

GLOSSARY OF KEY REGULATIONS & POLICY NOTICES FOR PSYCHIATRIC INPATIENT SERVICES & FISCAL IMPLICATION

Updated 11/21/2025

Regulation/Notice	Description & Fiscal Considerations
42 CFR § 435.1009(b)(2) (IMD Definition and Exclusion)	Defines Institutions for Mental Diseases (IMDs) and federal exclusion for Medicaid reimbursement for adults 21-64 in facilities >16 beds. Impacts county funding and eligibility for federal match. <i>Implemented by DHCS BHIN 22-017 and related IMD policy guidance.</i>
42 CFR § 456.170 & § 456.180	Requires medical evaluation and treatment plan for admission/payment for Medicaid-funded inpatient psychiatric services. <i>Implemented by DHCS BHIN 22-017.</i>
42 CFR Part 438 (CMS Managed Care Final Rule)	Sets standards for authorization, utilization management, and parity in managed care. Requires standard alignment across managed care organizations (i.e. BHPs & MCPs) to include authorization for services and utilization management (i.e. concurrent review). <i>Implemented by DHCS BHIN 22-017.</i>
Section 1396d(r)(5) of Title 42 USC	Defines the EPSDT benefit for Medicaid-eligible youth under 21. Requires coverage of any medically necessary inpatient psychiatric service, even if not listed in the State Plan, expanding reimbursable services for counties. <i>Implemented by DHCS APL 22-006 and referenced in BHIN 22-017.</i>
CCR, Title 9, § 1810.201	Services must be medically necessary for MH diagnosis or treatment. Psych inpatient payments may be authorized where medical necessity is documented. <i>Implemented by DHCS BHIN 22-017.</i>
CCR, Title 22, § 71005	Defines acute psychiatric facility requirements (staffing, services). Impacts allowable costs and compliance for facility contracts. Staffing & services requirements may be used to inform budgets for new county facilities. <i>Implemented by DHCS BHIN 22-017 and BHIN 24-023.</i>
CCR, Title 9, Chapter 11, §§ 1810.215, 1820.220, 1820.225, 1820.230	Authorization and review standards for inpatient services. Ensures counties follow correct review processes and authorizations for payment. <i>Implemented by DHCS BHIN 22-017 and Inpatient Mental Health Services Program Manual.</i>
CCR, Title 9, Chapter 11, § 1810.202	Addresses services beyond acute need due to placement issues. Counties must track administrative days for reimbursement. <i>Implemented by DHCS BHIN 22-017 and MHSUDS IN 19-026.</i>

CCR, Title 9, Chapter 11, § 1820.220	Delegates psychiatric inpatient authorization to county MHPs. County authorization processes have a direct impact on reimbursement. <i>Implemented by DHCS BHIN 22-017 and Inpatient Mental Health Services Program Manual.</i>
CCR, Title 9, Chapter 11, § 1810.430	MHPs must contract with DSH and Traditional Hospitals meeting selection criteria. DHCS provides annual list of qualifying hospitals. Exemption process for MHPs unable to contract. The key fiscal implication is that this places rate setting responsibilities onto counties. <i>Currently implemented by BHIN 23-034.</i>
CCR Title 22, § 51323	Governs Medi-Cal coverage for medical transportation & applies to those served by county Mental Health Plans (MHPs). MHPs are generally not responsible for arranging or paying for medical transportation except when transferring a beneficiary between psychiatric inpatient hospitals or 24-hour care facilities for cost-saving purposes. <i>Implemented by DHCS APL 22-008.</i>
CCR, Title 22, § 71517(c)	Requires history, physical, and psych evaluation within 24 hours of admission. Counties must ensure timely documentation for payment purposes. <i>Implemented by DHCS BHIN 22-017 and BHIN 24-023.</i>
CCR, Title 22, §§ 51003 & 71517	Governs the process for prior authorization of Medi-Cal services, including psychiatric inpatient care. Requires hospitals to submit a TAR to the county for approval before services are rendered; counties should not issue payment without an approved TAR on file. <i>Implemented by DHCS BHIN 22-017 and Inpatient Mental Health Services Program Manual.</i>
CCR, Title 22, §§ 77059-77077 (Article 3)	Outlines service and staffing requirements for PHFs. Counties must ensure contracted facilities meet standards for reimbursement. Staffing & services requirements may be used to inform budgets for new county facilities. <i>Implemented by DHCS BHIN 22-017 and BHIN 24-023.</i>
State Plan Amendment (SPA) 23-0045	Updates the rate methodology for acute psychiatric inpatient hospital services furnished by (1) Short-Doyle/Medi-Cal (SD/MC) hospitals, and (2) Fee-for-Service Medi-Cal hospitals. Establishes a process for counties (or their negotiating entities) to determine per diem rates with hospitals and then report those rates to DHCS.
BHIN 25-038	Provides Updated rate setting requirements and reporting with Fee-for-Service/Medi-Cal (FFS/MC), implementing SPA 23-0045.
DHCS BHIN 24-037	The latest issuance of regional average rates that counties must use when reimbursing non-contract FFS/MC psychiatric inpatient hospitals that do not have a negotiated contract with the host

	county. This policy is updated on an annual basis. <i>Direct DHCS policy.</i>
DHCS BHIN 23-034	Current guidance on county negotiation requirements and reporting FFS/MC hospital rates for psych inpatient. This policy is updated on an annual basis. <i>Direct DHCS policy.</i>
DHCS BHIN 22-017	Sets concurrent review, authorization, and medical necessity standards. Counties must comply for inpatient claiming. <i>Direct DHCS policy implementing multiple federal and state regulations.</i>
DHCS BHIN 22-031	Guidance on transportation for beneficiaries receiving inpatient services. Applies to outpatient, inpatient, and residential services, transfers from hospitals or emergency departments to psychiatric facilities. Counties must coordinate with MCPs to ensure transportation costs are covered. <i>Direct DHCS policy.</i>
DHCS Mental Health Inpatient Services Program (AB 757, 1994)	Consolidates FFS/MC & SD/MC psych inpatient authorization at county level. Directly impacts reimbursement eligibility for psychiatric inpatient services. <i>Implemented by DHCS Inpatient Mental Health Services Program Manual.</i>
MHSUD Information Notices No. 19-026 & 18-010E	Documentation, administrative days, grievance/appeal requirements. Counties must ensure compliance for claims and appeals. <i>Direct DHCS policy implementing administrative day and authorization requirements.</i>
CMS Special Conditions of Participation (§482.60-62)	Sets staffing and record-keeping requirements for psychiatric hospitals participating in Medicare/Medicaid. Staffing & services requirements may be used to inform budgets for new county facilities. <i>Implemented by DHCS licensing and certification policies.</i>
DHCS Inpatient Mental Health Services Program Manual	Comprehensive guidance for counties on authorizing, billing, and managing Medi-Cal psychiatric inpatient hospital services. Accurate tracking of administrative days and medical necessity is essential for fiscal management. <i>Direct DHCS policy implementing AB 757 and related regulations.</i>