SHORT-DOYLE/MEDI-CAL RATE ESTABLISHMENT PROCESS
SFY 2007-08

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). 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 that provides incentives for productivity and efficiency at the local provider level. A separate negotiated rate will not be considered for Therapeutic Behavioral Services (TBS). As in prior years, TBS reimbursement will be controlled by the SD/MC Statewide Maximum Allowances (SMA). The negotiated rates are not included in the annual performance contracts between the State and the counties.

DMH Control Methodology

1. Basis for Control Rates

To establish the state control rates for SFY 2007-08, DMH will use actual cost data as reported in the State Fiscal Year (SFY) 2006-07 cost report for each specific service function (SF). State control rates for the county and each contract provider will be calculated separately.

The SFY 2006-07 actual unit of service cost, as reported for each mode of service and service function, is updated by using two types of inflation factors: 1) Medical Consumer Price Index will be used for hospital acute inpatient and, 2) Home Health Agency Market Basket Index will be used for all non-hospital services.

2. First Time Requests for Legal Entities (LE) and Mode/Service Functions (SF)

First-time requests for negotiated rates, i.e., new LE/provider, new Mode/SF, will not be honored unless SFY 2006-07 cost report data and actual units are submitted to DMH by December 31, 2007. The cost information must be for one full operating year. The start-up year is not considered a full operating year.

3. Submission Requirements

The negotiated rate proposal package must be postmarked or electronically transferred by December 31, 2007, and be received with authorizing signatures by DMH no later than January 15, 2008. The cost report deadline is met when DMH receives the uploaded version of the cost report by December 31, 2007, and a hard copy of the cost report and a signed form MH 1940 are received by January 15, 2008. If a county does not meet these timelines, the county must report actual cost and the cost report will be settled using lower of cost, charges, or the SD/MC SMA. SFY 2006-07 becomes the base year for SFY 2007-08 negotiated rates.

4. Justification Requirements

Justification must be provided for proposed rates that exceed the state controls established by DMH. Proposed rates in all cases will be limited to the SMA. DMH may take into consideration changes that significantly affect the rates from the most recent cost report. Such changes may include utilization patterns, client profile shifts which impact cost of service delivery, union contracts, changes in program design, and other unforeseen documented factors which impact the cost of service delivery. Quantifiable documentation must be provided for DMH to evaluate such requests.

Justifications must include:

1. A brief letter by the county either concurring or not concurring with the legal entity’s justification and why.
2. A brief program narrative identifying the changes over the last two years which would cause the rates to increase significantly for the current year.
3. A budget for the current year identifying the cost items included in developing the proposed rates and the projected units by service function. The budget should be developed from the most recent costs available projected for the year based on both past and current trends.
4. A summary page comparing cost and other data by major categories: 1) Salary and Employee Benefits, 2) Operating Expenses and 3) Occupancy Costs. Compare data from two years prior to the current year.
    - List a summary of the three categories. For example, reflect the cost for SFY 2005-06 and 2007-08 by the major categories. Also calculate the difference between 2005-06 and 2007-08 in both dollars and percentage change.

5. Detailed data must be submitted for each major cost category that the legal entity identifies as the cause of the proposed rates to exceed the state control rates identified in item 1.c. For example:

- In the **Salaries and Employee Benefits** category, job classification or title should be listed with full time equivalency (FTE), total salaries paid or expected to be paid in SFYs 2005-06 and 2007-08. Calculate the difference between SFY 2005-06 and SFY 2007-08 in dollars and percentage of increase or decrease compared to SFY 2005-06.
- In the **Operating Expenses** category, list the various costs such as office supplies, medical or clinical supplies, telephone, training, mileage, etc., representing SFYs 2005-06 and 2007-08. Calculate the difference between SFYs 2005-06 and 2007-08 in both dollars and percentage of increase or decrease compared to SFY 2005-06.
- In the **Occupancy Costs** category, list the different location addresses or cities, square footage, usage, lease payments, mortgage payments, and other costs that are classified as occupancy representing SFYs 2005-06 and 2007-08. Calculate the difference between SFYs 2005-06 and 2007-08 in both dollars and percentage of increase or decrease compared to SFY 2005-06.

5. Other Requirements

a. When a provider of service is being eliminated during the year in question, the applicable costs and units of service shall be excluded from the calculation of the countywide or contract provider rate(s).

b. The legal entity rates for each service function shall not exceed the approved SMA for the applicable period.

c. According to the State Plan, to provide mutually beneficial incentives for efficient fiscal management, providers contracting on a negotiated basis shall share equally with the Federal Government that portion of the federal reimbursement that exceeds actual cost. Therefore, if reimbursement to a negotiated rate provider exceeds actual costs in the aggregate, 50% of Federal Financial Participation (FFP) that exceeds actual costs will be returned to the Federal Government.

d. The remaining share 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.

6. Acceptance by County of DMH Approved Rates

The County Mental Health Director or his/her designee must indicate acceptance of the approved negotiated rates by signing the DMH approval letter on the line provided at the bottom of the letter. DMH must receive the signed letter within 30 days from the date of the approval letter. If this acceptance is not received by DMH within the 30 days, the county must report actual cost and the cost report will be settled using lower of cost, charges, or the SD/MC SMA.

7. Cost Reporting Requirement

Actual cost must be reported on the cost report regardless of the approval or disapproval by DMH of the negotiated rate requests.