



**DEPARTMENT OF MENTAL HEALTH
POLICY/PROCEDURE**

SUBJECT INVOICE BILLING BY CONTRACT PROVIDERS	POLICY NO. 801.01	EFFECTIVE DATE 10/01/1989	PAGE 1 of 3
APPROVED BY: Original signed by: ROBERTO QUIROZ Director	SUPERSEDES 401.1 10/01/1989	ORIGINAL ISSUE DATE 03/29/1988	DISTRIBUTION LEVEL(S) 1

PURPOSE

- 1.1 To establish guidelines for implementation and maintenance of standardized procedures and forms for contract providers to request payments from the Department of Mental Health (DMH) for advance payments and reimbursement for services provided under the cost, negotiated net amount, and negotiated rate mechanisms respectively.

POLICY

- 2.1 The DMH makes payment to contract providers under two mutually exclusive mechanisms for two differing purposes. First, the DMH, for cash flow purposes, makes available to contract providers advance payment. The advance payment concept is similar to a bank’s line of credit. These advance payments are not for services provided, but instead are intended to provide working capital for the contractor. These advances must be repaid, customarily by means of providing the contracted services. Second, the DMH makes payment for the provision of the contracted services. These payments are reimbursement for actual services rendered and claimed to the DMH.
- 2.2 The State only recognizes reimbursement for services under three specific and mutually exclusive contract mechanisms: cost, negotiated net amount, and negotiated rate.

BACKGROUND

- 3.1 The Single Audit, the Auditor-Controller, and State auditors have provided management recommendations indicating the need for improved reimbursement claiming procedures. There is also the need to institute and observe generally acceptable accounting and fiduciary practices in the DMH financial reimbursement relationship with contract providers.

PROCEDURE



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SUBJECT INVOICE BILLING BY CONTRACT PROVIDERS	POLICY NO. 801.01	EFFECTIVE DATE 10/01/1989	PAGE 2 of 3
--------------------------------------------------------------	-----------------------------------	------------------------------------------	-----------------------------

4.1 Contract Provider Billing

The following procedures are to be observed prior to any disbursement of funds to a contract provider by the DMH. No payment to any contract provider shall be made, unless an invoice, in the format specified by the DMH, is submitted to the DMH and these procedures are followed. The contract language must also be reviewed to determine which invoice(s) format is to be used by any specific contract provider, as well as any of the contract provisions which have an impact on the disbursement of funds.

- 4.1.1 Advance Payment: Use the advance request document and instructions issued by the DMH Accounting Division.
- 4.1.2 Cost, negotiated net amount, or negotiated rate reimbursement claims for actual services delivered: Use the respective reimbursement invoice document and instructions issued by the DMH Accounting Division.

4.2 Billing Processing

- 4.2.1 Payment to service providers will be processed when signed contracts, amendments, and approved authority to pay documents are received in the Accounting Division. The Board of Supervisors approved contract is normally received by the DMH ten (10) days after the Board meeting during which the contract is acted upon.
- 4.2.2 The Board of Supervisors expects County payments to be made within thirty (30) calendar days.
- 4.2.3 Processing time by the DMH is a maximum of fifteen (15) calendar days, unless a problem with a contractor's invoice is encountered. Any invoice problem must be resolved prior to processing. The required documentation for a check to be issued is forwarded to the Auditor-Controller, upon completion of the DMH processing. This leaves the Auditor-Controller fifteen (15) calendar days to process a check.
- 4.2.4 The Accounting Division's processing time begins on the day following receipt by the DMH of the contractor's invoice. In no event will an



SUBJECT INVOICE BILLING BY CONTRACT PROVIDERS	POLICY NO. 801.01	EFFECTIVE DATE 10/01/1989	PAGE 3 of 3
--------------------------------------------------------------	-----------------------------------	------------------------------------------	-----------------------------

advance payment invoice be processed sooner than thirty (30) calendar days prior to the month for which it is applicable.

4.2.5 Checks will be mailed directly to contractors by the Auditor-Controller. The Auditor-Controller delivers direct to the U.S. Postal Service. The DMH does not pick up and transport checks, as it is contrary to sound internal control procedures and also presents security difficulties.

4.2.6 Payments received or not received by the contractor, which appear to not have been processed as described above, should be referred directly to the Division Chief, Accounting Division, with the following information:

- a) Contractor’s name and provider number
- b) Contract number
- c) Month of billing
- d) Amount of billing
- e) Date bill was forwarded by contractor to DMH

This will allow for efficient and effective follow up inquiries.

4.3 Submission of Billing Invoice

Refer to the contract provisions.

4.4 Adjustments to a Billing Invoice

Adjustments to a billing invoice will be made for arithmetic errors and/or as specified in the contract for cost report settlement, audits, utilization review, or other.

AUTHORITY

Auditor-Controller and State Audit Recommendations