMH INFORMATION NOTICE NO.: 05-05 (Revised)

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

**SUBJECT:** EARLY AND PERIODIC SCREENING, DIAGNOSIS AND TREATMENT  
(EPSDT) CHART AUDITS IN FY 05-06

**SUPERCEDES:** DMH Information Notice No. 04-08

**REFERENCE:** DMH Information Notice No. 05-01

**EXPIRES:** Retain until rescinded

Effective January 2005, the Department of Mental Health (DMH) commenced chart audits of Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services of selected legal entities. This Information Notice provides legal entities with an update of the EPSDT audit process in FY 05-06.

Per California Code of Regulations (CCR), Title 9, Section 1840.100, a legal entity is defined as follows: *"Legal entity" means each MHP and each of the corporations, partnerships, agencies, or individuals providing specialty mental health services under contract with the MHP, except that legal entity does not include individual or group providers, Fee-For-Service/Medi-Cal hospitals or psychiatric nursing facilities.*

The EPSDT audits will continue to be conducted by a DMH contractor, Behavioral Health Concepts, Inc., in partnership with its subcontractor, Discharge Resource Staffing. This subcontractor will audit a statistically valid sample of DMH approved claims submitted by the selected legal entities during the audit period utilizing the enclosed *EPSDT Reasons for Recoupment FY 05-06*. The charts associated with these claims will be audited utilizing the enclosed *Section J--Non-Hospital Chart Review FY 05-06* and, when applicable, the enclosed *Section I--Therapeutic Behavioral Services FY 05-06*.



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As in FY 04-05, the DMH will recoup both the Federal Financial Participation (FFP) and the State General Fund (SGF) portions of disallowed claims. The recoupment percentage, by service function, will then be extrapolated to all EPSDT claims made by the legal entity during the audit period. A legal entity serving more than one MHP will have audit samples and, if applicable, recoupment percentages unique to each of the MHPs served by that legal entity. In most cases the audits of legal entities serving more than one MHP will be limited to one MHP at a time.

DMH Information Notice No. 05-01 announced the availability of the Disallowed Claims System (DCS). The DCS was developed to provide MHPs and their legal entities a venue to have claims removed from the audit sample. Claims entered into the DCS prior to receipt of the announcement letter and prior to the DCS cut-off dates below will be removed from legal entity claims prior to the selection of the audit sample. Use of the DCS is voluntary, but use of the DCS is the only way to remove claims from the audit sample. The DCS will issue a date and time receipt for each disallowed claim entered into the system. If a claim entered into the DCS in a timely fashion remains in the audit sample, the legal entity should show this receipt to the auditor and the claim will be removed and replaced by another claim.

For audits conducted in FY 05-06, the audit periods and last entry dates into the DCS to exclude claims from the audit sample are listed below. Legal entities audited later in the audit cycle have more time to enter claims into the DCS. However, along with more time is more risk as the audit period increases from (5) months in July to (12) months in February. By June 1, 2005 the DMH will notify legal entities being audited in July in order to provide them sufficient time to utilize the DCS. This notice will not include specific claims' information.

<b>MONTH OF AUDIT</b>	<b>AUDIT PERIOD</b>	<b>LAST DATE FOR ENTRY INTO THE DCS TO EXCLUDE CLAIMS</b>
July, 2005	July-November, 2004 (5 months)	June 26, 2005
August, 2005	July-December, 2004 (6 months)	July 17, 2005
September, 2005	July, 2004—January, 2005 (7 months)	August 21, 2005
October, 2005	July, 2004—February, 2005 (8 months)	August 31, 2005
November, 2005	July, 2004—March, 2005 (9 months)	September 30, 2005
December, 2005	July, 2004—April, 2005 (10 months)	October 31, 2005
January, 2006	July, 2004—May, 2005 (11 months)	November 30, 2005
February, 2006	July, 2004—June, 2005 (12 months)	December 31, 2005
March, 2006	July, 2004—June, 2005 (12 months)	<b>January 31, 2006</b>
April, 2006	July, 2004—June, 2005 (12 months)	<b>February 28, 2006</b>
May, 2006	July, 2004—June, 2005 (12 months)	<b>March 31, 2006</b>
June, 2006	July, 2004—June, 2005 (12 months)	<b>April 30, 2006</b>

Legal entities will be sorted into weighted categories for selection purposes. Legal entity names will then be randomly selected from these categories and randomly placed on the audit schedule. All legal entities are subject to audit even if the legal entity was audited in FY 04-05.

As in FY 04-05, the DMH will not be publishing the names of the legal entities being reviewed in FY 05-06. Each legal entity being reviewed will be notified of its audit two weeks in advance by way of an e-mail from the DMH subcontractor to the legal entity with a copy to the MHP director and/or designee(s) of the MHP served by that legal entity. For legal entities serving

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more than one MHP, unless notified otherwise, the review will be limited to claims and beneficiary charts served by the county specified in the announcement letter. As needed, please keep the DMH up to date on legal entity as well as MHP personnel and e-mail contact information. Send contact information to Tom Burke at the e-mail address below.

The e-mail will provide information for contacting the DMH subcontractor to obtain the list of beneficiary names to be audited and to arrange the specifics of the onsite audit. The e-mail will provide you with a list of material to have present at the time of the audit. The *Reasons for Recoupment* as well as *Section J* and *Section I* audit tools will be attached to the e-mail.

The charts being reviewed must be present at the commencement of the audit. A chart not present at the commencement of the audit will have its claim(s) subject to recoupment. If a beneficiary has more than one chart, it will be necessary to have the additional chart(s) present if they are needed to establish medical necessity or to confirm the presence of an assessment and client plan that covers the audit period.

Should the DMH contractor be unable to find required documentation to support a claim, the legal entity and MHP staff will be given the opportunity that day to locate the documentation in the chart while the contractor is onsite. However, except for locking up the charts at night, charts cannot leave the audit room and nothing can be added to the charts once the audit begins.

The DMH contractor will have multiple teams auditing legal entities in FY 05-06. Reviews will commence the week of July 11, 2005 with e-mails announcing these visits going out to affected legal entities and MHP Directors and/or designees on June 27, 2005. Except for extenuating circumstances as determined by the DMH, once announced, an audit will not be postponed. However, for good cause and prior to announcement, the DMH will consider an MHP's or legal entity's request to not be audited during a particular week. The request must be in writing (e-mail is acceptable) and, to improve the chance of approval, be received as soon as possible. A request by e-mail should be sent to Tom Burke at the e-mail address below.

The DMH will issue audit report findings to the MHPs with a copy to the legal entities about 60 days following each review. As applicable, the reports will include a Plan of Correction for all items found to be out of compliance and the list of recouped claims to be extrapolated along with information describing the extrapolation process. MHPs have appeal rights as delineated in CCR, Title 9, Section 1810.380(d).

If you have questions, please contact Tom Burke, LCSW, Interim Chief, Medi-Cal Oversight – Northern and Southern Regions, at [tom.burke@dmh.ca.gov](mailto:tom.burke@dmh.ca.gov) or (916) 654-3607. Send this information to Tom Burke at: <[tom.burke@dmh.ca.gov](mailto:tom.burke@dmh.ca.gov)>

Sincerely,

STEPHEN W. MAYBERG, Ph.D.  
Director

Enclosures

cc: California Mental Health Planning Council  
Executive Director, CMHDA  
Compliance Advisory Committee  
Chiefs, County

