REPORT ON THE SPECIALTY MENTAL HEALTH SERVICES AUDIT OF ORANGE COUNTY FISCAL YEAR 2025-26

DHCS Audits and Investigations
Contract and Enrollment Review Division
San Francisco Section

Contract Number: 22-20121
Contract Type: Specialty Mental Health Services
Audit Period: July 1, 2024 – December 31, 2024
Dates of Audit: March 3, 2026 – March 20, 2026
Report Issued: August 3, 2026

DHCS
CALIFORNIA DEPARTMENT OF
HEALTH CARE SERVICES

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I. INTRODUCTION

Orange County Behavioral Health Services (Plan) is governed by a Board of Supervisors and contracts with the Department of Health Care Services (DHCS) for the purpose of providing mental health services to county residents.

Orange County is located in the greater Los Angeles area in Southern California. The Plan provides services within the incorporated county and in 34 cities: Aliso Viejo, Anaheim, Brea, Buena Park, Costa Mesa, Cypress, Dana Point, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, Irvine, La Habra, La Palma, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, Los Alamitos, Mission Viejo, Newport Beach, Orange, Placentia, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Santa Ana, Seal Beach, Stanton, Tustin, Villa Park, Westminster, and Yorba Linda.

As of April 30, 2026, the Plan served a total of 24,726 members receiving services and had a total of 26 county provider sites with 520 active providers and 58 contracted provider sites with 1,258 active providers.

II. EXECUTIVE SUMMARY

This report presents the audit findings of the DHCS audit for the period of July 1, 2024, through December 31, 2024. The audit was conducted from March 2, 2026, through March 13, 2026. The audit consisted of documentation review, verification studies, and interviews with the Plan's representatives.

An Exit Conference with the Plan was held on July 13, 2026. The Plan was allowed 15 calendar days from the date of the Exit Conference to provide supplemental information addressing the draft audit findings. On July 31, 2026, the Plan submitted a response after the Exit Conference. The evaluation results of the Plan's response are reflected in this report.

The audit evaluated six categories of performance: Network Adequacy and Availability of Services, Care Coordination and Continuity of Care, Access and Information Requirements, Coverage and Authorization of Services, Beneficiary Rights and Protection, and Program Integrity.

The prior DHCS compliance report, covering the review period July 1, 2019, through June 30, 2022, identified deficiencies incorporated in the Corrective Action Plan. The prior year Corrective Action Plan was closed at the time of the audit. Therefore, this audit included a review of documents to determine the implementation and effectiveness of the Plan's corrective actions.

Findings denoted as repeat findings are uncorrected deficiencies substantially similar to those identified in the previous audit.

The summary of the findings by category follows:

Category 1 – Network Adequacy and Availability of Services

The Plan is required to provide or arrange and pay for medically necessary covered mental health services to members including Adult Residential Treatment Services (ARTS). Finding 1.1.1: The Plan did not ensure the provision of ARTS to members who met criteria.

Category 2 – Care Coordination and Continuity of Care

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

Category 4 – Access and Information Requirements

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

Category 5 – Coverage and Authorization of Services

The Plan is required to utilize a referral and/or concurrent review and authorization for ARTS. Finding 5.2.11: The Plan did not have written policies and procedures regarding concurrent authorization of ARTS.

Category 6 – Beneficiary Rights and Protection

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

Category 7 – Program Integrity

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

III. SCOPE/AUDIT PROCEDURES

SCOPE

The DHCS, Contract and Enrollment Review Division conducted the audit to ascertain that medically necessary services provided to Plan members comply with federal and state laws, Medi-Cal regulations and guidelines, and the State's Specialty Mental Health Services Contract.

PROCEDURE

DHCS conducted an audit of the Plan from March 2, 2026, through March 13, 2026, for the audit period of July 1, 2024, through December 31, 2024. The audit included a review 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 were conducted with the Plan's representatives.

The following verification studies were conducted:

Category 1 – Network Adequacy and Availability of Services

Mobile Crisis Services: Fourteen samples were selected and reviewed for appropriate encounter services.

Category 2 – Care Coordination and Continuity of Care

Bi-directional referrals: Twelve member referrals from a Mental Health Plan (MHP) to Managed Care Plan (MCP) and 10 member referrals from MCP to MHP were reviewed for evidence of referrals, initial assessments, progress notes of treatment planning, and follow-up care between the MCP and the MHP.

Category 4 – Access and Information Requirements

Telehealth Services: Ten member files were reviewed to ensure providers obtain verbal or written consent for the use of telehealth services.

Category 5 – Coverage and Authorization of Services

Concurrent Review and Authorization: Sixteen member files were reviewed for evidence of appropriate service authorization requests.

Category 6 – Beneficiary Rights and Protection

Grievance Procedures: Fifteen grievances were reviewed for timely resolution, appropriate response to the complainant, and submission to the appropriate level for review.

Category 7 – Program Integrity

There were no verification studies conducted for the audit review.

COMPLIANCE AUDIT FINDINGS

Category 1 – Network Adequacy and Availability of Services

1.1 Provision of Adult Residential Treatment Services Centers

1.1.1 Access to Adult Residential Treatment Services Centers

The Plan is required to arrange and pay for medically necessary covered specialty mental health services to members including ARTS. *(Contract, Exhibit A, Attachment 2(2)(A)(7))*

The Plan is required to ensure that all services covered under this Contract are available and accessible to members in a timely manner and without utilizing waitlists. *(Contract, Exhibit A, Attachment 8 (3)(A); Code of Federal Regulations, title 42, section 438.206(a))*

Finding: The Plan did not ensure ARTS are available to members.

A universe of ARTS authorization actions was requested from the Plan. However, the Plan did not submit any evidence demonstrating authorization or review of service requests for ARTS, as it did not have contracted ARTS providers during the audit period.

In an interview, the Plan acknowledged that they are aware of the gap in network adequacy for ARTS providers. The Plan stated it has other adult rehabilitation and residential rehabilitation programs in place that it would refer members to, in lieu of ARTS. However, the Plan's programs do not meet the definition and requirements of providing ARTS.

When the Plan does not ensure that members have access to medically necessary covered services, such as ARTS, members are at risk of not receiving proper care.

Recommendation: Develop and implement policies and procedures to ensure ARTS are available to members.

COMPLIANCE AUDIT FINDINGS

Category 5 – Coverage and Authorization of Services

5.2 Concurrent Review and Prior Authorization

5.2.11 Concurrent Review and Authorization of Adult Residential Treatment Services

The Plan is required to implement mechanisms to assure authorization decision standards are met in accordance with *Behavioral Health Information Notice 22-016, Authorization of Outpatient Specialty Mental Health Services*. The Plan shall have in place, and follow, written policies and procedures for processing requests for initial and continuing authorization of services. *(Contract, Exhibit A, Attachment 6, Section 2(A)(1); Code of Federal Regulations, title 42, section 438.210(b)(1))*

The Plan is required to have written policies and procedures regarding retrospective authorization of Specialty Mental Health Services (inpatient and outpatient). The Plan must utilize referral and/or concurrent review and authorization for ARTS. Plans may not require prior authorization. *(Behavioral Health Information Notice 22-016)*

Finding: The Plan did not have written policies and procedures regarding concurrent authorization of ARTS.

The Plan did not provide any documentation demonstrating the availability or authorization requirements related to ARTS. The Plan did not develop ARTS-specific policies, procedures, or authorization processes because it did not contract with ARTS providers. As a result, the Plan did not establish the required documentation or processes ensuring compliance with ARTS and authorization standards.

The Plan is aware that policies and procedures regarding the concurrent review of ARTS were not in place during the audit period. In an interview, the Plan acknowledged that there is a gap in network adequacy for ARTS providers. The Plan stated it has other adult rehabilitation and residential rehabilitation programs in place that it would refer members to, in lieu of ARTS. However, the Plan's programs do not meet the definition and requirements of providing ARTS.

In a written statement, the Plan confirms that it has not previously provided ARTS and currently has no plans to start providing ARTS.

When the Plan lacks written policies and procedures for authorizing Specialty Mental Health Services, including ARTS, staff lack the guidance needed to ensure appropriate and timely access to medically necessary care.

Recommendation: Develop and implement policies and procedures regarding concurrent authorization of ARTS.