CALIFORNIA DEPARTMENT OF
Mental Health

1600 9th Street, Sacramento, CA 95814
(916) 654-2378

December 4, 1998

DMH INFORMATION NOTICE NO.: 98-21

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

SUBJECT: NEGOTIATED RATES FOR SHORT-DOYLE/MEDI-CAL (SD/MC) SERVICES FOR FISCAL YEAR (FY) 1998-99

To establish Performance Contracts for FY 1998-99, the Department of Mental Health (DMH) requires the following information if your county intends to contract with the Department or a local provider on a negotiated rate basis for SD/MC funds.

Please submit your proposed rates on the same time bases as shown on Enclosure A for affected legal entities by service function. Your proposed rates shall be determined by following the procedures in Enclosure B. For existing programs without significant changes, DMH will approve rates which are consistent with your FY 1997-98 DMH Cost Report and the application of the appropriate inflation factor. Or, if the FY 1997-98 DMH Cost Report is not available, the FY 1996-97 Cost Report will be used with the application of appropriate inflation factors. Additionally, provide justification for proposed rates which are equal to the Statewide Maximum Allowance. Rates for new services will not be approved without prior years' cost report data.

Please send your rate proposal to:

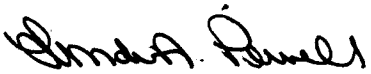
Stan Johnson, Chief
County Financial Program Support
1600 9th Street, Room 120
Sacramento, California 95814

This information must be submitted by December 31, 1998, with a copy of your county's completed FY 1997-98 DMH Cost Report. Pursuant to Welfare and Institutions Code, Section 5705(a)(4), if we do not receive complete information by December 31, 1998, we will not approve negotiated rates for your county for this year. Instead, reimbursement for services provided to Medi-Cal eligible clients will be based on the lessor of cost, charges, or the SD/MC maximum allowance as set forth in Section 51516 of Title 22 of the California Code of Regulations.

If you intend to contract on a cost reimbursement basis for all programs, or wish to contract on a negotiated rate basis with county funds only, please ignore this letter.

If you have any questions or comments, please contact Stan Johnson at (916) 654-3060.

Sincerely,



LINDA A. POWELL
Deputy Director
Administrative Services

Enclosures

DEPARTMENT OF MENTAL HEALTH

SHORT-DOYLE/MEDI-CAL MAXIMUM REIMBURSEMENT RATES
Fiscal Year 1998-99

SERVICE	Maximum Rate Per	FY 1989-90 Weighted Average Cost Per Unit	FY 1997-98 Maximum Rates	FY 1998-99 SMA	Percent Change
Hospital Inpatient	Client Day	$447.31	$707.85	$724.16	2.3
Hospital Administrative Day	Client Day	n/a	$214.90	$214.90	0.0
Psychiatric Health Facility	Client Day	n/a	$400.13	$414.13	3.5
Adult Crisis Residential	Client Day	n/a	$225.63	$233.53	3.5
Adult Residential	Client Day	n/a	$110.04	$113.89	3.5
Crisis Stabilization					
Emergency Room	Client Hour	n/a	$70.05	$72.50	3.5
Urgent Care	Client Hour	n/a	$70.05	$72.50	3.5
Day Treatment Intensive	Half Day	$74.46	$106.78	$110.51	3.5
Day Treatment Intensive	Full Day	$104.58	$149.97	$155.22	3.5
Day Rehabilitative	Half Day	$43.44	$62.29	$64.47	3.5
Day Rehabilitative	Full Day	$67.80	$97.22	$100.63	3.5
Case Management/Brokerage	Staff Minute	n/a	$1.50	$1.55	3.3
Mental Health Services	Staff Minute	$1.34	$1.92	$1.99	3.6
Medication Support	Staff Minute	$2.49	$3.57	$3.70	3.6
Crisis Intervention	Staff Minute	$2.01	$2.88	$2.98	3.5

CALENDAR YEAR	Medical Component of Consumer Price Index	Home Health Agency Market Basket Index
1990	9.0%	5.3%
1991	8.7%	5.7%
1992	7.4%	4.1%
1993	5.9%	4.8%
1994	4.8%	5.1%
1995	4.5%	5.3%
1996	3.5%	3.3%
1997	2.8%	3.3%
1998	3.1%	3.5%

SHORT-DOYLE/MEDI-CAL RATE ESTABLISHMENT PROCESS

Introduction:

Negotiated rate providers under Short-Doyle/Medi-Cal (SD/MC) will adhere to specific procedures as outlined below in establishing rates with the State Department of Mental Health (DMH). Rate establishment is based on historical costs similar to the cost reimbursement providers. The Negotiated Rate providers are governed by the provisions and requirements in the State Plan for Medicaid services. The annual rate establishment results in fixed SD/MC reimbursement rates for each service which provide incentives for productivity and efficiency at the local provider level. These rates are included in annual performance contracts between the state and the counties.

Methodology:

1. The base will be the most recent cost report and other cost information. Using SD/MC providers only, actual cost will be determined for each specific service function by legal entity (county and each contract provider will be separately calculated).

2. For each of the service functions and legal entities, using the most recent cost report, divide the total adjusted gross cost by the total number of actual service units (time base units) for all programs within that group to compute base service rates.

3. Update the base service rates by using inflation factors. Medical Consumer Price Index will be used for inpatient and Home Health Agency Market Basket Index will be used for all non-hospital services.

4. New service requests for a negotiated rate will not be honored unless prior years' cost report data and actual units are submitted to DMH at the same time.

5. When a provider of service is being eliminated, the applicable costs and units of service shall be excluded from the calculation of the county-wide or contract provider rate(s).

6. For existing programs that have had changes which significantly change the rates from the most recent cost report, other factors may be considered by DMH in the documentation of utilization changes, client profile shifts which impact costs of service delivery, union contracts, changes in program design, and other unforeseen documented factors which impact the cost of service delivery.

7. The legal entity rates for each service function shall not exceed the approved Schedule of Maximum Allowances for the applicable period.

8. According to the State Plan, if reimbursement to a negotiated rate provider exceeds actual costs in the aggregate, 50 percent of Federal Financial Participation (FFP) that exceed actual costs will be returned to the Federal government.

The remaining 50 percent of FFP, including local interest, shall be retained by the county mental health program and utilized exclusively for mental health service delivery and support costs. This may include capital expenses specific to mental health programs.