



MICHELLE BAASS
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

DATE: October 29, 2021

Behavioral Health Information Notice No: 21-067
[Supersedes BHIN No: 21-010](#)

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 Consortium of Addiction Programs and Professionals
California Council of Community Behavioral Health Agencies
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: Fiscal Year 2020-21 Cost Report Policy

PURPOSE: This letter outlines the submission and reporting requirements for the Fiscal Year (FY) 2020-21 Cost Report. To the extent that there are differences between this letter and other prior Department of Health Care Services (DHCS) instructions, the requirements contained in this letter will prevail. Technical details regarding reporting and submission procedures and requirements are included in the FY 2020-21 Cost and Financial Reporting System (CFRS) Instruction Manual available on the [DHCS Application Portal](#). For technical issues (e.g., uploads or access to the Portal), please e-mail your assigned CFRS analyst on the [County Assignments – SMHS Cost Reporting Staff document](#).

EXPIRES: Retain until superseded

1. SUBMISSION REQUIREMENTS

A. Cost Report Submission

The FY 2020-21 Cost Report automated templates are available through the [DHCS Application Portal](#). Section 14705 (c) of the Welfare and Institutions Code (W&I) requires county mental health facilities, clinics and programs to submit

fiscal year end cost reports by December 31, following the end of the fiscal year. The electronic submission process involves uploading the complete cost report through the DHCS Application Portal. To comply with Section 14705 (c), counties must have uploaded the electronic submission by close of business on December 31, 2021. Counties must also submit an original, hard copy County Certification (MH 1940), a scanned signed County Certification (MH 1940), or a digitally signed County Certification (MH 1940). DHCS recommends that counties submit a digitally signed MH 1940. A scanned signed MH 1940 or a digitally signed MH 1940 must be e-mailed to your CFRS analyst within 10 days of the initial upload; or a hard copy of the MH 1940 must be postmarked within ten days of the initial upload to validate the submission through the [DHCS Application Portal](#). For technical issues (e.g., uploads or access to the Portal), please e-mail your assigned CFRS analyst or CFRS_Help@dhcs.ca.gov. You can find your assigned CFRS analyst on the County Assignments-SMHS Cost Reporting Staff document.

Please mail hard copies to:

California Department of Health Care Services
Audits and Investigations Division
Financial Audits Branch
Cost Report and Tracking Section II
Attn: (Name of your Analyst)
P.O. Box 997413, MS 2109
Sacramento, CA 95899-7413

DHCS has made the following modifications to the cost report forms:

1. MH 1900_Info
DHCS updated the MH 1900_Info to allow counties to report the amount paid to contract providers for inpatient and outpatient services provided to Non Children's Health Insurance Program beneficiaries for dates of service from July 1, 2020 through September 30, 2020 and October 1, 2020 through June 30, 2021.
2. MH 1901_Schedule_A
 - a. Updated Hospital Admin Day Schedule of Maximum Allowance (SMA) rate for FY 2020-21
3. MH 1901_Schedule B
 - a. DHCS updated the MH 1901_Schedule B to allow counties to report

units of service and third party revenue for the Medi-Cal for All Children and Young Adults and Refugee settlement groups at the enhanced rate.

- b. The FMAP for ACA is going down from 93% to 90% for the entire fiscal year.
4. MH 1960
DHCS updated the MH 1960 to allow counties to report administrative costs for dates of service from July 1, 2020 to June 30, 2021.
5. MH 1966
DHCS updated the MH 1966 to allow counties to not separate out units of service provided to Medi-Medi beneficiaries.
6. MH 1966 HOSPINPT
DHCS hid the MH 1966 HOSPINPT.

B. Amendments or Revisions

Counties may not amend or revise the cost report after the cost report is filed and certified if the amendment or revision will materially change total costs unless DHCS approves the amendment or revision. DHCS will review potential amendments or revisions on a case-by-case basis.

Supporting Documentation

Counties must maintain the following list of supporting documents for the FY 2020-21 cost report:

1. Auditor-Controller's Report
Counties must maintain work papers that reconcile the amount reported on the MH 1960 Columns A & C with the portion of the Auditor-Controller's Report that contains the data used in the cost report.
2. Maintenance of Records and Systems
Legal entities must maintain all accounting and management information system reports necessary to verify detailed data contained in the cost report for future audits. DHCS has three years after a County has submitted its final amended cost report to begin an audit. Legal entities must maintain all records necessary to verify data in the cost report for at least three years after the final amended cost report is submitted. If DHCS initiates an audit within three years of the date the final amended

cost report was submitted, legal entities must maintain all records until the audit is complete. In addition, counties must maintain an internal reporting system to track Short Doyle/Medi-Cal (SDMC) units and revenues approved and for which DHCS made payments. The SDMC payment system issues an 835-payment remittance advice that counties may use for claim submission reconciliation purposes, but cannot be used to substitute for an entity's original internal reporting or data tracking system.

2. COST REPORT POLICY

A. Legal Entity Number

All county and contract providers must have a valid and current provider number, which is associated with a legal entity number issued by DHCS for use during the cost reporting year. A county may access its Provider/Legal Entity (PRV/LE) data files through the DHCS Behavioral Health Information System (BHIS) – PRV/LE system. Organizations that do not have a legal entity number or need to verify a legal entity number should contact the County Customer Services Section at ProviderFile@dhcs.ca.gov.

B. Transaction Service Period

Units of service and related revenues reported on the FY 2020-21 cost report must reflect services that occurred during the period of July 1, 2020, through June 30, 2021.

C. Federal Financial Participation (FFP)

The SDMC cost report apportions non-hospital direct service costs to SDMC beneficiaries based on units of service at the service function level; and apportions hospital costs to SDMC beneficiaries based upon a cost per day for routine cost centers and a cost-to-charge ratio for ancillary and other non-routine cost centers. During FY 2020-21, federal reimbursement for services provided to beneficiaries within the following settlement groups are reimbursed at the following FMAPs. Please consult with the [Aid Code Master Chart](#) to determine which aid codes to report in which settlement group.

Settlement Group	FMAP
Regular SDMC	56.20%
SDMC Enhanced (Children) 07/01/20 thru 09/30/20	80.84%
SDMC Enhanced (Children) 10/1/20 thru 6/30/21	69.34%
SDMC Enhanced (BCCTP)	69.34%
SDMC Enhanced (Pregnancy)	69.34%
SDMC Enhanced Refugee	100.00%
ACA 01/01/19- 06/30/19	90.00%

Administrative costs are allocated to SDMC-Other, SDMC Enhanced (Children), and Non Reimbursable. During 2020-21, administrative costs are reimbursed at the following rates:

Program	Rate
SDMC – Other	56.20%
SDMC Enhanced (Children) 07/01/20 thru 09/30/20	80.84%
SDMC Enhanced (Children) 10/1/20 thru 6/30/21	69.34%

Costs incurred to perform Medi-Cal Administrative Activities (MAA) and SDMC Utilization Review activities are reimbursed at 50 percent or 75 percent, depending upon the activities performed and the staff performing the activities. Allowable MAA and Utilization Review activities performed by eligible Skilled Professional Medical Personnel (SPMP) are reimbursed at 75 percent. All other MAA and Utilization Review activities are reimbursed at 50 percent.

DHCS reimburses counties the non-federal share of administrative costs incurred to implement new state requirements that are established after September 30, 2012 and half of the non-federal share of administrative costs to implement new federal requirements that are established after September 30, 2012.

D. Reimbursement Limitation Policy

In accordance with State laws and regulations, DHCS has eliminated the SMA rates for 2020-21, except for administrative day services. Federal Regulations (42 CFR §447.253) require states that elect to provide inappropriate level of care services to pay less than the inpatient hospital level of care services. As

such, DHCS will continue to limit reimbursement of administrative day services to the SMA.

E. 2011 Realignment: Senate Bill 1020 (Chapter 40, Statutes of 2012)

Expenditures from funds the county received from the Behavioral Health Subaccount of the Local Revenue Fund 2011 should be reported on the MH 1992, Line 18.

F. 1991 Realignment Funds and Maintenance of Effort (MOE) Funds

The county's 1991 realignment funds (sales tax receipts, vehicle license fees, and local program MOE per W&I Section 17608.05) expended on mental health services during the cost reporting year should be identified on Line 19 of the MH 1992, Funding Sources.

G. Community Services – Other Treatment for Mental Health Managed Care (County Only) does not apply – no more funding.

The former Department of Mental Health used to allocate amount counties an annual appropriation that was referred to as "Community Services – Other Treatment for Mental Health Managed Care. Counties used to be required to report on the MH 1994 in the summary cost report how much of that allocation was spent in the cost reporting year. This allocation was part of 2011 realignment. Because counties no longer receive this allocation, they no longer need to complete the MH 1994 in the summary cost report.

H. Mental Health Services Act (MHSA)

All legal entities must report expenditures from MHSA funds by purpose on the MH 1992. Counties may use MHSA funds as a match for other funding sources, such as FFP.

I. Mental Health Medi-Cal Administrative Activities (MH MAA)

Counties participating in the MH MAA claiming process must have an approved MH MAA claiming plan. Invoices may be submitted quarterly and all final invoices for FY 2020-21 must be submitted to DHCS by December 31, 2021. The MH MAA units reported on the cost report must equal the units contained in the MH MAA invoices submitted to the Department by December 31, 2021. A county may not include in its cost report MH MAA units that have not been included on a MH MAA invoice submitted for the cost reporting Fiscal Year.

Costs for MH MAA must reflect actual costs and, therefore, must be directly allocated on the MH 1901 Schedule C. An eligibility factor is applied to certain MH MAA that may be provided on behalf of individuals who are and are not Medi-Cal eligible. Most MH MAA's are reimbursed at a rate of 50 percent.

Some MH MAA performed by SPMP is reimbursed at a rate of 75 percent, as identified in Item C of this section.

J. Inpatient Administrative Days

Expenditures allocated to inpatient administrative days must be reflected in Mode 05, Service Function (SF) 19 only. Form MH 1991, Calculation of SDMC Hospital Administrative Days, was designed to calculate the SDMC maximum allowance plus physician and ancillary costs for administrative days. For FY 20-21, the per diem Medi-Cal rate for administrative days is \$660.66 for July 1, 2020, through June 30, 2021.

Legal entities with hospital administrative days are required to complete the MH 1991. Procedures are in place to ensure that these costs are included in actual costs, published charges, and SMAs to ensure that the calculation of the lower of cost or charges principle is applied correctly.

The amount for physician and ancillary services is limited to the costs claimable under Section 51511(c) of Title 22, California Code of Regulations (CCR). Since counties have not been reimbursed for ancillary and physician services provided to inpatients on administrative day status during the fiscal year, reimbursement for these services will be made through the cost report settlement process. Reflecting administrative day costs and related ancillary and physician service charges in SF19 is presently the only procedure available for seeking SDMC reimbursement.

Medicare does not recognize hospital administrative days as a reimbursable service. Therefore, Medicare/Medi-Cal crossover units do not apply to hospital administrative days.

K. Administrative Service Organization

The California Behavioral Health Director's Association discontinued managing the Administrative Service Organization (ASO) effective June 30, 2004. The county of origin (the county where the child's Medi-Cal eligibility was determined) continues to be responsible for ensuring services are provided to their beneficiaries who are placed out of county. Counties may contract with an

ASO to assist the county with authorizing and paying for services provided to beneficiaries placed outside of the county. These units of services should be reported on the MH 1901 Schedule B, using the ASO settlement type.

Only the direct cost of providing services to beneficiaries placed out of county should be allocated to these units of service on the MH 1901 Schedule C. The per-member per-month administrative fee paid to the ASO to provide this service may not be included in the costs allocated on the MH 1901 Schedule C. The per-member per-month administrative fee should be allocated to the cost of administering the Specialty Mental Health Waiver on the MH 1960, Calculation of Program Costs.

L. Transition of Healthy Families Program Beneficiaries to Medi-Cal

Healthy Families Program beneficiaries receive new aid codes when they transition to the Medi-Cal program. Please report units of service to beneficiaries with these new aid codes as enhanced children. Expenditures will be reimbursed at an enhanced rate of 80.84 percent from July 1, 2020 through September 30, 2020, and at an enhanced rate of 69.34 percent from October 1, 2020 through June 30, 2021.

M. Therapeutic Behavioral Services

Therapeutic Behavioral Services (TBS) should be reported under Mode 15, SF 58. Non-organizational providers that contract with county mental health agencies to provide ONLY TBS are not required to submit cost reports. The county should settle costs with these providers and report these settled costs to DHCS as actual cost to the county under the county legal entity detailed cost report using the TBS settlement type. Legal entities providing TBS ONLY services are required to complete a cost report using the settlement type. Contract organizational providers that provide other mental health services in addition to TBS are required to submit a cost report using the CR settlement type. It should be noted that TBS may not be provided unless the child/youth is receiving other Early Periodic Screening, Diagnostic and Treatment specialty mental health services.

N. Mental Health Services

Former Fee-for-Service/Medi-Cal (FFS/MC) Mental Health Services (MHS) individual and group providers are to be paid and settled between the county and the providers. Counties should bill Medi-Cal on behalf of all these providers by utilizing a procedure code crosswalk to service functions (CCR 1840.304)

and using a legal entity and provider number set up by providers' discipline. Individual and group providers do not submit cost reports for DHCS purposes.

These units of service and associated costs are reported in the county's detailed legal entity cost report using the MHS settlement type. The MHS settlement type reimburses the actual cost for payments made to the FFS/MC provider.

O. California Work Opportunity and Responsibility to Kids (CalWORKS)

Expenditures of the CalWORKS funds for mental health services are to be shown in the cost report. The funds received for these purposes are to be reported by mode of service on the MH 1992. Legal entities reporting these units of service and costs should use the CAW settlement type.

P. In Home Behavioral Services and Intensive Care Coordination

In Home Behavioral Services (IHBS) and Intensive Care Coordination (ICC) should be reported on the Schedule B with a distinct service function code. IHBS should be reported with SFC 57 and ICC should be reported with SFC 07. Please reference [MHSD Information Notice 13-01](#) for more information.

3. FEDERAL BLOCK GRANT

Counties that receive payments from the Block Grant for Community Mental Health Services (SAMHSA Block Grant) and/or Projects for Assistance in Transition from Homelessness are required to submit separate cost reports for these federal funds. Although a separate cost report is required to settle Federal Block Grant reimbursement, expenditures from these Federal Block Grants must be reported on the MH 1992 on the appropriate grant lines.

4. SETTLEMENTS

A. SDMC Reconciliation

The SDMC reconciliation process allows counties to add or reduce Medi-Cal units of service and revenue that have changed subsequent to the cost report submission for each legal entity. This reconciliation must be completed within 18 months after the close of the fiscal year.

B. Interim Settlement

After the SDMC reconciliation process is complete, DHCS determines the final settlement of federal and state funds and sends that information to the county and DHCS accounting for payment or collection.

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If you have any questions, please contact your CFRS analyst. A list of CFRS analysts and county assignments is available on the [County Assignments-SMHS Cost Reporting Staff](#) document.

Sincerely,

Original signed by

Brian Fitzgerald, Chief
Local Governmental Financing Division