STATE OF CALIFORNIA–HEALTH AND WELFARE AGENCY PETE WILSON, GOVERNOR

DEPARTMENT OF MENTAL HEALTH
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DMH LETTER NO.: 96- 04

LOCAL MENTAL HEALTH DIRECTORS
LOCAL MENTAL HEALTH PROGRAM CHIEFS
LOCAL MENTAL HEALTH ADMINISTRATORS
COUNTY ADMINISTRATIVE OFFICERS
CHAIRPERSONS, LOCAL MENTAL HEALTH BOARDS

SUBJECT: 1995-96 FISCAL YEAR (FY) COST REPORT SETTLEMENT POLICY

EXPIRES: Retain Until Superseded

This letter outlines the submission and reporting requirements for the FY 1995-96 cost report. To the extent that there are differences between this letter and other Department publications, the requirements contained in this letter will prevail.

I. SUBMISSION REQUIREMENTS

A. Cost Report Submission

For FY 1995-96, as in the previous fiscal year, there is a single cost report submission which consolidates the former Cost Reporting/Data Collection (CR/DC) and Short-Doyle/Medi-Cal (SD/MC) cost reports. This single FY 1995-96 cost report must be completed by all legal entities .

B. Cost Report Submission Deadline

The submission date for the FY 1995-96 cost report package is December 31, 1996.

In order to prevent delays in receiving claim payments, one original and three paper copies of the cost report, plus floppy disks, if appropriate, should be sent to the following address:

Department of Mental Health
County Cost Reporting and Data Collection
1600 9th, Street, Room 250
Sacramento CA 95814

C. Incomplete Cost Reports

Counties which submit an incomplete cost report will be notified of the information, data, or forms needed. In order to avoid delays in receiving claim payments, counties should make every effort to complete requirements within 30 days of notification.

D. Cost Report Forms

Counties that do not use the Department's printed cost report forms must submit facsimiles identical to the Department's forms. Draft copies should be submitted in advance to the Department for approval.

Major changes to the FY 1995-96 cost report are as follows:

1. Medi-Cal Administrative Activities (MAA)

FY 1995-96 Medi-Cal Administrative Activities (MAA) costs will be reported in the cost report. A new CR/DC Mode 55 has been created to reflect MAA costs. For those legal entities participating in MAA, only Mode 55 (with identified service functions) will generally be used to report both MAA costs and Outreach costs previously reported under Mode 45. Mode 45 will remain for those legal entities not participating in MAA. Legal entities may choose to report costs in both Mode 45 and Mode 55 but will need to have sufficient documentation to ensure that double reporting does not occur. Several cost report forms have been revised to incorporate MAA data, e.g., MH 1964, MH 1966, MH 1968, MH 1979, MH 1992. Please refer to the 1995-96 Department of Mental Health Cost Report Instructions for details.

2. Hospital Inpatient Consolidation (Managed Care Allocation)

Counties that received a FY 1995-96 allocation for Fee-for-Service/Medi-Cal (FFS/MC) Hospital Inpatient Consolidation (Managed Care) must account for all of these funds on a new form, MH 1994. Reflection of allocated Hospital Inpatient Consolidation funds on Form MH 1960, line 8 (Total Allowable Costs for Allocation) will depend on the type of expenditures. Expenditures for both FFS/MC Acute Hospital Inpatient and FFS/MC Hospital Administrative Days are not to be included in the Total Allowable Costs for Allocation. However, expenditures from this allocation on "Other Mental Health Services" are to be included in the Total Allowable Costs for Allocation. These expenditures will also be identified on the MH 1940. Please refer to the FY 1995-96 Department of Mental Health Cost Report Instructions for details.

This change not only allows the Department to account for the allocation appropriately, but will also eliminate the separate expenditure report on inpatient consolidation expenditures required by law.

3. Hospital Inpatient Consolidation Rollover

Counties that did not expend all of their FY 1994-95 Hospital Inpatient Consolidation allocation but rather held part or all in reserve (rollover) for expenditure in FY 1995-96 must report the rollover amount as a funding source for the FY 1995-96 cost report to the extent that it was spent in FY 1995-96. Please refer to the FY 1995-96 Department of Mental Health Cost Report Instructions for details.

4. State General Fund Rollover For Categorical Funds

Counties that did not expend all of their FY 1994-95 State General Fund (SGF) allocation of categorical funds must report all funds rolled over for expenditure in FY 1995-96 as a funding source in the FY 1995-96 cost report. Please refer to the FY 1995-96 Department of Mental Health Cost Report Instructions for details.

5. Medicare/Medi-Cal Crossover Units

Medicare/Medi-Cal crossover units are settled in the same way as other Medi-Cal units and are subject to the lower of cost, published charges, SMA and negotiated rate comparison.

6. Form MH 1909 (Identification of Categorical Funds)

Form 1909 (Supplemental Cost Report Data by Program Category) is changed to allow a display of expenditures in excess of the State General Fund. A column is added entitled "Other Fund Sources" and a bottom line ("Additional Expenditures") is added to allow a calculation of the total amount of expenditures above the State General Fund. This change was made to assist counties in documenting total expenditures related to AB 3632.

7. Form MH 1940 - Year End Cost Report Form

As of FY 1995-96 all counties, including former SB 900 counties, must complete the Year-End Cost Report Form, MH 1940. Form MH 1949, previously used by SB 900 counties, will not be required. Please note that MH 1940 has been changed to identify Managed Care (line 9) as a funding source for other mental health services. Two additional lines (lines 11 & 12) have been added to identify

Managed Care expenditures on FFS/MC Acute Inpatient Psychiatric Services (line 11) and the estimated State Share for EPSDT SD/MC Services (line 12). FY 1994-95 rollover funds should not be identified as a funding source in lines 6, 7, 8, or 9.

8. Hospital Administrative Days

The SMA rate for Hospital Administrative Days did not change in August, 1995, but remained the same as in FY 1994-95. Form MH 1991, Calculation of Short-Doyle/Medi-Cal For FY 1995-96 Hospital Administrative Days has been revised to reflect only one SMA rate for the entire fiscal year.

Attachment A displays the CR/DC matrix by mode and service function for FY 1995-96. Please note several changes in the CR/DC system format, e.g., Mode 55 (MAA) has been incorporated into the Outreach Program with several new service function codes.

E. Amendments or Revisions

Amendments or revisions to the cost report are not appropriate after December 31, 1996. However, corrections identified by the Department which are necessary to facilitate processing or to prevent undue hardship to counties can be made. Unapproved revisions made after December 31, 1996 will be placed in the county's cost report file for audit purposes.

F. Supporting Documentation

The list of supporting documents necessary for the FY 1995-96 cost report is as follows:

1. Reference to the page(s) of the county's Auditor-Controller's Report containing mental health data used in the cost report. The Auditor-Controller's Report itself is not required.

2. An explanation of the "Other Adjustment" item on form MH 1960. Rollover funds from FY 94-95 should be included as a positive adjustment if not included in total Mental Health Expenditures, line 1.

3. Summary of payments to contract providers, listed by provider, with amounts of payments (back-up to MH 1960). FFS/MC hospitals are to be included if payments to these hospitals are reflected in Total Expenditures (MH 1960, line 1).

We believe that the above minimum documentation will meet HCFA standards, ensure counties of the continued availability of FFP, and enable CR/DC staff to perform an adequate desk review.

II. COST REPORT POLICY

A. Inpatient Administrative Days

Inpatient administrative day costs must be reflected in Mode of Service 05, Service function code 19 only. Form MH 1991 was designed to calculate the SD/MC maximum allowance plus ancillary and physician costs for administrative days. This form has been revised for FY 1995-96. Please note that there is a single per diem Medi-Cal rate for administrative days of $214.90.

All legal entities with hospital administrative days should complete form MH 1991 per instructions. Costs for ancillary and physician services related to patients on administrative day status should be included in the gross costs (line 3) of MH 1966. On MH 1966, lines 12, 13, and 14 will also include physician and ancillary charges.

The amount for ancillary and physician services is limited to the costs claimable under Section 51511(c), Title 22 of the California Code of Regulations. Since counties have not been reimbursed for ancillary and physician services provided to inpatients on administrative day status during the fiscal year, reimbursement for these services will be made through the cost report settlement process. Reflecting administrative day costs and related ancillary and physician service charges in Service Function Code 19 is presently the only procedure available for seeking SD/MC reimbursement.

B. Categorical Funding

The Department will control expenditures to the categorical allocations shown on the final approved FY 1995-96 allocation. Categorical funds must be used for the purpose for which they were appropriated. Accordingly, Special Education Pupil funds (AB 3632) may only be used for assessment, treatment, and case management services. Costs in inappropriate modes (e.g., Administration or Outreach) will be adjusted or the cost report will be returned to the county for correction.