

DATE: January 20, 2026

Behavioral Health Information Notice (BHIN) No: 26-001

Supersedes: [BHIN 20-043](#) (as applicable to Inpatient Specialty Mental Health Services)

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 Behavioral Health Association  
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: Medical necessity criteria for Medi-Cal members accessing psychiatric inpatient hospital services, psychiatric inpatient hospital professional services, and psychiatric health facility services.

PURPOSE: To provide guidance to county Behavioral Health Plans regarding medical necessity criteria for coverage of psychiatric inpatient hospital services, psychiatric inpatient hospital professional services, and psychiatric health facility services.

REFERENCE: California Code of Regulations (CCR) Title 9 Section [1820.205](#), California Welfare and Institutions Code (W&I Code) Sections [14059.5](#) and [14184.402](#), United States Code (U.S. Code) Title 42 [Section 1396d](#), BHIN 26-002 [BHIN 22-017](#)

BACKGROUND:

This BHIN specifies medical necessity criteria for Behavioral Health Plans (BHPs)<sup>1</sup> to receive payment for psychiatric inpatient hospital services (including acute psychiatric inpatient hospital services and/or administrative day services provided in a hospital),<sup>2</sup> psychiatric inpatient hospital professional services,<sup>3</sup> psychiatric health facility services,<sup>4</sup> and psychiatric inpatient hospital services delivered in a psychiatric health facility<sup>5</sup> (collectively referred to in this BHIN as "inpatient specialty mental health services (SMHS)").

The SMHS delivery system access criteria described in [W&I Code section 14184.402, subdivisions \(c\) and \(d\)](#) are used to ensure that Medi-Cal members receive behavioral health services in the most appropriate delivery system for their needs. A BHP shall provide or arrange for medically necessary and clinically appropriate covered SMHS, including medically necessary inpatient SMHS, for Medi-Cal members who meet SMHS

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<sup>1</sup> In this context, "BHP" means the entity or local agency that contracts with DHCS to provide Specialty Mental Health Services (SMHS) and Drug Medi-Cal Organized Delivery System (DMC-ODS) services, if applicable.

<sup>2</sup> Consistent with CCR title 9, section 1810.238, psychiatric inpatient hospital services may include acute psychiatric inpatient hospital services and/or administrative day services provided in a hospital. Please refer to CCR title 9, sections [1810.201](#) and [1810.202](#) and [Attachment 4.19-A \(pages 38 and 41\) in the California Medicaid State Plan](#) for definitions of these services.

<sup>3</sup> Please refer to CCR title 9, section [1810.237.1](#) and [Attachment 4.19-A \(page 42\) in the California Medicaid State Plan](#) for the definition of "psychiatric inpatient hospital professional services."

<sup>4</sup> Please refer to [Supplement 3](#) (page 2h) to Attachment 3.1-A in the California Medicaid State Plan for a definition of "psychiatric health facility services."

<sup>5</sup> Psychiatric health facilities must meet Centers for Medicare and Medicaid Services (CMS) conditions of participation and be certified by the California Department of Public Health (CDPH) as an inpatient hospital facility to provide and be reimbursed by Medi-Cal for psychiatric inpatient hospital services.

delivery system access criteria as outlined in BHIN 26-002.<sup>6</sup>

All covered Medi-Cal services must be medically necessary and clinically appropriate to address the member's presenting condition.<sup>7</sup> Generally, qualified treating practitioners make medical necessity determinations for SMHS in accordance with the standards set forth in W&I Code section [14059.5](#). However, as specified in [W&I Code section 14184.402](#), subdivisions (a) and (i), DHCS has the authority to implement, interpret, and make specific medical necessity criteria for SMHS and substance use disorder (SUD) services for Medi-Cal members who meet access criteria requirements.

This BHIN supersedes CCR title 9, sections [1820.205](#), [1830.230 subdivision \(a\)](#), and [1830.245 subdivision \(a\)](#) regarding medical necessity criteria for BHP payment for inpatient SMHS, which have historically required that members have one of a list of covered diagnoses from the Diagnostic and Statistical Manual of Mental Disorders for BHPs to receive payment for services. In addition, this BHIN supersedes [BHIN 20-043](#), as it applies to the included International Statistical Classification of Diseases and Related Health Problems (ICD) diagnoses for coverage of inpatient SMHS.<sup>8</sup> While DHCS no longer provides a list of included diagnoses that BHPs must select from to receive reimbursement for coverage of SMHS, this does not eliminate the requirement that all Medi-Cal claims include a Centers for Medicare and Medicaid Services (CMS)-approved ICD diagnosis code.<sup>9</sup>

## **POLICY:**

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<sup>6</sup> Consistent with [W&I Code section 14184.402\(f\)](#), clinically appropriate and covered SMHS are covered and reimbursable Medi-Cal services even when: 1) services are provided prior to determination of a diagnosis, during the assessment, or prior to determination of whether NSMHS or SMHS access criteria are met; 2) the beneficiary has a co-occurring substance use disorder (SUD); or 3) NSMHS and SMHS services are provided concurrently, if those services are coordinated and not duplicated.

<sup>7</sup> Code of Federal Regulations (CFR), title 42 sections [456.5](#) and [440.230 subdivision \(d\)](#).

<sup>8</sup> [BHIN 20-043](#) as it applies to the included ICD diagnoses for outpatient SMHS is superseded by BHIN 21-073 or superseding guidance.

<sup>9</sup> The most recent ICD 10 Tabular (October 1, 2025 – September 30, 2026) is available at <https://www.cms.gov/files/document/fy-2026-icd-10-cm-coding-guidelines.pdf>

Medical Necessity Criteria for Psychiatric Inpatient Hospital Services, Psychiatric Inpatient Hospital Professional Services, and Psychiatric Health Facility Services

For Medi-Cal members who meet access criteria for the SMHS delivery system as outlined in BHIN 26-002, all covered SMHS must be medically necessary in accordance with this BHIN based on the clinical judgment of a treating practitioner who is qualified under California law to make such determinations.

For Medi-Cal coverage of inpatient SMHS, services are medically necessary if they meet the standard set forth in W&I Code section 14059.5, subdivision (a) or (b). To make this determination, a treating practitioner acting within their scope of practice shall consider the following specific criteria for coverage of inpatient SMHS:

- (1) The member cannot be safely treated at a lower level of care, except that a member who can be safely treated with crisis residential treatment services for an acute psychiatric episode shall be considered to have met this criterion; **AND**
- (2) The member requires inpatient SMHS as the result of a mental disorder, or suspected mental health disorder that has not yet been diagnosed,<sup>10, 11, 12</sup> due to

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<sup>10</sup> ICD-10-CM Z codes do not represent mental or substance use disorders and, therefore, are not sufficient on their own to substantiate the medical necessity of inpatient psychiatric hospitalization. When a patient exhibits mental, cognitive, or behavioral symptoms indicative of a potential mental or substance use disorder, but a definitive diagnosis has not yet been established, an appropriate practice is to assign ICD-10-CM code F99 (mental disorder, unspecified) and/or F19.9 (substance use disorder, unspecified), as clinically indicated, to document the clinical presentation pending diagnostic clarification. Final coding determinations, however, rest with each BHP's coding specialists.

<sup>11</sup> A neurocognitive disorder (e.g., dementia) is not a "mental health disorder" for the purpose of determining whether a member meets criteria for access to the SMHS delivery system. However, BHPs must cover SMHS for members with a neurocognitive disorder if they also have a co-morbid mental health disorder (or suspected mental health disorder not yet diagnosed) and meet criteria for SMHS as described within BHIN 26-002.

<sup>12</sup> BHIN 26-002 removed the exclusion that prevented substance-related and addictive disorder from being considered for the purpose of determining if a member meets criteria for access to

**EITHER:**

- a. Having symptoms or behaviors due to a mental disorder, or suspected mental disorder that has not yet been diagnosed, that (**one of the following**):
  - i. Represent a current danger to self or others, or significant property destruction.
  - ii. Prevent the member from providing for, or utilizing, food, clothing, shelter, personal safety, or necessary medical care.
  - iii. Present a severe risk to the member's physical health.
  - iv. Represent a recent, significant deterioration in ability to function.

OR

- b. Requiring admission for **one of the following**:
  - i. Further psychiatric evaluation.
  - ii. Medication treatment.
  - iii. Other treatment that can reasonably be provided only if the patient is hospitalized.

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the SMHS delivery system. This is intended to allow BHPs to seek Medi-Cal reimbursement for psychiatric inpatient hospital services, psychiatric inpatient hospital professional services, psychiatric health facility services, residential treatment services, and crisis stabilization services provided to members admitted for the purpose of involuntary evaluation and treatment or intensive treatment for a severe SUD only pursuant the Lanterman-Petris Short (LPS) Act (W&I Code section 5000, *et seq.*). Specialty substance use disorder treatment remains available through the Drug Medi-Cal (DMC) program or DMC-ODS for Medi-Cal members who meet DMC/DMC-ODS access criteria. Nothing in this BHIN alters behavioral health delivery system obligations to provide clinically appropriate covered DMC or DMC-ODS services to members whose individualized treatment needs can be met by those services in the settings that may provide them. Providers should use their judgment to determine which service(s) are clinically appropriate for a member based on the member's individualized treatment needs.

Continued stay services for inpatient SMHS shall only be covered when a member experiences **one of the following**:

- (1) Continued presence of indications that meet medical necessity, as outlined in this BHIN.
- (2) Serious adverse reaction to medications, procedures or therapies requiring continued hospitalization or treatment in a psychiatric health facility.
- (3) Presence of new indications establishing medical necessity as defined by W&I Code section 14059.5, subdivision (a) or (b) and additional criteria specified in this BHIN.
- (4) Need for continued medical evaluation or treatment that can only be provided if the member remains in a hospital or psychiatric health facility.

BHPs must continue to meet the concurrent review authorization process requirements for authorization of inpatient SMHS outlined in [BHIN 22-017](#) or superseding guidance.

### **COMPLIANCE MONITORING:**

BHPs are responsible for conducting monitoring of county-operated and contracted providers for compliance with the terms of the BHP's contract with DHCS, including policies outlined in this BHIN. DHCS will continue to carry out its responsibility to monitor and oversee Medi-Cal BHPs and their operations as required by state and federal law. DHCS will monitor Medi-Cal BHPs for compliance with the requirements outlined above, and deviations from the requirements may require corrective action plans or other applicable remedies. This oversight may include, but is not limited to, verifying that services provided to Medi-Cal members are medically necessary, and that documentation complies with the applicable state and federal laws, regulations, the MHP contract, and the DMC-ODS Interagency Agreement, as applicable. Recoupment shall be focused on identified overpayments and fraud, waste, and abuse.

Please direct any questions to [CountySupport@dhcs.ca.gov](mailto:CountySupport@dhcs.ca.gov).

Sincerely,

Original signed by

Ivan Bhardwaj, Chief  
Medi-Cal Behavioral Health Policy Division