



**DEPARTMENT OF MENTAL HEALTH
POLICY/PROCEDURE**

SUBJECT CONTRACT REIMBURSEMENT	POLICY NO. 802.01	EFFECTIVE DATE 10/01/1989	PAGE 1 of 4
APPROVED BY: Original signed by: ROBERTO QUIROZ Director	SUPERSEDES 402.1 10/01/1989	ORIGINAL ISSUE DATE 03/29/1988	DISTRIBUTION LEVEL(S) 1

PURPOSE

- 1.1 To provide guidelines on State Reimbursement Policy regarding contracts in order that State claiming can be maximized and unauthorized County general funds expenditures avoided/eliminated.

POLICY

- 2.1 The Department of Mental Health (DMH) policy regarding contract reimbursement shall be the same as the State's:
 - 2.1.1 Contracts with both private and governmental units from which the DMH purchases mental health services must be in written form and signed. The State identifies the written document as either a short form or long form contract.
 - 2.1.2 The contract is required to contain the following specifications (this list provides reimbursement considerations only and therefore is not inclusive. Refer to the State Department of Mental Health Cost Reporting/Data Collection (CR/DC) Manual for additional requirements). The specifications are:
 - 2.1.2.1 Estimates for each provider number of gross cost, revenue, net cost, unit of service:
 - a) Mode of Service.
 - b) Service function within the mode of service.
 - 2.1.2.2 Equipment purchases are reimbursable under the conditions specified in State DMH Letter 79-13; Section 552, Title 9; and if included in the CR/DC budget.



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2.1.2.3 Remodeling/improvements are reimbursable under the conditions specified in DMH 79-13; Section 553, Title 9; and if included in the CR/DC budget.

2.1.2.4 Maximum dollar amount reimbursable be identified.

2.1.2.5 Contract period does not overlap a July 1 through June 30 fiscal year without State approval (MHP 77-54). A fully negotiated contract may be renewed the following fiscal year by an amendment which contains the information specified in 2.1.2.1 and 2.1.2.4.

2.1.2.6 Reimbursement types by either:

a) Cost reimbursement

b) Negotiated rate

c) Negotiated net amount

d) For a single provider (i.e., provider number) only one of the above reimbursement mechanisms can be used; there cannot be multiple reimbursement types for the same provider number during the same time period.

2.1.3 State reimbursement control is maintained on the State approved County Plan CR/DC budget and includes the following additional controls:

2.1.3.1 The provider's total budgeted gross budget shown in CR/DC cannot be exceeded without amendment to the County Plan.

2.1.3.2 The adjusted gross budget cannot be expanded through the application of additional revenues without prior State approval and a CR/DC budget amendment. Providers experiencing increased collection of Medi-Cal and/or other revenues above amounts specified in the net program costs must apply the



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increased collections to reduce State funds and not to expand the adjusted gross budget.

- 2.1.3.3 The provider’s contract maximum or 2.1.3.1 above cannot be exceeded without a County Plan amendment.
- 2.1.3.4 State reimbursement is limited to categorically allocated funds and appropriateness of expenditures charged to the respective categories.
- 2.1.3.5 Reimbursement shall be limited to the State’s Schedule of Maximum Allowances.
- 2.1.3.6 The more restrictive of the State’s Reimbursement Policy stated above or the County’s contract language prevails.
- 2.1.4 State and Federal reimbursement control is maintained on Federal Block Grant (FBG) funds at the level of:
 - 2.1.4.1 Provider and service function. The specific State control is “the final CR/DC program budget will be used to establish the levels of State and local funding which must be expended before Federal funds (i.e., FBG) are applicable....” This means that the budgeted amount of FBG and net cost funds as shown in the Final CR/DC budget at the service function level for each provider and used as the baseline. All budgeted net cost funds must be expended before any FBG funds can be used; and then FBG funds available are limited to the amount shown in the Final CR/DC budget for each respective service function. FBG funds cannot be shifted per the State at Cost Report time between service functions or providers. If there are multiple cost centers within a single service function, control remains at the service function in total, not the separate cost centers; and/or
 - 2.1.4.2 Specified in State policy as provided in DMH Letter 86-41 and/or each fiscal year’s State Cost Report preparation letter.



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2.1.5 The CR/DC Budget must be submitted to the State by October 1 of the budget year or within 90 days following the initial allocation, whichever is later.

2.1.5.1 To meet this deadline, the contract information specified in 2.1.2.1 through 2.1.2.6 above must be provided to the Budget Services Division on or before August 15 or 30 days following the initial allocation.

2.1.6 CR/DC Budget amendments or revisions shall be submitted to the State by June 1 of the budget year.

2.1.6.1 To meet this deadline the contract information specified in 2.1.2.1 through 2.1.2.6 above must be provided to the Budget Services Division on or before March 31.

AUTHORITY

State Department of Mental Health Contract Reimbursement Policy