



DATE: March 9, 2026

Behavioral Health Information Notice No: 26-012

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: Updated Guidance re: Cost Allocation Methodology for Mental Health Plan Administration

PURPOSE: To update guidance regarding the Costs allocation methodology for Mental Health Plan Administration as described in BHIN 21-027.

REFERENCE: Behavioral Health Information Notice (BHIN) [21-027](#) Title 2 Code of Federal Regulations, [Part 200, Subpart E](#)

BACKGROUND:

The Department of Health Care Services (DHCS) issued guidance, in BHIN [21-027](#), to Mental Health Plans (MHPs) on how to determine costs eligible for federal reimbursement consistent with cost principles described in Title 2, Code of Federal Regulations, Part 200, Subpart E. BHIN 21-027 provides guidance on how to determine direct costs for mental health and targeted case management services, direct costs for Utilization Review and Quality Assurance (UR/QA) activities, and direct costs for MHP administration; and on how to identify and allocate indirect costs. Additionally, BHIN 21-027 describes three methods to apportion MHP administration costs to the Medi-Cal program and non-Medi-Cal programs. This BHIN updates and replaces the guidance in BHIN 21-027 as to how MHPs must determine administrative costs that are allocable to Medi-Cal program and non-Medi-Cal program services, and then apportion costs allocable to the Medi-Cal program among Medi-Cal and non-Medi-Cal beneficiaries

when using one of these three methods.

POLICY:

To determine administrative costs that are allocable to Medi-Cal program and non-Medi-Cal program services, and apportion costs allocable to the Medi-Cal program among Medi-Cal and non-Medi-Cal beneficiaries, MHPs must use one of the following three methods listed below:

- 1. Percentage of Gross Costs:** When using this method, the administrative costs that are allocable to the Medi-Cal program and apportioned to Medi-Cal beneficiaries are calculated by dividing the cost report's gross Medi-Cal direct services cost by total mental health services costs, including non-Specialty Mental Health Services (SMHS) (i.e., modes 05, 10, 15, 45, 60, and any other benefiting activities MHPs administered). BHIN 21-027 previously excluded modes 45 and 60, but those modes must also be included in the denominator.

With respect to Method Nos. 2 and 3 below, the percentage of program beneficiaries and percentage of relative value costs methods below do not account for all non-SMHS and nonallowable activities. Therefore, counties must first allocate administrative costs between the Medi-Cal program and non-Medi-Cal program services prior to using one of these two methods. This is an additional step to the methodology described in BHIN 21-027.

- 2. Percentage of Program Beneficiaries:** When using this method, the Medi-Cal ratio is equal to the ratio of individuals enrolled in the Medi-Cal program, who are federally eligible and received SMHS, to all individuals who received a mental health service during the claiming period. This ratio is then applied to the administrative costs that have been determined to be allocable to Medi-Cal SMHS to determine the portion of allocable administrative cost reimbursable under the Medi-Cal program. Individuals who solely receive non-Specialty Mental Health Services (modes 45, 60, or other non-reimbursable services) and for which those services have already received an administrative cost allocation as described above, are excluded from this calculation.
- 3. Percentage of Relative Value Costs:** When using this method, the Medi-Cal ratio is calculated by multiplying the published charge for each service by the total Medi-Cal units of service to determine the Medi-Cal relative value, and then dividing the Medi-Cal relative value by the total relative value to determine the Medi-Cal relative value percentage. The Medi-Cal relative value percentage is then applied to the administrative costs that have been determined to be allocable to the Medi-Cal program to determine the portion of allocable administrative cost that are reimbursable under the Medi-Cal program. Relative value costs for non-Specialty Mental Health Services (modes 45, 60, or other non-reimbursable services), for which those services have already received an administrative cost allocation as described above, are excluded from this calculation.

The guidance contained in this BHIN is effective immediately and applies to all mental health cost reports for mental health services rendered prior to July 1, 2023, that have

not been accepted as of the date of this BHIN. An accepted cost report is one that has been confirmed by the DHCS Reconciliation Letter pursuant to the cost determination methodology described in the Specialty Mental Health Certified Public Expenditure Protocol (SMHS 1915(b) Waiver attachment).

Except as specifically updated by this BHIN, MHPs should continue to abide by the guidance contained in BHIN 21-027 with respect to all mental health cost reports for mental health services rendered prior to July 1, 2023.

Sincerely,

Original signed by

Charles Anders
Chief, Local Governmental Financing Division