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SAPC INFORMATION NOTICE 23-10

October 10, 2023

TO: Los Angeles County Substance Use Disorder
Contracted Service Providers

FROM: Gary Tsai, M.D., Bureau Director 
Substance Abuse Prevention and Control Bureau

**SUBJECT: IMPLEMENTATION OF FISCAL REPORTING PROCESS FOR ALL
SUBSTANCE ABUSE PREVENTION AND CONTROL BUREAU
SERVICES PROVIDERS**

The County of Los Angeles Department of Public Health’s Substance Abuse Prevention and Control Bureau (SAPC) is issuing this information notice describing SAPC’s Fiscal Reporting process that has launched on July 1, 2023 and will be the mechanism used for all contracts and agreements to report costs and other relevant fiscal information.

The process significantly streamlines the current State of California Department of Health Care Services’ (DHCS) Cost Reporting process by reducing the administrative burden to compile and complete the Cost Report by capturing information at the agency level for all contracted services.

Additionally, and specifically, to treatment contracts, the Fiscal Reporting Tool aligns with the new guidelines related to the implementation of payment reform under:

- The California Advancing and Innovating Medi-Cal (CalAIM) initiative,
- [State of California Department of Health Care Services’ Behavioral Health Information Notice No. 23-023](#), and
- [California Welfare and Institutions Code \(W&I Code\) Article 5.51 Sections 14184.100, 14184.102, 14184.402, 14184.403, 14184.404, and 14184.405.](#)

To meet these goals, SAPC has developed a Fiscal Reporting process to collect expenditure data and meet local funding requirements while still decreasing administrative burden. This information notice outlines the intended goals, process, timelines, and potential benefits to providers. Additional information may be found in your SAPC service agreement(s) and the [County of Los Angeles Department of Auditor-Controller's Contract Accounting and Administrative Handbook \(A-C Handbook\)](#).

The Fiscal Reporting process applies to SAPC's entire substance use service provider network, including but not limited to Drug Medi-Cal (DMC), Recovery Bridge Housing (RBH), Client Engagement and Navigation Services (CENS), Prevention Services, Harm Reduction, Driving Under the Influence (DUI) programs, and all other contracted service providers.

Tool	Services
Drug Medi-Cal-Organized Delivery System (DMC-ODS) Tool	All American Society of Addiction Medicine (ASAM) Levels of Care, RBH, CENS and other contacted services.
Prevention, Harm Reduction, and Other Services	Prevention Services, Harm Reduction Programs, Training and Technical Assistance Contracts, other services
Driving Under the Influence (DUI)	All DUI programs

In accordance with the provisions described in your service agreement(s), specifically the Record Retention and Audits provisions, SAPC providers will implement an annual Fiscal Reporting process. This process is separate and in addition to any cost reporting requirements issued by the State of California Department of Health Care Services (DHCS), which have changed under CalAIM provisions for treatment providers.

The Fiscal Reporting process ensures contracted and other service providers and the County are delivering services in accordance with relevant regulations and guidelines. All service providers are also required to adhere to the A-C Handbook, which mandates that providers establish accounting systems to capture and differentiate their cost.

The fiscal reporting tool and process are dependent the provider submitting invoices and claims on a timely manner and by deadlines communicated by SAPC. Failure to submit accurate and complete invoices may result in providers not being able to fully capture and claims costs on the tool.

The tool and process are also designed to meet the following DUI and Opioid Treatment Programs (OTP) requirements described below:

Driving Under the Influence (DUI) Programs

Title 9 mandates that the County establishes a system of oversight to confirm cost allocations ensure that DUI programs do not utilize other funds administered by DHCS for program operations and ensure that DUI programs do not utilize participant fees for purposes other than DUI program activities. Additionally, DUI provider profits or surplus may not exceed ten (10%) percent of gross revenue from fees.

Opioid Treatment Programs (OTP)

DHCS requires the County to verify and monitor the following:

- To determine the provider's usual and customary charge to the general public in accordance with Centers for Medicare & Medicaid Services, for comparison to the DMC-ODS cost per unit.
- To review documentation of units of service and determine the final number of approved units of service.
- To determine the amount of clients' third-party revenue and Medi-Cal share of cost to offset allowable DMC-ODS reimbursements.
- OTP providers are required to submit a cost report pursuant to the California Welfare and Institutions (W&I) Code Section 14124.24, and a review of cost allocation methodology between OTP and other service modalities, and between DMC-ODS and other funding sources may be conducted by DHCS.
- A review of actual costs incurred for comparison to services claimed.
- Computation of final settlement based on the lower of Uniform Statewide Daily Reimbursement Rates (USDR) or the provider's usual and customary charge to the general public.

As part of your SAPC service agreement(s), the Fiscal Reporting process is a key tool, which enhances financial management of provider agencies and identifies areas of needed growth and/or improvements in the management and/or delivery of services. The Fiscal Reporting process can assist providers in gaining greater insight into the following areas:

- Identifying staffing plan opportunities to optimize treatment service delivery for clients and increase staff capacity.
- Making modifications to service costs and/or service deliveries if costs are determined to be greater than the revenue generated by service delivery, which would result in a recoupment from the County except for DUI programs, which are allowed a profit or surplus that does not exceed ten (10%) percent of gross revenue from fees.
- Refining financial infrastructure and establishing necessary controls to ensure compliance with the Generally Accepted Accounting Principles and all relevant regulations, including the A-C Handbook.

- Increasing and strengthening fiscal compliance infrastructure and processes to minimize deficiencies during the A-C’s Fiscal Compliance Reviews and/or DHCS audits/reviews.

Service Providers

For DMC Treatment Providers, in contrast to DHCS’ fiscal reporting process that may extend for years after the end of the fiscal year, SAPC’s Fiscal Reporting process will be conducted over the course of several months after the end of the fiscal year. This minimizes providers’ financial risk by allowing them to make necessary organizational changes.

Because different programs are governed by different regulations, providers should complete the Fiscal Reporting specific to their contract types. Throughout this document, there are mentions to two (2) distinct contract types:

DMC Treatment Contracts: These contracts are used to implement substance use disorder (SUD) treatment services and are funded with both state and local dollars.

Non-Treatment Contracts: These contracts are all non-treatment contracts, including Prevention Services, Recovery Bridge Housing, Client Engagement and Navigation Services, Harm Reduction, Driving Under the Influence, and all others.

Fiscal Reporting Process

By September 30th of each fiscal year, contracted service providers are required to submit a Fiscal Reporting Tool for all services provided under their service agreement(s) with SAPC. To assist with ensuring the requirements of the Fiscal Reporting process are met, providers will be assigned a dedicated Fiscal Reporting Analyst (FRA) to serve as their point-of-contact for additional information and/or technical assistance.

The following summary table and detailed steps below provide information on actions and target dates necessary to ensure timely and accurate completion and submission of the Fiscal Reporting Tool.

STEP	ACTION	DEADLINE EACH FISCAL YEAR
1	SAPC distributes the Fiscal Reporting Tool template(s) so providers may begin to gather the needed information.	By July 30 th
2	SAPC provides related cost and reimbursement data by contracted services.	By August 31 st
3	Providers complete and submit the Fiscal Reporting Tool(s) to SAPC for review and approval.	By September 30 th

4	SAPC issues Fiscal Report(s) to providers with summary and key findings.	By December 31 st
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- **Step #1: Initial Request for Cost Information**
SAPC FRAs distributes the Fiscal Reporting Tool template along with instructions to providers by July 30th each fiscal year. Providers use the template and instructions to begin the process of compiling information needed to complete the Fiscal Reporting Tool.
- **Step #2: SAPC Distributes Provisional Units of Services**
Assigned SAPC FRA compiles data reports to capture all units of services delivered during the prior year. This is heavily reliant on providers' timeliness, completeness, and accurate submission of all service claims by the end of year billing deadline. It is essential that providers meet the billing deadline to allow for the accurate and complete capture of all units of service provided in the prior fiscal year. This is also critical to SAPC's ability to fund the cost of services not covered by Drug Medi-Cal and/or other funding sources.
- **Step #3: Provider Submission of Fiscal Reporting Tool**
Once the unit of service data is provided by SAPC, providers should complete the Fiscal Reporting Tool and submit it to the assigned SAPC FRA for review and processing. In case of questions, providers may contact their assigned SAPC FRA for clarifications.
- **Step #4: Fiscal Reporting Issued**
The assigned SAPC FRA reviews and processes the Fiscal Reporting Tool and may reach out to the provider to gather additional information and/or resolve any outstanding question(s) or issue(s). Once the Fiscal Report is approved, it is issued to the provider. The report will include key findings and/or any potential reconciliation payments that are owed to either the provider or the County.

For DMC Treatment Contracts, the Fiscal Report may also include recommendations for improvements in case the costs are below or above the received rates. In both cases, providers have an opportunity to see the needs for streamlining the process and improving operational efficiency. This is a critical component given the need to ensure that program expenditures ultimately lead to improved clinical care and improved patient outcomes.

Fiscal Reporting Settlements

DMC Treatment Contracts: For Fiscal Years prior to 2023-2024, DMC contracts will continue to reconcile to the lesser of cost or charges. Effective, FY2023-2024, DMC Contracts will no longer have a reconciliation and/or settlement process.

Non-Treatment Contracts: These contracts will reconcile to the lesser of cost or charges where applicable. This amount will be determined based on the submission of the Fiscal Report and will be included in the summary issued by SAPC Finance Services Division.

Provider Responsibilities

SAPC providers are required to submit all requested documents in a timely manner when requested by SAPC staff. Delayed responses may impact a provider's ability to accurately complete the Fiscal Reporting Tool, which may result in financial ramifications. Additionally, once the final report is issued, providers should review the report to determine the potential impact of current organizational structure and service delivery models and volumes. Lastly, providers must retain (per Record Retention and Audits requirements) the information used to complete the template in an organized manner consistent with current LA County policy. The information may be used during auditing by funder, including DHCS's Final Cost reconciliation process for treatment service providers.

Cost Settlement Payments

For Treatment Services - Effective immediately, SAPC will no longer issue cost settlement payment to providers based on initial DHCS's Cost Reports. SAPC will issue these payments to providers once DHCS issues a Final Cost Settlement payment for the respective fiscal year.

The Fiscal Reporting Tools (by program) are available on SAPC's website and are included in this Information Notice.

Please contact Finance Services Division at SAPC-Finance@ph.lacounty.gov should you have any questions or need additional information.

GT:dd

Attachments