



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 6/8/2021

To: Board of Supervisors of Sonoma County
Department or Agency Name(s): Department of Health Services
Staff Name and Phone Number: Emilia Gabrielle, 565-4774
Vote Requirement: Majority
Supervisorial District(s): Countywide

Title:

Behavioral Health Rates

Recommended Action:

Adopt a resolution establishing amended fiscal year 2017-2018 through 2021-2022 Published Charges for billing the general public, insurers, and other non-Title XIX payers for mental health services provided by the Department of Health Services operated clinics as permitted by law.

Executive Summary:

Department of Health Services is proposing amended rates for services associated with Behavioral Health for fiscal years 2017-2018 through 2021-2022. Approval of the amended rates will enable Health Services to establish Published Charges consisting of a reasonable approximation of actual costs for specialty mental health services rendered. It is necessary for Health Services to reassess its rates annually in order to ensure that the Published Charges defined as the usual and customary charges prevalent in the public mental health sector that are used to bill the general public, insurers, and other non-Title XIX payers are not less than the final rates based on reasonable and allowable cost resulting from the cost settlement with the Department of Health Care Services. The proposal for amended rates is necessary to ensure the Department recovers its full cost for specialty mental health services rendered from Medi-Cal billing during the cost settlement process with the Department of Health Care Services. The Department of Health Care Services determines the schedule for the preliminary, interim and final cost report with the final audited cost report settled at the lower of reasonable and allowable cost per unit rate or published charge in some instances up to seven years after the fiscal year end. The Board adopted a resolution on May 9, 2017, to approve the 2017-2018 Behavioral Health published rates and the Department has not returned to your Board to update the rates for the 2018-2019 through 2021-2022 fiscal years. The recommended action is to amend the fiscal year 2017-2018 Behavioral Health published rates and publish the fiscal year 2018-2019 through 2021-2022 Behavioral Health rates for billing the general public, insurers and other non-Title XIX payers. The fiscal year 2017-2018 published rates included in this Board item will update the rates based upon the updated methodology. There is no net County cost impact associated with the recommended action.

Discussion:

The California State Plan provides that Short-Doyle/Medi-Cal System services are to be paid at the lower of actual costs or customary charges, which is consistent with federal Medicare rules. The State has implemented such provision in California Code of Regulations, Title 9, Section 1840.105 and in its cost reporting instructions. The term customary charges is synonymous with the term Published Charges, which is defined as the usual

and customary charges prevalent in the public mental health sector that are used to bill the general public, insurers, and other non-Title XIX payers (Code of Federal Regulations, Title 42, Parts 447.271 and 405.503 (a)).

Health Services contracts with the California Department of Health Care Services as the local Mental Health Plan and provides specialty mental health services to Medi-Cal beneficiaries under a section 1915(b) waiver. The Department of Health Care Services claims federal reimbursement for Medi-Cal specialty mental health services based on public expenditures certified by the Mental Health Plans. When a Mental Health Plan submits an interim claim for reimbursement it should either reflect the Mental Health Plan's actual cost or a reasonable approximation of the Mental Health Plan's actual cost. When the claim for reimbursement is for a specialty mental health service rendered by a county-owned and operated facility the Mental Health Plan is not expected to know its actual cost. The Mental Health Plan will not know its actual cost until the fiscal year is over and it has completed its cost finding and cost allocation through the specialty mental health services cost report. Consequently, the interim claim for reimbursement of services rendered by county-owned and operated providers will be based upon a reasonable approximation Interim Rates, which are set by the Department of Health Care Services and based on the most recent certified cost report submitted by the Mental Health Plan. The Department of Health Care Services will settle these interim payments to actual cost when the Mental Health Plan files its certified cost report and the State concludes the audit of the cost report.

The previous methodology used to set the fiscal year 2016-2017 Published Charges included adding inflator percentages to then-current published rates based on projected budgetary increases. The Department was significantly behind on submission of cost reports which resulted in the County's interim reimbursement for Medi-Cal for specialty mental health services rendered to be based upon rates that reflected costs that were more than two years prior. The Department is current on cost report submissions and as such will be reimbursed for Medi-Cal for specialty mental health services rendered based on current interim rates derived from the most recent cost report adjusted for inflation based on the Market Basket Index. The approved fiscal year 2017-2018 rates are being updated with this revised methodology to increase the reimbursement rate for services provide during that fiscal year and to include the costs associated with the new Crisis Stabilization Unit model established in fiscal year 2017-2018.

Beginning in fiscal year 2017-2018, the Department's Published Charges are determined annually based on the most recent Annual Cost Report, projected cost increases, estimated service delivery, and are adjusted by the Centers for Medicare and Medicaid Services Market Basket Index Levels.

The revised methodology uses the preliminary cost report's calculated interim rates (including an inflator percentage based on the Market Basket Index). To this base rate, a seven and half percent increase was added for each fiscal year 2019-2020 and 2020-2021 based on projected increased labor costs related to higher labor rates and anticipated lower vacancy rate than the fiscal year 2018-2019 base year for which the cost report was submitted. The fiscal year 2018-2019 cost report will set the rate for fiscal year 2020-2021 and the fiscal year 2019-2020 cost report will set the rate for fiscal year 2021-2022. The published rates might be slightly higher than the State rates as the settlement process with the State will settle to the lower rate of published or actual.

Another factor contributing to the changes in Published Charges beginning in fiscal year 2017-2018 is that the amounts for several rates were set based on 30 or 60 minutes of services. These rates are now being set at a per-minute amount to better align with the Department's billing processes. Affected rates include the following: 1) Mental Health - Outpatient Services; Assessment & Testing, Therapy, Rehabilitation, Collateral, Plan Development; 2) Medication Support; and 3) Case Management/Brokerage.

The main contributing factor to the significant increase in the Crisis Stabilization Unit rate is the transition from an outdated model of having both a Crisis Stabilization Unit and a Psychiatric Emergency Services unit to a standalone Crisis Stabilization Unit in 2016.

The Department is requesting to set fiscal year 2021-2022 Published Charges and to retro-actively set fiscal year 2017-2018, fiscal year 2018-2019, fiscal year 2019-2020, and fiscal year 2020-2021 Published Charges. The Department has not updated rates since fiscal year 2017-2018.

Over the past few years Health Services as developed and implemented budget policies along with training all fiscal and divisional management staff on those policies, Medi-Cal revenue estimates have been based upon estimated units of service and the rate services reimbursed at interim rates set by the Department of Health Services based on the latest cost report submission and a Market Basket Index inflator. The department continues to submit the Mental Health Cost report timely which allows the interim rate of reimbursement to be at the current level, additionally the department's goal is to submit monthly Medi-Cal claims on a 90 day cycle. The Billing unit was restructured into the Revenue Management Team and a revenue manager is in place who oversees Medi-Cal claiming, cost report submission, and monthly reporting. The Fiscal and Revenue management teams work collaboratively with the Behavioral Health division with regularly scheduled meetings for Budgeting, contracts, forecasting revenues and expenditures, along with discussing ways to enhance revenues. Going forward the department will review the rates annually and request approval from the Board of Supervisors.

Prior Board Actions:

On May 9, 2017 the Board adopted a resolution establishing new and amended rates to recover the reasonable cost of providing services including fees associated with Environmental Health and Safety, Public Health Laboratory, Animal Services, and Behavioral Health for the Department of Health Services effective July 1, 2017. Note that the Department did not revise Behavioral Health rates for fiscal years 2018-2019 through 2020-2021.

FISCAL SUMMARY

Expenditures	FY 20-21 Adopted	FY 21-22 Projected	FY 22-23 Projected
Budgeted Expenses	13,055,732	11,978,505	
Additional Appropriation Requested			
Total Expenditures	13,055,732	11,978,505	
Funding Sources			
General Fund/WA GF			
State/Federal	13,055,732	11,978,505	
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources	13,055,732	11,978,505	

Narrative Explanation of Fiscal Impacts:

The California State Plan provides that Short-Doyle/Medi-Cal System services are to be paid at the lower of

actual costs or customary charges, which is consistent with federal Medicare rules.

It is necessary for the Department to reassess its rates annually in order to ensure that the Published Charges defined as the usual and customary charges prevalent in the public mental health sector that are used to bill the general public, insurers, and other non-Title XIX payers are at or above the anticipated interim billing rates from the state for claims submitted for reimbursement for specialty mental health services rendered to Title XIX payers funded with federal financial participation and local revenues.

If the FY 21-22 proposed Published Charges and the retroactive proposed FY 17-18 through FY 20-21 Published Charges are not approved at the proposed level, the County would be at-risk of not meeting the requirement that the Published Charges be at or above the anticipated interim rates, thereby not fully recovering the federal Medicaid portion of the cost of providing these mandated services, which may require the use of additional funding sources, such as realignment, to cover these costs.

The fiscal table includes FY 20-21 adopted County Services FFP funding and recommended FY 21-22 County Services Federally Financial Participation Rate, as the rate and subsequent funding are based on costs and estimated units of service, which are unknown at this time there is no estimate for FY 22-23 currently.

Estimated revenue for FY 21-22 is based on projected units of service and the state approved interim rate. Published rates will be used to bill non-title XIX providers and 3rd party insurers. Units of service for non-title XIX providers and 3rd party insurers are unknown at this time. The revenue projected to be collected in FY 21-22 is less than FY 20-21 as the estimated units of service are lower in FY 21-22 and is the primary factor in estimated FFP funding.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

Attachment 1 - Resolution

Attachment 2 - Behavioral Health Division Rate Chart

Related Items "On File" with the Clerk of the Board:

None