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Behavioral Health Information Notice No: 23-XXX  
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) Counties, and Drug Medi-Cal Counties (DMC) for Fiscal Year (FY) 2023-2024

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

REFERENCE: Title 45, Code of Federal Regulations (C.F.R.) Parts [95](#) and [160-164](#); Title 42, C.F.R. Parts [2](#) and [438](#); California Code of Regulations (C.C.R.), Title 22, Sections [51341.1](#), [51490.1](#), and [51516.1](#); C.C.R., 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 (W&I) Code [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; BHINs [21-071](#); [21-073](#); and [23-001](#).



**BACKGROUND:**

In accordance with the above references, DHCS conducts monitoring and oversight activities to review county SMHS, DMC-ODS, and DMC county 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 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 and DMC-ODS counties.

**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 counties. The monitoring reviews for SMHS, DMC-ODS, and DMC (hereinafter collectively referred to as county Medi-Cal Behavioral Health Delivery Systems) will be more tailored than past reviews, with specific areas prioritized for review based on each county's audit history. The Behavioral Health Audit process revisions will:

- Align the Behavioral Health Audit process for county 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;
- Place emphasis on systemic issues, in addition to fraud, waste, and abuse<sup>1</sup>;
- Improve compliance by targeting county-specific criteria that can help identify and address compliance gaps; and
- Increase efficiency 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 procedures for other managed care DHCS delivery systems and will allow for reviews designed specific to each county. However, for SMHS as well as DMC-ODS and DMC, categories for review have been listed below to demonstrate the compliance review structure and provide transparency.

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<sup>1</sup> Fraud and abuse is defined in C.F.R., Title 42, [section 455.2](#). W&I Code, [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](#).

#### 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 for SMHS and DMC/DMC-ODS 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 review of legal and contractual requirements under broad system delivery categories, such as those identified in the MHP Contract, DMC Intergovernmental Agreement, and DMC-ODS Intergovernmental Agreement. For example, 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

DHCS will identify priority areas related to beneficiaries' access to services, new contractual provisions, stakeholder feedback, and DHCS initiatives. DHCS will notify the county prior to the review which areas the review will focus on and what documentation will be required. At least 45 days prior to the scheduled review date, DHCS will send each county Medi-Cal Behavioral Health Delivery System a comprehensive county-specific document submission checklist and a Pre-Audit Information Request identifying the requested documentation.

County Medi-Cal Behavioral Health Delivery Systems shall submit all review documentation to DHCS approximately 30 days prior to the virtual or onsite review.

County Medi-Cal Behavioral Health Delivery Systems shall provide documentation supporting compliance as requested by DHCS.<sup>2</sup> DHCS will provide each county 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 county 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 county Medi-Cal Behavioral Health Delivery System personnel to assess compliance and evaluate the county Medi-Cal Behavioral Health Delivery System. DHCS may request additional supporting documents, as needed.

#### Post Review Evidence

County Medi-Cal Behavioral Health Delivery Systems may submit any additional evidence within five (5) business days of the conclusion of the scheduled audit dates for consideration by DHCS. DHCS will consider such additional evidence in making its final compliance determinations and writing the final report.

#### Audit Reports

If DHCS determines that a county 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).<sup>3</sup>

#### Corrective Action Plan (CAP)

A CAP may be required for items determined to be out of compliance.<sup>4</sup> When a CAP is required, the county Medi-Cal Behavioral Health Delivery Systems shall submit a CAP to DHCS using the DHCS CAP template included with the Audit Report within 60 calendar days of receipt of the Audit Report for all review items deemed out of compliance. The CAP shall include the following information:

- Description of corrective actions that will be taken by the county Medi-Cal Behavioral Health Delivery Systems, including actions required of contracted providers, to address findings, including milestones.

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<sup>2</sup> See 42 C.F.R. § 438.3(h).

<sup>3</sup> W&I Code, § 14197.7, subs. (d) and (r)(1).

<sup>4</sup> See 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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- Timeline for implementation and/or completion of corrective actions;
- Proposed (or actual) evidence of correction that will be submitted to DHCS;
- Mechanism for monitoring the effectiveness of corrective actions over time;
- The Behavioral Health Director's or Administrator's name, and the date of their approval of the CAP.

The county Medi-Cal Behavioral Health Delivery System shall submit the CAP and if applicable, supporting documentation 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.

#### Appeals

If a county Medi-Cal Behavioral Health Delivery System elects to appeal any portion of the Audit Report, the county Medi-Cal Behavioral Health Delivery System may do so by submitting an appeal, in writing, within 15 business days after receipt of the Audit Report. The appeal may be submitted via **secure** email (i.e., using encryption and typing [secure] in the subject line of the email). Please send the appeal electronically to [DHCSMentalHealthAppeals@dhcs.ca.gov](mailto:DHCSMentalHealthAppeals@dhcs.ca.gov) and cc: [MCBHOMDMonitoring@dhcs.ca.gov](mailto:MCBHOMDMonitoring@dhcs.ca.gov).

DHCS will adjudicate any appeals and/or technical corrections (e.g., calculation errors, etc.) submitted by the county Medi-Cal Behavioral Health Delivery System and, if appropriate, provide an amended Audit Report. If DHCS upholds the original findings, the county Medi-Cal Behavioral Health Delivery System shall send the CAP to DHCS within 60 calendar days of receipt, as described above.

#### Report Posting

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

- [SMHS Audit Report and CAP](#)
- [DMC/DMC-ODS Audit Report](#)

If you have any questions regarding this BHIN, please contact DHCS at [CountySupport@dhcs.ca.gov](mailto:CountySupport@dhcs.ca.gov).

Sincerely,

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