



DATE: September 5, 2023

Behavioral Health Information Notice No: 23-044
Supersedes BHIN No.: [22-063](#)

TO: California Alliance of Child and Family Services
California Association for Alcohol/Drug Educators
California Association of Alcohol & Drug Program Executives, Inc.
California Association of DUI Treatment Programs
California Association of Social Rehabilitation Agencies
California Consortium of Addiction Programs and Professionals
California Council of Community Behavioral Health Agencies
California Hospital Association
California Opioid Maintenance Providers
California State Association of Counties
Coalition of Alcohol and Drug Associations
County Behavioral Health Directors
County Behavioral Health Directors Association of California
County Drug & Alcohol Administrators

SUBJECT: Behavioral Health Audit for Specialty Mental Health Services (SMHS), Drug Medi-Cal Organized Delivery System (DMC-ODS) Services, and Drug Medi-Cal Counties (DMC) Services for Fiscal Year (FY) 2023-2024

PURPOSE: To inform county Mental Health Plans (MHPs), DMC-ODS Plans, and DMC programs of the revised DHCS Behavioral Health Audit process beginning FY 2023/2024.

REFERENCE: Title 45, Code of Federal Regulations (CFR) Parts [95](#) and [160-164](#); Title 42, C.F.R. Parts [2](#) and [438](#); California Code of Regulations (CCR), Title 22, Sections [51341.1](#), [51490.1](#), and [51516.1](#); CCR, Title 9, Sections [1810.380\(a\)](#), [10500 et seq.](#), [13000 et seq.](#), and [Division 4](#), generally; Health and Safety Code Sections [11848.5, subdivisions \(a\)-\(b\), 11758.10 et seq.](#); Welfare and Institutions Code (W&I) [Division 9, Part 3, Chapter 7](#), including Sections 14021, 14021.5-14021.6, 14021.51-14021.53, 14043 et seq., 14045.10 et seq., 14100.2, 14124.20-14124.25, 14184.100 et seq., 14184.402, and [Chapter 8.9; MHP Contract](#); DMC Intergovernmental Agreement (IA); [BHIN 21-071](#); [BHIN 21-073](#); [BHIN 23-001](#).



BACKGROUND:

In accordance with the above references, DHCS conducts monitoring and oversight activities to review each county's MHP, DMC-ODS, and DMC behavioral health programs and operations. The purpose of these oversight activities is to verify that medically necessary services are provided to eligible Medi-Cal beneficiaries who meet medical necessity criteria and criteria for beneficiary access to services, in compliance with applicable state and federal laws and regulations; state guidance, including, but not limited to, BHIN 21-071, BHIN 21-073, BHIN 23-001; and terms of the contracts between DHCS and MHPs, DMC programs and DMC-ODS Plans.

POLICY:

Revised DHCS Behavioral Health Audit Process

Beginning FY 2023/2024, DHCS will implement a new approach to the annual and triennial compliance reviews for SMHS, DMC-ODS, and DMC delivery systems. The monitoring reviews for MHPs, DMC-ODS Plans, and DMC programs (hereinafter collectively referred to as Medi-Cal Behavioral Health Delivery Systems) will be focused on the areas prioritized for review based on each Medi-Cal Behavioral Health Delivery System's audit history including, but not limited to, prior results from reviews and/or Corrective Action Plan progress. The Behavioral Health Audit process revisions will:

- Align the Behavioral Health Audit process for Medi-Cal Behavioral Health Delivery Systems with the structure of the DHCS Medi-Cal Managed Care Plan compliance reviews;
- Streamline reviews based on a county-specific compliance risk assessment;
- Allow DHCS to conduct reviews using a systemic approach,¹ in addition to reviewing for fraud, waste, and abuse;²
- Improve compliance by focusing on county-specific criteria that can help identify and address compliance gaps; and
- Increase the efficiency of the review process through focused oversight that requires fewer resources than a comprehensive review of an entire delivery system.

Additionally, beginning FY 2023/2024, DHCS will no longer publish the SMHS review protocol and Reasons for Recoupment. This change aligns with existing audit

¹ A "systemic approach" will include a review of the county's overall provision of behavioral health services through its Medi-Cal Behavioral Health Delivery Systems, including, but not limited to, review of policies and procedures, meetings and trainings documentation, and monitoring efforts, as well as compliance with applicable regulatory and contractual requirements. The goal of this type of review is to identify systemic issues across a county's Medi-Cal Behavioral Health Delivery Systems that could potentially lead to either non-compliance or a lack of services provided to beneficiaries.

² Fraud and abuse is defined in CFR, Title 42, [section 455.2](#). W&I, [section 14107.11, subdivision \(d\)](#) also addresses fraud. Definitions for "fraud," "waste," and "abuse," as those terms are understood in the Medicare context, can also be found in the [Medicare Managed Care Manual](#).

procedures for other managed care DHCS delivery systems and will allow for reviews to focus on identified risks and needs specific to each county Medi-Cal Behavioral Health Delivery System.

Review Frequency and Alignment Across Delivery Systems

Currently, the review frequency is not changing for SMHS, DMC-ODS, and DMC. In the future, DHCS intends to shift the SMHS audits to biennial reviews and will eventually align the review frequency for SMHS with the DMC-ODS and DMC annual reviews.

DHCS also anticipates implementing integrated reviews that address both SMHS and DMC/DMC-ODS services as part of the California Advancing and Innovating Medi-Cal (CalAIM) Behavioral Health Administrative Integration Initiative. DHCS will provide further information about the effective dates of integrated mental health/SUD reviews in future guidance (this will not begin in FY 2023-24).

Review Overview

The revised Behavioral Health Audit includes a review of legal and contractual requirements under broad delivery system categories, aligned with those identified in the MHP Contract, DMC Intergovernmental Agreement, and DMC-ODS Intergovernmental Agreement. Categories for review have been listed below to demonstrate the compliance review structure and provide transparency. The audit may include, but is not necessarily limited to, the review of legal and contractual requirements that fall within the following categories:

- Network Adequacy and Availability of Services
- Care Coordination and Continuity of Care
- Quality Assurance and Performance Improvement
- Access and Information Requirements
- Coverage and Authorization of Services
- Beneficiary Rights and Protections
- Program Integrity
- Reporting Requirements
- Administration
- Perinatal Practice Guidelines (DMC-ODS and DMC only)
- Youth Services

Review Preparation and Document Submission

For each review, DHCS will identify priority areas related to beneficiaries' access to services, new contractual provisions, stakeholder feedback, and DHCS initiatives. DHCS will continue to schedule audits with the intent of avoiding conflict with other reviews/audits. Prior to the review, DHCS will notify the county of the areas the review will focus on and the documentation that will be required. At least 45 to 60 days prior to the scheduled review date, DHCS will send each Medi-Cal Behavioral Health Delivery System a comprehensive, county-specific document submission checklist, and a Pre-Audit Information Request identifying the requested documentation.

Medi-Cal Behavioral Health Delivery Systems shall submit all review documentation to DHCS approximately 30 days prior to the virtual or onsite review. Medi-Cal Behavioral Health Delivery Systems shall provide documentation to demonstrate compliance as requested by DHCS.³ DHCS will provide each Medi-Cal Behavioral Health Delivery System with instructions for accessing DHCS' Secure Management File Transfer System, which allows for the secure transmission of documents containing protected health information. DHCS will review the documents and charts submitted by Medi-Cal Behavioral Health Delivery Systems, including but not limited to policies and procedures, and evidence of practice, grievances, appeals, Treatment Authorizations, and Service Authorizations.

Audit Review

During the audit review, DHCS will interview key Medi-Cal Behavioral Health Delivery System personnel to assess compliance and evaluate the Medi-Cal Behavioral Health Delivery System. DHCS may request additional supporting documents as needed throughout the interview portion of the audit.

Post Review Evidence/Exit Process

A Medi-Cal Behavioral Health Delivery System shall have a formal opportunity to discuss draft audit findings with DHCS at the conclusion of the audit process. Specifically, a Medi-Cal Behavioral Health Delivery System shall have 15 business days after receipt of the draft Audit Report to document that they agree, disagree, or partially agree with the findings in the draft Audit Report (including any required corrective action) via a DHCS-provided template, as well as submit any additional information or documentation for DHCS' review and consideration. The 15 days is a formal timeframe that is available to the Medi-Cal Behavioral Health Delivery System in addition to the option to submit documentation throughout the interview portion of the audit review. After a Medi-Cal Behavioral Health Delivery System's submittal of any additional

³ See 42 C.F.R. § 438.3(h).

information or documentation, DHCS will respond, make any audit adjustments, as it deems necessary and appropriate, and issue a final Audit Report.

This BHIN does not affect DHCS' ability to conduct any other audits or take any other legally authorized actions against counties, including, but not limited to, enforcement of sanctions and penalties, and monetary recoupments.

Audit Reports

If DHCS determines that a Medi-Cal Behavioral Health Delivery System is out of compliance, DHCS will provide a written Audit Report (formerly referred to as Findings Report), which will include a description of the finding(s) and any required corrective action(s).⁴

Corrective Action Plan (CAP)

A CAP may be required for items determined to be out of compliance.⁵ When a CAP is required, the Medi-Cal Behavioral Health Delivery System shall submit a CAP to DHCS for all review items deemed out of compliance, using the DHCS CAP template included with the Audit Report, within 60 calendar days of receipt of the Audit Report. The CAP shall include the following information:

- Description of corrective actions that will be taken by the Medi-Cal Behavioral Health Delivery Systems to address findings, including actions required of contracted providers when applicable, and incremental milestones the Medi-Cal Behavioral Health Delivery System will achieve in order to reach full compliance;
- Timeline for implementation and/or completion of corrective actions;
- Proposed evidence of correction that will be submitted to DHCS;
 - If the Medi-Cal Behavioral Health Delivery System has evidence to support correction at the time the CAP is due, the Medi-Cal Behavioral Health Delivery System shall submit the actual evidence of correction to DHCS.
- Mechanism for monitoring the effectiveness of corrective actions over time; and
- Behavioral Health Director or designee (e.g., compliance administrator) name, and the date of their approval of the CAP.

The Medi-Cal Behavioral Health Delivery System shall submit the CAP and supporting documentation as applicable electronically via a Secure Managed File Transfer system specified by DHCS. Upon receipt of the CAP, DHCS will provide an Acknowledgement Letter within five business days.

⁴ W&I Code, § 14197.7, subs. (d) and (r)(1).

⁵ W&I Code §§ 14713, subd. (b), 14197.7, subd. (d); Approved Section 1915(b) Waiver Proposal for CalAIM, p. 115-116.

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The Medi-Cal Behavioral Health Delivery System shall resolve CAPs within 90 days following receipt of the Acknowledgement Letter from DHCS. DHCS may approve an extended timeline for resolution only if necessary and appropriate. DHCS will place the county on Ongoing Monitoring as referenced in [BHIN 23-006](#) if CAPs are not resolved within the determined timeline for resolution.

Report Posting

DHCS will post all Audit Reports and CAPs for SMHS and Audit Reports for DMC/DMC-ODS on the DHCS website. Below are the relevant links to the DHCS website.

- [SMHS Audit Reports and CAPs](#)
- [DMC/DMC-ODS Audit Reports](#)

If you have any questions regarding this BHIN, please contact DHCS at CountySupport@dhcs.ca.gov.

Sincerely,

Original signed by

Michele Wong, Chief
Medi-Cal Behavioral Health - Oversight and Monitoring Division