



California Department of Health Care Services



**Specialty Mental Health and
Substance Use Disorder Cost Reports:
Why Do We Have Them and Why
Should We Care?**

**Mental Health Management and Performance Outcomes Branch
Fiscal Policy Section**



**SPECIALTY MENTAL HEALTH
COST REPORT**

Purpose of Specialty Mental Health Cost Report

To determine:

- Overall cost for providing Specialty Mental Health services to eligible Medi-Cal beneficiaries and non-Medi-Cal beneficiaries
- Cost of services provided by each Mental Health Plan (MHP) and each MHP's provider
- Cost of services for each of the programs of the Specialty Mental Health System (e.g., Healthy Families, MCHIP, BCCPT)

Purpose (continued)

- Welfare and Institution Code (WIC) Section 14705 (e) and the contract between the State and each MHP require MHPs and their providers to file their cost reports by December 31, six months after the end of each state fiscal year.
- Certified Public Expenditure Protocol approved by the Centers for Medicare and Medicaid Services (CMS) requires MHPs to submit cost report and all their providers' cost reports
- California Medicaid State Plan requires providers to file cost reports

Why are MHPs and their providers required to file cost reports?

- Cost-based reimbursement is used by California to reimburse providers for the cost of providing services
- During the year, providers' claims are paid on interim basis. During cost settlement, interim paid claims are reconciled to actual costs from the cost report to determine over- and under-payments
- Historical costs from cost reports are used to calculate county providers' rates
- Cost report data is used to apportion administrative costs to Medi-Cal and non-Medi-Cal services

Why are MHPs and providers required to file cost reports? (continued)

- Cost reports are used to determine the Federal Financial Participation (FFP) amounts (the amounts that the federal government pays for Specialty Medi-Cal services provided to eligible Medi-Cal beneficiaries)
- Depending on whether the service is for a non-enhanced program or an enhanced program (BCCPT, MCHIP, Healthy Families), the payment can range from 50% to 100%. For instance, ACA currently allows 95% FFP.

Who Pays for the Specialty Mental Health Services?

- Federal government through Federal Financial Participation (FFP)
- State government through Realignment funds (1991 and 2011 Realignment) AC2
- County
- Private (personal funds or private insurance)

How Does the State Assist MHPs with Cost Reports?

- Cost Report Information Notices
- Cost Report Instructions Manual
- Annual Cost Report Training
- Consultation with State Cost Report Analyst

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AC(2) State General Funds if the cost is subject to Proposition 30.
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SUD Program, Policy, and Fiscal Division
Fiscal Management and Accountability Branch (FMAB)

SUBSTANCE USE DISORDER
(SUD)
COST REPORT

- SUD Cost Report
Submission Requirements
- Required by law (HSC 11852.5 and WIC 14124.24)
- **Who** – All counties and direct providers*
 - **What** – Report annual costs/expenditures for SUD services: Drug Medi-Cal (DMC) and non-DMC
 - **When** – Annually by November 1 (unless extension granted by DHCS)
 - **How** – Web-based SUD Cost Report System (SUDCRS) and Excel workbook for DMC providers
- *Narcotic treatment programs (NTPs) that provide only narcotic treatment services and bill DMC exclusively submit performance reports, not cost reports

Purpose of Cost Reports

- Reconcile provisional payments made to county with actual costs
- Document how state/federal funds were spent
- Provide mandated service and expenditure data to oversight agencies (CMS and SAMHSA)
- Cost report data needed for:
 - Developing annual Drug Medi-Cal reimbursement rates
 - Fiscal audits of individual providers
 - Statewide evaluation purposes

Data Requirements

- Accurate general ledger data traceable to individual provider location. If organization has multiple locations/service types, must keep separate workbooks showing the organizational and/or corporate costs that are shared or allocated across locations (reconciled back to general ledger)
- Overall costs incurred related to SUD services and how provider determined what was allowable and attributable to a specific cost center/modality

Data Requirements (continued)

- A cost allocation plan that appropriately distributes indirect costs across line items and modalities/cost centers
- Records that support each reported expenditure and revenue, clearly identifying their sources by line items, modalities, direct and indirect costs

SUD Funding Sources

- County must report any state or federal funding used for SUD:
 - SAPT Block Grant
 - State General Fund
 - Drug Medi-Cal Federal Financial Participation (FFP)
 - Behavioral Health Subaccount (2011 Realignment)
- DMC providers must report overall costs incurred related to SUD services at each location, from all funding sources (DMC and non-DMC)

SUD Cost Report Guidance

- **Annual training**: FY 16-17 regional training and webinars planned for late summer 2017
- **Annual forms and instructions**: provider billing reports by aid code; guidance on funding lines, program/service codes, policy changes
- **Supplemental resources**: FAQs, archived webinars, PowerPoint presentations, policy letters
- **Individual consultation before/during cost report review**: response to questions/issues, feedback on errors