DHCS AUDITS AND INVESTIGATIONS

CONTRACT AND ENROLLMENT REVIEW DIVISION

SUBSTANCE USE DISORDER REVIEW SECTION

REPORT ON THE DRUG MEDI-CAL ORGANIZED DELIVERY SYSTEM (DMC-ODS)

REVIEW OF SAN LUIS OBISPO FISCAL YEAR 2025-26

Contract Number: 23-30121

Contract Type: Intergovernmental Agreement 2023-2027

Review Period: July 1, 2024 - June 30, 2025

Dates of Review: November 3, 2025 — November 4, 2025

Report Issued: December 30, 2025

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I. INTRODUCTION

San Luis Obispo County is governed by a Board of Supervisors and contracts with the Department of Health Care Services (DHCS) for the purpose of providing Drug Medi-Cal Organized Delivery System (DMC-ODS) funded Substance Use Disorder (SUD) services to county residents.

San Luis Obispo is located on the Central Coast of California, approximately halfway between Los Angeles and San Francisco. The County provides services within the unincorporated areas and in 7 incorporated cities: Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, San Luis Obispo.

II. EXECUTIVE SUMMARY

This report presents the findings of the DHCS review for the period of July 1, 2024, through June 30, 2025. The review was conducted from November 3, 2025, through November 4, 2025. The review consisted of a documentation review and interviews with the County's representatives.

An Exit Conference with the Plan was held on November 21, 2025. The County was allowed 15 calendar days from the date of the Exit Conference to provide supplemental information addressing the potential review findings. The County did not submit additional documentation after the Exit Conference. The evaluation results of the County's response are reflected in this report.

The review evaluated requirements from four categories of performance: Availability of DMC-ODS Services, Coverage and Authorization of Services, Beneficiary Rights and Protections, and Program Integrity.

The summary of the findings by category follows:

Category 1 – Availability of DMC-ODS Services

There were no findings noted for this category during the review period.

Category 5 – Coverage and Authorization of Services

Subcontractual Relationships and Delegation (42 CFR § 438.230)

i. The requirements of this section apply to any contract or written arrangement that the Contractor has with any subcontractor.
ii. Notwithstanding any relationship(s) that Contractor may have with any subcontractor, the Contractor shall maintain ultimate responsibility for adhering to and otherwise fully complying with all terms and conditions of this Agreement.
iii. All contracts or written arrangements between the Contractor and any subcontractor shall specify the following:
    a. The delegated activities or obligations, and related reporting responsibilities, are specified in the contract or written agreement.
    b. The subcontractor agrees to perform the delegated activities and reporting responsibilities specified in compliance with the Contractor's Agreement obligations.
    c. The contract or written arrangement shall either provide for revocation of the delegation of activities or obligations or specify other remedies in instances where the Department or the Contractor determine that the

subcontractor has not performed satisfactorily.

d. The subcontractor agrees to comply with all applicable Medicaid laws, regulations, including applicable sub-regulatory guidance and contract provisions.
e. The subcontractor agrees:
    i. The Department, CMS, the Health and Human Services (HHS) Inspector General, the Comptroller General, or their designees have the right to audit, evaluate, and inspect any books, records, contracts, computer or other electronic systems of the subcontractor, or of the subcontractor's Contractor, that pertain to any aspect of services and activities performed, or determination of amounts payable under this Agreement at any time.
    ii. The subcontractor will make available, for purposes of an audit, evaluation, or inspection, its premises, physical facilities, equipment, books, records, contracts, computer or other electronic systems relating to its Medicaid beneficiaries.
    iii. The Department, CMS, the HHS Inspector General, the Comptroller General, or their designees' right to audit the subcontractor will exist through ten years from the final date of the contract period or from the date of completion of any audit, whichever is later.
    iv. If the Department, CMS, or the HHS Inspector General determines that there is a reasonable possibility of fraud or similar risk, the Department, CMS, or the HHS Inspector General may inspect, evaluate, and audit the subcontractor at any time.

Finding 5.2.14: The Plan did not provide evidence that it ensures contracts or written arrangements between the Plan and subcontractors, or subcontractor and providers, include all required elements, specifically:

- The Department, CMS, the HHS Inspector General, the Comptroller General, or their designees' right to audit the subcontractor will exist through 10 years from the final date of the contract period or from the date of completion of any audit, whichever is later.
- If the Department, CMS, or the HHS Inspector General determines that there is a reasonable possibility of fraud or similar risk, the Department, CMS, or the HHS Inspector General may inspect, evaluate, and audit the subcontractor and network providers at any time.

Category 6 – Beneficiary Rights and Protections

There were no findings noted for this category during the review period.

Category 7 – Program Integrity

There were no findings noted for this category during the review period.

III. SCOPE/REVIEW PROCEDURES

SCOPE

The DHCS, Contract and Enrollment Review Division conducted the review to ascertain that medically necessary services provided to County members comply with federal and state laws, regulations, and guidelines, and the State's DMC-ODS Intergovernmental Agreement.

PROCEDURE

DHCS conducted a review of the Plan from November 3, 2025, through November 4, 2025, for the review period of July 1, 2024, through June 30, 2025. The review included an inspection of the Plan's policies for providing services, procedures to implement these policies, and the process to determine whether these policies were effective. Documents were reviewed and interviews conducted with County representatives.

POST REVIEW

Technical Assistance (TA) can be requested during the review. All DMC TA requests are forwarded to DHCS's Behavioral Health Oversight and Monitoring Division (BHOMD), County Liaison and Operations Support Section (CLOS) for resolution. The County did not request TA during the review.

San Luis Obispo is required to complete the (CAP) pursuant to DMC Intergovernmental Agreement Exhibit A, Attachment I, Part III Program Specification, Section RR Corrective Action Plans to remedy findings noted within this report. The CAP process is managed by the BHOMD, County Compliance and Monitoring Section (CCMS), which will contact the County following report issuance.

COMPLIANCE REVIEW FINDINGS

Category 5 – Coverage and Authorization of Services

5.2 General Requirements

5.2.14 Subcontractual Relationships and Delegation

Subcontractual Relationships and Delegation (42 CFR § 438.230)

iv. The requirements of this section apply to any contract or written arrangement that the Contractor has with any subcontractor.

v. Notwithstanding any relationship(s) that Contractor may have with any subcontractor, the Contractor shall maintain ultimate responsibility for adhering to and otherwise fully complying with all terms and conditions of this Agreement.

vi. All contracts or written arrangements between the Contractor and any subcontractor shall specify the following:

a. The delegated activities or obligations, and related reporting responsibilities, are specified in the contract or written agreement.

b. The subcontractor agrees to perform the delegated activities and reporting responsibilities specified in compliance with the Contractor's Agreement obligations.

c. The contract or written arrangement shall either provide for revocation of the delegation of activities or obligations or specify other remedies in instances where the Department or the Contractor determine that the subcontractor has not performed satisfactorily.

d. The subcontractor agrees to comply with all applicable Medicaid laws, regulations, including applicable sub-regulatory guidance and contract provisions.

e. The subcontractor agrees:

i. The Department, CMS, the Health and Human Services (HHS) Inspector General, the Comptroller General, or their designees have the right to audit, evaluate, and inspect any books, records, contracts, computer or other electronic systems of the subcontractor, or of the subcontractor's Contractor, that pertain to any aspect of services and activities performed, or determination of amounts payable under this Agreement at any time.

ii. The subcontractor will make available, for purposes of an audit, evaluation, or inspection, its premises, physical facilities, equipment, books, records, contracts, computer or other electronic systems relating to its Medicaid beneficiaries.

iii. The Department, CMS, the HHS Inspector General, the Comptroller General, or their designees' right to audit the subcontractor will exist through ten years from the final date of the contract period or from the date of completion of any audit, whichever is later.
iv. If the Department, CMS, or the HHS Inspector General determines that there is a reasonable possibility of fraud or similar risk, the Department, CMS, or the HHS Inspector General may inspect, evaluate, and audit the subcontractor at any time.

(Exhibit A Attachment I, Section II Federal Requirements, E, 9, i-iii)

Finding: The Plan did not provide evidence that it ensures contracts or written arrangements between the Plan and subcontractors, or subcontractor and providers, include all required elements, specifically:

- The Department, CMS, the HHS Inspector General, the Comptroller General, or their designees' right to audit the subcontractor will exist through 10 years from the final date of the contract period or from the date of completion of any audit, whichever is later.
- If the Department, CMS, or the HHS Inspector General determines that there is a reasonable possibility of fraud or similar risk, the Department, CMS, or the HHS Inspector General may inspect, evaluate, and audit the subcontractor and network providers at any time.