



DATE: June 10, 2025

Behavioral Health Information Notice No: 25-023
Supersedes [BHIN 22-045](#)

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: Enforcement Actions: Administrative and Monetary Sanctions and Contract Termination for Mental Health Plans (MHPs) and Drug Medical Organized Delivery System (DMC-ODS) Plans

PURPOSE: This Behavioral Health Information Notice (BHIN) establishes the Department of Health Care Services' (DHCS) policies regarding the imposition of administrative and monetary sanctions and contract terminations on MHPs and DMC-ODS Plans and provides notice of enforcement tiers that DHCS will use when determining whether to take enforcement action regarding timely access violations.

REFERENCE: California Welfare and Institutions (Welf. & Inst.) Code section 14197.7

BACKGROUND:

In accordance with its authority and obligations under state and federal requirements, DHCS shall enforce compliance with the terms of its contracts with MHPs and DMC-ODS Plans (hereafter collectively referred to as "Behavioral Health Plans" or "BHPs") and ensure compliance with applicable state and federal laws and regulations. Welf. & Inst. Code section 14197.7 authorizes DHCS to take specified actions against BHPs that fail to comply with applicable state or federal laws or regulations, the terms of their

contracts with DHCS (hereafter referred to as “Contractual Obligations”), the state plan or approved waivers, or for other good cause.¹

DHCS has the authority to implement and interpret Welf. & Inst. Code section 14197.7 by bulletin.² This BHIN supersedes California Code of Regulations, Title 9, sections 1810.323, 1810.380, subsections (b), (c) and (d), and 1810.385. In addition, this BHIN reflects changes to the law made by Proposition 1 and supersedes BHIN 22-045, issued by DHCS on August 19, 2022.³

POLICY:
SANCTION AUTHORITY UNDER WELFARE AND INSTITUTIONS CODE SECTION 14197.7

When a BHP or its subcontractor fails to meet Contractual Obligations or fails to comply with applicable state or federal laws or regulations, the state plan or approved waivers, or for other good cause, DHCS may impose administrative and/or monetary sanctions on the BHP, as described in this document.⁴

BHPs shall ensure that they and their subcontractors shall comply with all Contractual Obligations, and applicable state and federal laws and regulations, the state plan, and approved waivers.

¹ “Good cause includes, but is not limited to, a finding of deficiency that results in improper denial or delay in the delivery of health care services, potential endangerment to patient care, disruption in the contractor's provider network, failure to approve continuity of care, that claims accrued or to accrue have not or will not be recompensed, or a delay in required contractor reporting to (DHCS).” (Welf. & Inst. Code, § 14197.7, subd. (a)(2).)

² Welf. & Inst. Code, § 14197.7, subd. (r).

³ Proposition 1, as approved by voters in the March 5, 2024 election, made substantive and non-substantive changes to Welfare and Institutions Code section 14197.7 that become effective on January 1, 2025. Substantively, Proposition 1 eliminated the separate appeals process for MHPs. This BHIN reflects that change. Non-substantively, Proposition 1 broke down some existing subdivisions of the statute into paragraphs and subparagraphs. This BHIN's citations to Welfare and Institutions Code section 14197.7 are updated to reference the statute as effective on January 1, 2025.

⁴ DHCS “may identify findings of noncompliance or good cause through any means, including, but not limited to, findings in audits, investigations, contract compliance reviews, quality improvement system monitoring, routine monitoring, facility site surveys, encounter and provider data submissions, grievances and appeals, network adequacy reviews, assessments of timely access requirements, reviews of utilization data, health plan rating systems, fair hearing decisions, complaints from beneficiaries and other stakeholders, whistleblowers, and contractor self-disclosures.” (Welf. & Inst. Code, § 14197.7, subd. (b).)

POLICIES TO ENFORCE COMPLIANCE

DHCS may take any one or a combination of the following enforcement actions against BHPs:

1. CORRECTIVE ACTION PLANS (CAPs)

When a BHP fails to comply with Contractual Obligations, applicable state or federal laws or regulations, the state plan or approved waivers, or for other good cause, DHCS may require the BHP to submit a CAP for DHCS' review and approval or impose a CAP on the BHP.⁵

BHPs shall take appropriate actions to address any deficiencies identified by DHCS. BHPs that receive a Notice of Imposition of Corrective Action shall respond by addressing the deficiencies identified in the accompanying CAP document. The BHP shall submit the CAP and supporting documentation, as applicable, to DHCS. Once DHCS approves the CAP, BHPs shall provide status updates to DHCS, along with supporting documentation, at a frequency specified in the Notice of Imposition of Corrective Action or other DHCS communication. Updates and documentation shall demonstrate actions the BHP is taking to correct the deficiency(ies), and describe the progress made toward resolving the deficiency(ies) by the deadline specified in the Notice of Imposition of Corrective Action or other DHCS communication. DHCS shall determine when actions completed by the BHP resolve the CAP and will issue a Resolution Letter to inform BHPs of the successful completion of the CAP.

BHPs that receive Audit Reports with findings of noncompliance shall submit CAPs to DHCS and resolve CAPs as set forth in [BHIN 22-044](#), [BHIN 23-044](#), or subsequent guidance issued by DHCS.

DHCS may require or impose a CAP on a BHP in conjunction with taking other enforcement actions, as described below.⁶ For example, DHCS may impose a monetary sanction on a BHP together with a CAP, in lieu of a CAP, or if the BHP fails to meet CAP requirements within the timeframe specified by DHCS.⁷

⁵ Welf. & Inst. Code, § 14197.7, subds, (a)(1), (d).

⁶ Welf. & Inst. Code, § 14197.7, subds. (a)(1), (d).

⁷ Welf. & Inst. Code, § 14197.7, subds. (d), (e).

2. TEMPORARY WITHHOLD OF FUNDS

DHCS may temporarily withhold federal financial participation, 1991 realignment payments, and 2011 realignment payments from a BHP if it determines that the BHP has violated state or federal law or regulations, the state plan, an approved waiver, or a Contractual Obligation.⁸ If DHCS temporarily withholds funds from a BHP, it shall withhold amounts it deems necessary to ensure that the BHP promptly corrects the violation.⁹ DHCS shall release the temporarily withheld funds to the BHP when it determines that the BHP has come into compliance.¹⁰ If DHCS withholds funds from a BHP, the BHP shall continue to provide or arrange for necessary services for its members unless directed otherwise.

3. MONETARY SANCTIONS

Pursuant to subdivisions (e), (f), and (g) of Welf. & Inst. Code section 14197.7, DHCS may impose monetary sanctions on a BHP. If DHCS imposes monetary sanctions on a BHP, the BHP shall continue to provide or arrange for necessary services for its members unless directed otherwise.

- A. As set forth in paragraphs (1) through (12) of subdivision (e) of Welf. & Inst. Code section 14197.7, DHCS' grounds for imposing monetary sanctions on a BHP are as follows:
1. Violation of state or federal laws or regulations.
 2. Violation of Contractual Obligations.
 3. Violation of the state plan or approved waivers.
 4. Failure to meet quality benchmarks, as set forth in [BHIN 24-044](#) or subsequent guidance issued by DHCS.
 5. Failure to demonstrate an adequate network to meet anticipated utilization.
 6. Failure to comply with network adequacy standards, including, but not limited to, time or distance, timely access, and provider-to-member ratio requirements pursuant to standards and formulae that are set forth in federal or state law, regulation, state plan or contract, and that are posted in advance to DHCS' internet website.
 7. Failure to meet CAP requirements.
 8. Failure to submit timely and accurate network provider data.

⁸ Welf. & Inst. Code, § 14197.7, subd. (o)(1)(A).

⁹ Welf. & Inst. Code, § 14197.7, subd. (o)(1)(B).

¹⁰ Welf. & Inst. Code, § 14197.7, subd. (o)(1)(C).

9. Deficiencies in delivery of health care services.
 10. Deficiencies in operations, including failure to timely pay claims.
 11. Failure to meet data quality and reporting requirements.
 12. Failure to timely and accurately process grievances and appeals.
- B. DHCS may impose sanctions of up to \$25,000 per violation for a first violation, up to \$50,000 for a second violation, and up to \$100,000 for each subsequent violation.¹¹
 - C. For a deficiency that impacts members, each member impacted constitutes a separate violation.¹²
 - D. DHCS may separately and independently assess a monetary sanction for each day the BHP fails to correct an identified deficiency.¹³
 - E. When DHCS imposes a monetary sanction on a BHP, it shall collect the sanction by offsetting the sanction amount from distributions to the BHP from the Behavioral Health Subaccount of the Local Revenue Fund 2011, Mental Health Subaccount, the Mental Health Equity Subaccount, the Vehicle License Collection Account of the Local Revenue Fund, or the Mental Health Account.¹⁴ DHCS shall not offset more than 25 percent of the total amount of the funds distributed from the applicable account or accounts that are attributable to the BHP in a given month.¹⁵ DHCS shall continue to offset the amount attributable to the sanction each month until it collects the full amount of the sanction.¹⁶ Monetary sanctions imposed via offset from one of the listed realigned accounts are redistributed to non-sanctioned counties based on each county's share.¹⁷

4. TEMPORARY SUSPENSION OR TERMINATION OF BHP PERSONNEL OR SUBCONTRACTORS (ADMINISTRATIVE SANCTIONS)

Upon findings of noncompliance with Contractual Obligations, applicable state or federal laws or regulations, the state plan or approved waivers, or for other good cause, DHCS may require a BHP to temporarily suspend or terminate specified personnel and/or

¹¹ Welf. & Inst. Code, § 14197.7, subd. (f)(1)(A), (B), (C).

¹² Welf. & Inst. Code, § 14197.7, subd. (f)(1).

¹³ Welf. & Inst. Code, § 14197.7, subd. (f)(1).

¹⁴ Welf. & Inst. Code § 14197.7, subds. (f)(2), (n)(2), (n)(3). If the funds listed in paragraphs (2) and (3) of subdivision (n) are insufficient to cover the sanction, DHCS may offset other realignment funds received by the BHP. (Welf. & Inst. Code, § 14197.7, subd. (n)(4).)

¹⁵ Welf. & Inst. Code, § 14197.7, subd. (q)(2)(D).

¹⁶ Welf. & Inst. Code, § 14197.7, subd. (q)(2)(E).

¹⁷ Welf. & Inst. Code, § 14197.7, subd. (q)(2)(C).

specified subcontractors.¹⁸

5. CONTRACT TERMINATION

DHCS may terminate its contract with a BHP if the BHP fails to comply with Contractual Obligations, state or federal laws or regulations, the state plan or approved waivers, or for other good cause.¹⁹ In addition, DHCS shall terminate its contract with a BHP if the United States Secretary of Health and Human Services determines that the BHP does not meet the requirements for participation in the Medicaid program.²⁰

As applicable, DHCS shall follow the termination or cancellation provisions contained in the MHP and DMC-ODS contracts. If DHCS determines that there is an immediate threat to the health of members, DHCS is authorized to immediately terminate the BHP contract.²¹

FACTORS DHCS WILL CONSIDER WHEN IMPOSING TEMPORARY WITHHOLDS OR MONETARY SANCTIONS

When determining the amount of a temporary withhold or monetary sanction, DHCS will consider the following non-exhaustive factors:²²

1. The nature, scope, and gravity of the violation, including potential harm or impact on members.
2. The good or bad faith of the BHP.
3. The BHP's history of violations.
4. The willfulness of the violation.
5. The nature and extent to which the BHP cooperated with DHCS' investigation of the violation.
6. The nature and extent to which the BHP aggravated or mitigated any injury or damage caused by the violation.
7. The nature and extent to which the BHP has taken corrective action to ensure the violation will not recur.
8. The financial status of the BHP, including whether the sanction will affect the ability of the BHP to come into compliance.
9. The financial cost of the health care service that was denied, delayed, or modified.

¹⁸ Welf. & Inst. Code, § 14197.7, subds. (d)(2), (d)(3), (j)(1)(C), (j)(1)(D).

¹⁹ Welf. & Inst. Code, § 14197.7, subd. (a).

²⁰ Welf. & Inst. Code, § 14197.7, subd. (i).

²¹ Welf. & Inst. Code, § 14197.7, subd. (c)(1).

²² Welf. & Inst. Code, § 14197.7, subd. (g)(1)-(12).

10. Whether the violation is an isolated incident.
11. The amount of the penalty necessary to deter similar violations in the future.
12. Other mitigating factors presented by the BHP.

NOTIFICATION AND APPEAL RIGHTS

Except in exigent circumstances when DHCS determines that there is an immediate risk to the health of members, DHCS shall provide the BHP with reasonable written notice of DHCS' intent to impose a sanction.²³ DHCS, at its discretion, may alert other persons and organizations that may be impacted or interested in the sanction.²⁴ All notices of intent to impose sanctions shall include the effective date, duration of, and reason for each sanction proposed at a minimum.²⁵ In addition, all notices of intent to impose sanctions shall include a description of the BHP's appeal rights.

A BHP may request to meet and confer with DHCS regarding a proposed sanction.²⁶ DHCS shall grant all requests submitted within two business days of a BHP's receipt of DHCS' notice of intent to impose sanctions.²⁷

Except as otherwise provided, all hearings to review the imposition of sanctions described in this BHIN shall be held pursuant to the procedures set forth in Section 100171 of the Health and Safety Code.²⁸

The following rules apply to notification and appeals of the different types of sanctions that DHCS may impose on BHPs.

1. Temporary Withholds of Funds and Temporary Suspension Orders

To temporarily withhold funds or temporarily suspend BHP personnel or subcontractors, DHCS will provide the BHP with a minimum of 30 calendar days' written notice before the temporary withhold or temporary suspension order goes into effect.²⁹

A. Filing an Appeal. A BHP has the right to appeal a temporary withhold of funds or temporary suspension order issued as an immediate sanction by filing a written appeal that includes a copy of the notice of intent to impose a temporary withhold of funds or temporary suspension. The appeal shall

²³ Welf. & Inst. Code, § 14197.7, subds. (h)(1), (k)(1).

²⁴ Welf. & Inst. Code, § 14197.7, subds. (c)(4)(A), (h)(1).

²⁵ Welf. & Inst. Code, § 14197.7, subds. (c)(4)(B), (h)(2), (k)(2).

²⁶ Welf. & Inst. Code, § 14197.7, subd. (h)(3).

²⁷ Welf. & Inst. Code, § 14197.7, subd. (h)(4).

²⁸ Welf. & Inst. Code, § 14197.7, subd. (m).

²⁹ Welf. & Inst. Code, § 14197.7, subd. (j)(2).

be submitted to the address specified in the notice and shall be filed within 30 calendar days from the date it receives notice of the withhold or order.³⁰

- B. Setting the Hearing.** No later than 15 calendar days after it receives the written appeal, DHCS shall set the matter for hearing.³¹ The hearing shall be held as soon as possible, but not later than 30 days after the BHP receives the notice of hearing.³² The BHP may request a continuance if it needs more time to prepare an adequate defense.³³
- C. Stay of Temporary Withhold of Funds.** DHCS shall stay imposition of a temporary withhold until the hearing is completed and it makes a final determination on the merits within 60 days of the close of the record on the matter.³⁴
- D. No Stay of Temporary Suspension Order.** A temporary suspension order shall remain in effect until the hearing is completed and DHCS has made a final determination on the merits.³⁵ A temporary suspension order shall be deemed vacated if DHCS fails to make a final determination within 60 days of the close of the record on the matter.³⁶

2. Contract Termination

Before terminating a BHP contract, DHCS shall provide the BHP with a minimum of 60 calendar days' notice. DHCS will also provide notice of contract termination to members receiving services from the BHP.

Except in exigent circumstances in which DHCS determines that there is an immediate threat to the health of members receiving services from the BHP, DHCS will, at the request of the BHP, hold a public hearing to commence 30 days after the BHP receives the notice of intent to terminate the contract.³⁷ DHCS shall assign an administrative law judge to provide a written recommendation on the termination of the contract within 30 days after the conclusion of the hearing.³⁸

³⁰ Welf. & Inst. Code, § 14197.7, subd. (k)(3).

³¹ Welf. & Inst. Code, § 14197.7, subd. (k)(4).

³² *Ibid.*

³³ Welf. & Inst. Code, § 14197.7, subd. (k)(5).

³⁴ Welf. & Inst. Code, § 14197.7, subd. (k)(7).

³⁵ Welf. & Inst. Code, § 14197.7, subd. (k)(6).

³⁶ *Ibid.*

³⁷ Welf. & Inst. Code, § 14197.7, subd. (c)(1).

³⁸ Welf. & Inst. Code, § 14197.7, subd. (c)(3).

3. All Other Sanctions

For monetary sanctions and termination of BHP personnel or a subcontractor, DHCS shall provide the BHP with a minimum of 30 calendar days' notice. In the event that a BHP requests a hearing in connection with a monetary sanction, the sanction will not go into effect until after DHCS issues a final decision.

- A. Filing a Request for Hearing.** The BHP has the right to request a hearing to appeal a monetary sanction or termination of personnel or a subcontractor. To request, the BHP shall send its written request with a copy of the sanction notice to address specified in the sanction notice. The request for hearing shall be sent to DHCS within 15 business days from the date the BHP receives the notice of intent to impose the sanction.³⁹
- B. Stay of Implementation of Monetary Sanctions.** DHCS shall stay the imposition of monetary sanctions upon receipt of the BHP's timely submitted written request for a hearing.⁴⁰ The request for a hearing shall be sent within 15 business days from the date the BHP receives the notice of sanction. Collection of the monetary sanction shall remain stayed until the effective date of DHCS' final decision on the matter.⁴¹

NETWORK ADEQUACY CERTIFICATION ENFORCEMENT ACTIONS

Beginning with the reporting period of Fiscal Year 2023-24, DHCS will utilize the Enforcement Tiers described in Attachment A when determining what enforcement action to take against a BHP that fails to meet network adequacy certification requirements for Capacity and Composition, Time or Distance, and Mandatory Providers.

TIMELY ACCESS ENFORCEMENT ACTIONS

Beginning with the reporting period of Fiscal Year 2023-24, DHCS will utilize the Enforcement Tiers described in Attachment B when determining what enforcement action to take against a BHP that fails to meet timely access requirements.

³⁹ Welf. & Inst. Code, § 14197.7, subd. (l)(1).

⁴⁰ Welf. & Inst. Code, § 14197.7, subd. (l)(2).

⁴¹ Welf. & Inst. Code, § 14197.7, subd. (l)(3).

Behavioral Health Information Notice No.: 25-023
Page 10
June 10, 2025

If you have any questions regarding this BHIN, please contact DHCS at BHOMD@dhcs.ca.gov.

Sincerely,

Original signed by

Michele Wong, Chief
Behavioral Health Oversight and Monitoring Division

Attachments

- Attachment A: Network Adequacy Certification Enforcement Actions
- Attachment B: Timely Access Enforcement Actions