

DHCS AUDITS AND INVESTIGATIONS  
CONTRACT AND ENROLLMENT REVIEW DIVISION  
SPECIALTY MENTAL HEALTH REVIEW SECTION

**REPORT ON THE SPECIALTY MENTAL HEALTH  
SERVICES (SMHS) AUDIT OF BUTTE COUNTY  
FISCAL YEAR 2024-25**

Contract Number(s): 22-20095

Contract Type: Specialty Mental Health Services

Audit Period: July 1, 2023 — June 30, 2024

Dates of Audit: April 15, 2025 — April 25, 2025

Report Issued: September 16, 2025

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## I. INTRODUCTION

Butte County Behavioral Health (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.

The Plan is located in Northern California in the city of Sacramento. The Plan provides services within the unincorporated county and in four main cities: Chico, Oroville, Paradise and Gridley.

As of April 2025, the Plan had a total of 6,276 members receiving SMHS services and a total of 300 active providers.

## II. EXECUTIVE SUMMARY

This report presents the audit findings of the DHCS audit for the period of July 1, 2023, through June 30, 2024. The audit was conducted from April 15, 2025, through April 25, 2025. The audit consisted of documentation review, verification studies, and interviews with the Plan's representatives.

An Exit Conference with the Plan was held on September 8, 2025. The Plan was allowed 15 calendar days from the date of the Exit Conference to provide supplemental information addressing the draft audit findings. On September 12, 2025, 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, Quality Assurance and Performance Improvement, Access and Information Requirements, Coverage and Authorization of Services, and Program Integrity.

The prior DHCS compliance report, covering the review period from July 1, 2018, through June 30, 2021, identified deficiencies incorporated in the Corrective Action Plan (CAP). The prior year CAP was closed at the time of the audit. This year's 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 has an affirmative responsibility to determine if children and youth who meet criteria for members' access to SMHS need Intensive Care Coordination (ICC) and Intensive Home-Based Services (IHBS). The Plan did not ensure the determinations for ICC and IHBS services for all children and youth who met criteria for member access to SMHS.

### **Category 2 – Care Coordination and Continuity of Care**

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

### **Category 3 – Quality Assurance and Performance Improvement**

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**

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 April 15, 2025, through April 25, 2025, for the audit period of July 1, 2023, through June 30, 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 Plan representatives.

The following verification studies were conducted:

#### **Category 1 – Network Adequacy and Availability of Services**

Mobile Crisis: Ten member files were reviewed for criteria and service delivery.

ICC/IHBS Determination: Ten member files were reviewed for criteria and service determination.

#### **Category 2 – Care Coordination and Continuity of Care**

Coordination of Care Referrals: Ten member referrals from the Managed Care Plan (MCP) to the Mental Health Plan (MHP) and ten member referrals from the MHP to MCP were reviewed for evidence of referrals, initial assessments, progress notes of treatment planning and follow-up care between the MCP and MHP.

#### **Category 3 – Quality Assurance and Performance Improvement**

There were no verification studies conducted for the audit review.

## **Category 4 – Access and Information Requirements**

Telehealth Consent: Ten member files were reviewed for evidence of appropriate consent for telehealth services including consent form and progress notes.

## **Category 5 – Coverage and Authorization of Services**

Authorizations: Ten member files were reviewed for evidence of appropriate service authorization including the concurrent review authorization process.

Authorizations: Ten member files were reviewed for evidence of appropriate treatment authorization including the concurrent review authorization process.

## **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

### 1.2 CHILDREN'S SERVICES

#### 1.2.1 Assessment for ICC and IHBS Services

The Plan is required to comply with all state and federal statutes and regulations, the term of this Agreement, BHINs, and any other applicable authorities. (*Contract, Ex.E, Sec.6(H)*) The Plan has an affirmative responsibility to determine if children and youth who meet criteria for member access to SMHS need ICC and IHBS. ICC and IHBS documentation requirement must be consistent with the Plan's policies and procedures, and in accordance with the contract between DHCS and the Plan (*Medi-Cal Manual for Intensive Care Coordination (ICC), Intensive Home-Based Services (IHBS), and Therapeutic Foster Care (TFC) Services for Medi-Cal Beneficiaries, (3rd ed., Jan. 2018), p.9, 28, 32.*)

The Plan's assessment must include the provider's determination of medical necessity and recommendation for services. (*Behavioral Health Information Notice 22-019: Documentation requirements for all Specialty Mental Health Services (SMHS), Drug Medi-Cal (DMC), and Drug Medi-Cal Organized Delivery System (DMC-ODS) services, Apr. 2022, p.3.*)

The Plan document *Clinical Documentation Manual Mental Health & Substance Use Treatment Services (effective 05/2024)* served as the guideline for the Plan's staff and contracted providers to conduct ICC and IHBS screening determinations for all members under age 21 if they meet the medically necessary criteria SMHS. The manual also indicated that documentation must be kept of the screening, its results, and the referrals made to the ICC and IHBS providers.

**Finding:** The Plan did not ensure the determinations of ICC and IHBS for children and youth who meet the criteria for member access to SMHS.

Although the Plan had guidance for ICC/IHBS determination and documentation, the *Clinical Documentation Manual Mental Health & Substance Use Treatment Services (effective 05/2024)* was implemented one month before the end of the audit period. However, there were no policies and procedures for the Plan to conduct and document ICC/IHBS screening and determinations during the first 11 months of the audit period.



In the verification, ten samples of children and youth were selected: five samples were selected from members referred to ICC/IHBS and five samples were selected from children and youth who met SMHS eligibility but were not referred to ICC/IHBS. The verification study revealed that none of the ten samples included documentation of how the Plan screened for ICC/IHBS eligibility. However, the Plan was required to make determinations of ICC and IHBS for all children and youth who met the criteria for member access to SMHS.

In the interview, the Plan confirmed that not all youth members were screened for the need for the ICC/IHBS services, which led to an inconsistency in referring out. The Plan also acknowledged that there was a gap in documenting discussions and recommendations of the ICC/IHBS service during the audit period, including the lack of policy clarity uniformly across the team

When the Plan does not consistently assess and document the determination of need for ICC and IHBS services, it cannot ensure all children and youth receive medically necessary behavioral health services.

**This is a Repeat Finding of the 2021-2022 Review – Network Adequacy and Availability of Services**

**Recommendation:** Implement policies and procedures to ensure the Plan conducts and documents determinations of the need for ICC and IHBS for children and youth who meet criteria for member access to SMHS.