



Drug Medi-Cal Cost Report Training Fiscal Year 2020-2021

Substance Abuse Prevention and Control Bureau
County of Los Angeles Department of Public Health





Drug Medi-Cal Cost Report Training

Authority

- Health and Safety Code (HSC) Section 11852.5 and the Welfare and Institutions Code (WIC) Section 14124.24 (g)(1) require that counties and contracted providers submit their SUD cost reports to DHCS by November 1 for the previous State fiscal year, unless DHCS grants a formal extension.



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Purpose of Cost Reports

- Report annual costs/expenditures for Substance Use Disorder (SUD) services, both Drug Medi-Cal (DMC) and Non-DMC, to determine whether the amount was the lower of cost or customary charge.
- Reconcile provisional payments made to providers with actual costs.
- Document how state/federal funds were spent.
- Provide data for the State of California Department of Health Care Services (DHCS) to develop annual DMC reimbursement rates and conduct statewide evaluation.
- Provider's Fiscal Compliance Reviews by the Los Angeles County's Department of Auditor-Controller and other Financial Audits.



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DMC ODS Reimbursement Modifications

Per State's [Behavioral Health Information Notice \(BHIN\) No.: 20-041](#), for DMC-ODS services provided during COVID-19 public health emergency (PHE):

- At cost settlement, DHCS will settle interim payments to allowable cost, rather than the lower of allowable cost or usual and customary charges for Non-NTP services provided during the same period of time.



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Overview of Cost Settlement Process

**July or early
August**

- The State releases forms and instructions to counties/SAPC.
- SAPC uploads forms to SAPC website for providers to download and complete.

August 30th

- Providers submit the completed cost report(s) to SAPC.

**November
1st**

- SAPC submits the cost reports to the State.



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Overview of Cost Settlement Process (cont.)

**18 months
after**

- 18 months after the submission of the cost reports, the State sends the DMC Interim Cost Settlement to SAPC.
- SAPC reviews the documents and sends DMC Cost Settlement Letters and invoices to the providers.

**Up to 10
year**

- During the ten (10) years period after the cost settlement, DHCS may conduct a fiscal audit(s).

**10 years
after**

- If the State did not conduct audit after the ten (10) years period of the cost settlement, the settlement is final.



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42 CFR § 425.314 – Audits and Record Retention

- To maintain such books, contracts, records, documents, and other evidence for a period of 10 years from the final date of the agreement period or from the date of completion of any audit, evaluation, or inspection, whichever is later.



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Narcotic Treatment Program Cost Reporting Requirements

- New regulations for submission of a cost report starting with FY 19-20: Narcotic Treatment Programs (NTP) providers must submit a cost report to DHCS and the County (for each facility site).
- Per State's [BHIN No: 21-018](#) dated May 7, 2021, the County's "contracted providers are now required to submit a cost report directly to the State of California Department of Health Care Services (DHCS) using the instructions and forms" provided by DHCS. Forms and instructions can be found at the DHCS website under respective Fiscal Year section.
- NTP cost reports must be submitted to NTPCostReports@dhcs.ca.gov by November 1st of each year.



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NTP Cost Reporting Requirements (cont.)

- The NTP providers can submit a performance report instead of a cost report if:
 1. A NTP provider only bills the State or County for services provided to individuals on probation.
 2. The provider only bills the State or County for services provided to individuals on parole.
 3. The provider only bills the State or County for services provided to indigent patients who are not eligible for Medi-Cal.



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Reporting Cost for R&B, MHLA, CB, Other

- Room and Board (R&B) Cost should include food and lodging cost.
 1. Example for R&B
 - Lodging cost: rent, utilities, telephone bill, janitorial services, appropriate and necessary furniture and appliances (e.g., stove, refrigerator, chairs, tables, bed, vacuum cleaner, etc.).
 - Food Cost: cost of ingredients and cost of preparation
- Providers bill R&B through DMC and should complete Tab (A) FY 20-21 R&B, MHLA, CB, and Others worksheet.



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Reporting Cost for R&B, MHLA, CB, Other (cont.)

1. DMC Cost Report – State Form

- Enter all DMC cost in Tab # 3 Overall Detail Cost and include R&B cost in Food and Lodging (Line 18).
- Enter the same R&B cost in Tab 20 Residential Detailed Adjustments in the Section 1 DMC Un-reimbursable Costs line 24.

2. Tab (A) FY 20-21 R&B, MHLA, CB, OTHER (SAPC Form)

- To be reimbursed for R&B, MHLA, CB, OTHER programs, providers need to report the same amount of the programs cost in the TAB (A) FY 20-21 R&B, MHLA, CB, OTHER form. Enter the units of services as well.
- Per SABG manual, include the expenses for food and lodging only for R&B.



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General Guidelines

- Separate workbook(s) are required for each site of service(s) with a unique DMC number.
- There are 33 worksheet tabs with data entry areas identified in yellow.
- Using General Ledger, enter overall costs related to SUD from all funding sources (DMC and non-DMC) in the Column B “From Accounting Records”.
- If non-SUD services are provided at the same location (such as mental health) and costs are shared by both programs, the costs for both SUD and non-SUD must be included.
- If the organizational cost is shared across multiple locations, the amount of cost should be allocated accordingly to the specific locations’ workbooks.



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Cost Allocation Considerations

Providers must have a cost allocation plan that identifies, accumulates, and distributes allowable direct and indirect costs and identifies the allocation method(s) used for distribution of indirect costs.

- **Direct Cost Allocation**

- **Direct Costs**: Costs are directly incurred, consumed, expanded, and identifiable for the deliver of the specific covered service, objective, and cost center(s).
- Typical direct costs include, but are not limited to, wages/salaries and employee benefits for the employees who provide treatment services, their related fringe benefits costs, the costs of materials, and other items of expense incurred for treatment services. To the extent possible, these costs should be charged directly to a cost center rather than be allocated.
- **Note:**
 - Meal costs are only allowable in residential and inpatient programs (ASAM 3.1, 3.3, 3.5, 3.2-WM, 3.7-WM, and 4-WM)
 - Snack costs are only allowable when provided to minors for outpatient services (ASAM 1.0-AR, ASAM 1.0, and ASAM 2.1).
 - Food costs must be reported in "Food and Lodging" Line 18.



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Cost Allocation Considerations (cont.)

- **Indirect Cost Allocation**
 - **Indirect Costs:** Costs are incurred for common or joint objectives and cannot be readily identified with a particular final cost objective ([2 CFR, § 200.414](#)).
 - The DMC workbook allocates indirect costs using a standard methodology: percentage of direct costs (indirect costs divided by direct cost).
 - If a provider wants to use a different allocation method, the provider must obtain the County's prior approval; the County must get DHCS's approval.
 - Typical indirect costs include, but are not limited to, depreciation, cost of operating and maintaining facilities, general administration and general expenses (salaries and expenses of executive officers), personnel administration, accounting, and utilities.



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Allowable Costs (Federal Register)

The Federal Register provides directions for establishing allowable cost.

A. 2 CFR 200.403 Factors affecting allowability of costs.

Except where otherwise authorized by the State, cost must meet the following general criteria in order to be allowable under Federal awards:

- a. Be necessary and reasonable for the performance of the Federal award and be allocable under the principles in 2 CFR part 200, subpart E.
- b. Conform to any limitations or exclusions.



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Allowable Costs (Federal Register) (cont.)

- c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of your agency.
- d. Be accorded consistent treatment (i.e., a cost may not be treated as a direct cost if any other cost for the same purpose in like circumstances has been allocated as an indirect cost).
- e. Be determined in accordance with Generally Accepted Accounting Principles (GAAP).
- f. Not to be included as a cost or used to meet cost sharing or matching requirements in either the current or a prior period.
- g. Be adequately documented.



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Allowable Costs (Provider Reimbursement Manual) (cont.)

B. Provider Reimbursement Manual

- Except where otherwise authorized by the State, cost must meet the general criteria to be allowable under Medi-Cal:
 - 1. Costs related to treatment: it includes all necessary and proper costs, which are appropriate and helpful in developing and maintaining the operation of patient care facilities and activities (Provider Reimbursement Manual, Chapter 21, section 2102.3).
 2. Costs not related to treatment: costs are not allowable in computing reimbursable costs and include:
 - Cost of meals sold to visitors
 - Cost of drugs sold to other than patients
 - Cost of operation of a gift shop
 - Cost of personal use of motor vehicles
 - Cost of entertainment, including tickets to sporting and other entertainment events



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Forms and Instructions

Cost Report forms and instructions can be downloaded from the Substance Abuse Prevention and Control Bureau's website.

- www.publichealth.lacounty.gov/sapc
- Click "**Providers**" on the top right side.
- Click "**Manuals, Bulletins & Forms**"
- Click "**Finance**" tab.
- Scroll down and find the **Cost Report and Instruction** link.



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DRUG MEDI-CAL COST REPORT FORM

There are 33 tabs in the DMC-ODS Cost Report form, choose applicable tabs that apply to your contract.

Tab 1	Provider Information and Certification	Tab 18	IOT Comparison
Tab 2	Overall Cost Summary	Tab 19	Residential (RES) Detailed Costs
Tab 3	Overall Detailed Costs	Tab 20	RES Detailed Adjustments
Tab 4	Outpatient (OT) Detailed Costs	Tab 21	RES Cost Allocation
Tab 5	OT Detailed Adjustments	Tab 22	RES Reimbursed Units
Tab 6	OT Cost Allocation	Tab 23	RES Comparison
Tab 7	OT Reimbursed Units	Tab 24	NTP Detailed Costs
Tab 8	OT Comparison	Tab 25	NTP Detailed Adjustments
Tab 9	PH Detailed Costs	Tab 26	NTP Cost Allocation
Tab 10	PH Detailed Adjustments	Tab 27	NTP Reimbursed Units
Tab 11	PH Cost Allocation	Tab 28	NTP Comparison
Tab 12	PH Reimbursed Units	Tab 29	Naltrexone Detailed Costs
Tab 13	PH Comparison	Tab 30	Naltrexone Detailed Adjustments
Tab 14	IOT Detailed Costs	Tab 31	Naltrexone Cost Allocation
Tab 15	IOT Detailed Adjustments	Tab 32	Naltrexone Reimbursed Units
Tab 16	IOT Cost Allocation	Tab 33	Naltrexone Comparison
Tab 17	IOT Reimbursed Units		

Tabs 1, 2, and 3 are mandatory!



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Note! Only cells with **yellow highlights required data entry.**

Tabs that need data entries:

- Outpatient Treatment – Tabs 1, 3, 5, 6 , & 7
- Partial Hospitalization – Tabs 1, 3, 10, 11, & 12
- Intensive Outpatient Treatment – Tabs 1, 3, 15, 16, & 17
- Residential – Tabs 1,3, 20, 21, & 22
- NTP – Tabs 1, 3, 25, 26, & 27
- Naltrexone – Tabs 1, 3, 30, 31, & 32

The other tabs are formulated and do not require data entry.



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Instructions for Entering Data Into Tabs

Tab 3: Overall Detailed Costs worksheet

This worksheet must reflect all costs related to the SUD services.

Direct Cost – Costs which are directly incurred, consumed, expanded and identifiable for the delivery of the specific covered service, objective or cost center. This may include salaries, wages, employee benefits, direct materials, equipment, supplies, professional services, and transportation.



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Instructions for Entering Data Into Tabs (cont.)

Tab 3: Overall Detailed Costs

Indirect Cost – (Column C): 1. Incurred for a common or joint objective benefitting more than one cost center and 2. Are not readily identifiable and assignable to the cost center specifically benefited.

- If you have a federally approved Indirect Cost Rate (ICR), enter your indirect cost in the cell **B60**.
- If not, after you finish entering the direct costs in the cost centers, ensure that the indirect cost rate in the cell **M62** is no more than 10% of Modified Total Direct Cost (MTDC), per Federal Register § 200.414.

**MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, and participant support costs.



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Instructions for Entering Data Into Tabs (cont.)

Tab 3: Overall Detailed Costs (cont.)

- Column B: Enter the total cost (direct and indirect) from the agency's General Ledger for that site for each applicable line item from rows 9 through 58.
- Column C: Formulated, no entry required. This is the variance of Columns B and L.
- Columns D-K: These columns are for "Direct Cost Only." Enter the agency's direct cost that is attributable to each cost center for each applicable line item from Rows 9 to 58.
- Column L: Formulated, no entry required. This is the sum of Direct costs (Column D to K)
- Columns D-I: Enter SAPC DMC direct cost for the provided services.



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Instructions for Entering Data Into Tabs (cont.)

Tab 3: Overall Detailed Costs (cont.)

- Column J: Other SUD – Include services provide with SABG (SAPT) funds (i.e., CW, GR, Prevention, etc..).
- Column K: Examples of Non-SUD services include mental health, primary care or any other program that shares cost with the DMC program.
- Column N: Enter an explanation of how direct costs were identified to each applicable line item (Rows 9 through 60).
- Row 62: For your information: this line computes the indirect cost rate by using the total indirect cost (Column C) over the total direct cost (Column L); then, this percentage is applied to each direct cost center to arrive to the indirect cost. Ensure that the indirect cost rate in the cell M62 is no more than 10% of Modified Total Direct Cost.



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Instructions for Entering Data Into Tabs (cont.)

Tab 4: OT Detailed Costs

No data entry is necessary in this worksheet since the information automatically populates from other worksheets. This worksheet displays the results of all cost calculations for the different modalities or services.



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Instructions for Entering Data Into Tabs (cont.)

Tab 5: OT Detailed Adjustments

- All costs should be included on Overall Detail Costs (Tab 3).
- This worksheet provides the detail breakdown of cost for each of the cost centers between the various types of services/programs (i.e., individual or group, perinatal or non-perinatal).
- There are two (2) sections in the Detailed Adjustments tab.
 - Section 1 – DMC Unreimbursable Costs
 - Section 2 – Direct Costs
- Provider can distribute specific costs in the Detailed Adjustment tab by adding DMC Unreimbursable Costs and/or Direct Costs by specifying costs that directly benefited a service type.



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Instructions for Entering Data Into Tabs (cont.)

Tab 5: OT Detailed Adjustments (cont.)

(1) **DMC Unreimbursable Costs** - Enter the costs that are not DMC reimbursable for the various service/program types that apply to the modality.

- All DMC unreimbursable costs should be included on Overall Detail Costs Tab 3 and Detailed Adjustments (Tabs 5,10,15, 20, and 25).
- The unreimbursable costs reduce the cost per unit.
 - For example, Room and Board (R&B) costs for residential services should be reported on Tab 3, Line 18 – Food and Lodging. This R&B cost also needs to be reported on R&B cost report form for reimbursement. The form is provided by the County.
 - Room & Board costs are not funded by the State.



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Instructions for Entering Data Into Tabs (cont.)

Tab 5: OT Detailed Adjustments (cont.)

(2) Direct Costs:

- Allow providers to add additional costs that can benefit a specific service type.
- Enter the direct costs charged to the cost center(s) for private pay, DMC, and non-DMC for each service/program type.
- Enter the direct costs to enhance the cost per unit by specifying cost that directly benefited a service type.



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Instructions for Entering Data Into Tabs (cont.)

Tab 6: OT Cost Allocation

- This worksheet identifies the detail of costs between the different OT services, Private Pay, DMC, and Non-DMC costs. It calculates the maximum allowable reimbursement cost for DMC service, which will identify the bottom line for determination of the “Lower of Costs or Charges.”
- FY2020-21 Cost Report under the COVID-19 Public Health Emergency (PHE) period. DHCS will settle interim payments to allowable cost, rather than the lower of allowable cost or usual and customary charges for Non-NTP services provided.

Section 41 (Units of Service, Line 339): In Lines 340-371, enter the number of units for Private and Non-DMC.



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Instructions for Entering Data Into Tabs (cont.)

Tab 7: OT Reimbursed Units

This worksheet identifies reimbursement amounts by funding source and aid code type(s).

- (1) Approved Units Rows 15 - 79: enter the approved units from the reconciliation report provided by DHCS.

- (1) Denied Units Rows 82: enter the denied units from the reconciliation report provided by DHCS.

- (1) Provider's billings: ensure the units of service (UOS) for Group Counseling and Patient Education are divided by 15 to get the 15-Minute Increment.
 - 1 unit = 15 minutes



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Instructions for Entering Data Into Tabs (cont.)

Tab 17: IOT Reimbursed Units

- Original Eligibility (from Columns C - AF)
 - Approved Units Rows 15-78: Enter the approved units from the reconciliation report provided by DHCS.
 - Denied Units Row 81: Enter the denied units from the reconciliation report provided by DHCS.

- Expanded Eligibility (from Column AI - AW)
 - *In January 2014, DMC funding for IOT service was expanded to newly eligible population. If the provider has IOT units that are allowable for State General Fund (SGF) and Federal payment, the Reconciliation Report displays a column titled “Expanded IOT”. This column is applicable only to the IOT Non –Perinatal Reimbursed Unit Tabs.*
 - Approved Units Rows 15 - 78: using the DHCS’s report, identify the units of service with Y and enter them in the “Expanded IOT” columns.
 - Denied Units Row 81: enter the denied units from the reconciliation report provided by DHCS.



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Figure 4. Reconciliation Report Sample: Non-Perinatal with Expanded IOT Units

DMC #	SUB_SRV_GROU	LEVEL_OF_CARE	Aid Code Group	Service Yr/Mo	Approved Uni	Denied Uni	Expanded IC	DRUG_TY
38AU	IOT	Intensive Outpatient	NEPNA94/6	201805	14.4	0	Y	
38AU	IOT	Intensive Outpatient	NEPNA94/6	201806	155.2692	0	Y	
38AU	IOT	Intensive Outpatient	REG	201805	21.2668	0	Y	
38AU	IOT	Intensive Outpatient	REG	201806	118.4684	0	Y	



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Figure 5. Cost Report Reimbursed Unit Tabs Sample: Non-Perinatal ODS/IOT

AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP	AQ	AR
Expanded Eligibility - Approved DMC Units of Service from Reconciliation											
Unit Description	Aid Code Group Abbreviations	IOT Non Perinatal	IOT Case Management Non Perinatal	IOT Physician Consultation Non Perinatal	IOT Recovery Services - Individual Non Perinatal	IOT Recovery Services - Group Non Perinatal	IOT Recovery Services - Recovery Monitoring / Substance Abuse Assistance Non Perinatal	IOT Recovery Services - Case Management Non Perinatal	IOT 1WM - Ambulatory Withdrawal Management w/o Extended On-Site Monitoring Non Perinatal	IOT 2WM - Ambulatory Withdrawal Management with Extended On-Site Monitoring Non Perinatal	IOT Medication Assisted Treatment Non Perinatal
DMC Fed 50% T19 - Regular	REG										
DMC SGF 100% or BHS 100% T19 - Regular for Undocumented Individuals < age 19	REGSB75										
DMC BHS 100% - Minor Consent Clients	MC										
DMC Fed 100% - Refugee	RRP										
DMC Fed 88% T21-MCHIP - Tied to FL 102a-d	MCHIPE										
DMC SGF 100% or BHS 100% T21-MCHIP for Undocumented Individuals < age 19	MCHPSB75										
DMC Fed 88% T21-MCHIP Healthy Families Program Transition - Tied to FL 102a-e	HFE										
DMC Fed 65% T19 - BCCTP	BCCTP										
DMC Fed 65% T21 - Pregnancy Only	AWPD										
DMC BHS 100% - CalWorks Trafficking Victim	CWTCVAPT										
DMC Fed 88% T21-MCHIP Targeted Low Income Children - Tied to FL 102a-h	TLICE										
DMC SGF 100% or BHS 100% T19 - Targeted Low Income Children for Undocumented Individuals < age 19	TLICSB75										
DMC Fed 100% T19 - Low Income Health Program	LHP										
DMC Fed 95% T19 - Low Income Health Program 95/5 Effective 1/1/17	LHP 95/5										
DMC Fed 88% T21 - Medi-Cal Access Program	MCAP										
DMC Fed 50% T19 - Hospital Presumptive Eligibility	HPE										
DMC Fed 88% T21 - Hospital Presumptive Eligibility MCHIP - Tied to FL 102a-m	HPMCHIPE										
DMC Fed 50% T19 - ACA Infants/Children < age 19	ICUA19										
DMC SGF 100% or BHS 100% T19 - ACA Infants/Children < age 19	ICUA19SB75										
DMC Fed 88% T21 - ACA MCHIP Infants/Children < age 19 - Tied to FL 102a-r	MCHIPICUA19E										
DMC Fed 50% T19 - Not Newly Eligible County Compassionate Release/Medical Probation Program and the N	CCMRPMPMP										
DMC Fed 100% T19 - County Compassionate Release/Medical Probation Program and the Medical Parole Pr	CCMRPMPMP										
DMC Fed 65% T21 - ACA Parents/Other Caretakers - Tied to FL 101a-s	PAOCRT21										
DMC Fed 50% T19 - ACA Parents/Other Caretaker	PAOCRT19										
DMC SGF 100% or BHS 100% T19 - ACA Parents/Other Caretakers for Undocumented Individuals < age 19	PAOCRT19SB75										
DMC Fed 50% T19 - ACA Pregnant Women	PWT19										
DMC SGF 100% or BHS 100% T19 - ACA Pregnant Women for Undocumented Individuals < age 19	PWT19SB75										
DMC Fed 65% T21 - ACA Pregnant Women	PWT21										
DMC Fed 65% T21 - ACA CHIP	CHIPSITA19										
DMC Fed 100% T19 - Adults Newly Eligible Aged 19-64	NEPNA1964										
DMC Fed 95% T19 - Adults Newly Eligible Aged 19-64 95/5 Effective 1/1/17	NEPNA1964 95/5										
Total Approved Units		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denied Units of Service for DMC Reimbursement											



Deadline to be announced

SUBMIT FY 2020-21 DMC COST REPORT

TO:

County Of Los Angeles - Department of Public Health
Substance Abuse Prevention and Control Bureau
Fiscal Reporting Unit
1000 S. Fremont Ave., Building A-9 East
3rd Floor, North Wing, Unit # 34
Alhambra, CA 91803

1. Send electronic files to your assigned Fiscal Reporting Analyst.
2. Mail original signature page to the above address.
 - ✓ Note: Please print in legal size paper.
3. Please do not staple and/or bind the Cost Report(s).

If you have any questions or need additional information, please email Finance Services Division at SAPC-Finance@ph.lacounty.gov.



THANK YOU!!!



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