COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.
Director

SUSAN KERR
Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601
Fax No.: (213) 386-1297

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YVONNE BRATHWAITE BURKE
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DON KNABE
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DEPARTMENT OF MENTAL HEALTH

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October 9, 2003

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

19 OCT 21 2003

Violet Varona-Lukens
VIOLET VARONA-LUKENS
EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL OF AMENDMENT NO. 2 TO EXISTING AGREEMENT WITH THE CALIFORNIA MENTAL HEALTH DIRECTORS' ASSOCIATION FOR FISCAL YEARS 2003-2004 AND 2004-2005 (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize changes to the reimbursement methodology for the Administrative Services Organization (ASO) services in the contract between the California Mental Health Directors' Association (CMHDA) and the County of Los Angeles, as set forth in the attached Amendment No. 2, in order to implement new State procedures.

2. Approve Amendment No. 2, substantially similar to the Attachment, to the existing Agreement between the County of Los Angeles and CMHDA, a nonprofit affiliate of the California State Association of Counties. The existing agreement provides for reimbursement to CMHDA for medically necessary specialty mental health services rendered by providers in the ASO's network to Los Angeles County's Medi-Cal eligible children who are placed outside of Los Angeles County. Because the State Department of Mental Health (SDMH) has modified the funding methodology upon which the existing contract was based, this Amendment provides for a cash flow loan to CMHDA to assure the availability of funds to pay these providers. It also adds a new contract provision which sets a new Maximum Contract Amount (MCA) of $1.0 million consisting of Early and Periodic Screening, Diagnosis, and Treatment – State General Funds (EPSDT-SGF) and Federal Financial Participation (FFP) Medi-Cal funds. This

Amendment will be effective upon Board approval through June 30, 2005, which is the end of the existing contract term.

3. Delegate authority to the Director of Mental Health to prepare, sign and execute future amendments to the existing Agreement with CMHDA, provided that: 1) the County's total payments to the Contractor under the Agreement for each fiscal year shall not exceed a change of twenty percent from the applicable MCA; 2) any such increase shall be used to provide additional services or to reflect program and/or policy changes; 3) the Board of Supervisors has appropriated sufficient funds for all changes; 4) approval of County Counsel and the Chief Administrative Officer or his designee is obtained prior to any such Amendment; 5) the parties may by written Amendment mutually agree to reduce programs or services without reference to the twenty percent limitation; and 6) the Director of Mental Health shall notify the Board of Supervisors of Agreement changes in writing within 30 days after execution of each Amendment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Under the original contract with CMHDA, a Board Resolution previously authorized SDMH to set aside $700,000 annually from Los Angeles County's distribution of EPSDT-SGF to pay CMHDA for services rendered by providers in the ASO's network to Medi-Cal eligible children who are placed outside of Los Angeles County. The patient care services provided to these children are EPSDT services which are reimbursed through EPSDT-SGF and FFP Medi-Cal funds. Thus, Board authorization allowed SDMH to advance a portion of Los Angeles County's EPSDT-SGF allocation to CMHDA. Effective Fiscal Year (FY) 2003-2004, SDMH will no longer advance the County its EPSDT-SGF distribution, but instead will pay EPSDT-SGF only for approved units of service rendered.

To replace the loss of the EPSDT funds previously advanced by the State, Board approval is required for a contract amendment. Upon approval, this Amendment will authorize a MCA of $1.0 million consisting of EPSDT-SGF and FFP Medi-Cal funds and, using the current Board-approved cash flow advance language, permit a maximum cash flow advance of $416,000. The cash flow advance to CMHDA will provide continual, uninterrupted funding for the ASO, ValueOptions, Inc., pending State Medi-Cal claims adjudication. The cash flow advance will be repaid as EPDST services are rendered. CMHDA will continue to reimburse the ASO pursuant to the subcontract with the ASO, which will ensure Medi-Cal beneficiaries' access to quality care and treatment without interruption.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the County's Programmatic Goals 5, Children and Families' Well-Being, and 7, Health and Mental Health, within the Countywide Strategic Plan. Services will be accessible and integrated into a comprehensive service delivery system through the collaboration of government and private agencies.

FISCAL IMPACT/FINANCING

There is no increase in net County cost. The MCA of $1.0 million is funded by EPSDT-SGF and FFP Medi-Cal funds currently in DMH's FY 2003-2004 Adopted Budget. Funding for next fiscal year will be requested in DMH's FY 2004-2005 Budget Request.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Since FY 1999-2000, CMHDA has been authorized by participating counties to contract with a private managed care company, ValueOptions, Inc., operating as an ASO, to act as an agent to credential and reimburse out-of-county providers and to improve access to mental health services for children and adolescents, using guidelines set by counties. On October 26, 1999, your Board initially approved and delegated authority to the Director of Mental Health to enter into an Agreement with CMHDA for the coordination of mental health services by an ASO for Medi-Cal eligible children placed outside of Los Angeles County. The services provided by the ASO include, but are not limited to, the following: (1) credentialing appropriate out-of-county providers; (2) establishing and maintaining the provider network; (3) determining needs for services; (4) determining and authorizing type, frequency and duration of services; (5) assuring the quality of services; (6) providing all necessary beneficiary rights and protections; (7) information management; and (8) reporting and fiscal management and cost reporting. Additionally, an important component of the ASO's function is claims processing and payment for providers in their network.

On June 18, 2002, your Board renewed the Agreement with CMHDA for a three-year term, effective FY 2002-2003, to act as its agent to monitor and pay the ASO. The subcontract between CMHDA and ValueOptions, Inc. was renewed, effective FY 2002-2003, for a three-year term.

On August 20, 2002, your Board authorized SDMH to transfer a portion of Los Angeles County's share of EPSDT–SGF, totaling $700,000 annually, to CMHDA to pay for ASO services. Effective with FY 2003-2004, the State no longer allows such transfer of

funds. Therefore, it is necessary that DMH amend the existing Agreement with CMHDA by adding a provision for cash flow advances in the amount of $416,000, using the current Board-approved cash flow language in DMH's Legal Entity Agreement. The cash flow advance will be repaid as EPSDT services are rendered.

It is the intent of DMH to negotiate with CMHDA and the ASO regarding the administrative fee for denied claims. DMH plans to approach your Board at a later date to implement an Amendment which will address the administrative cost for the ASO's processing of claims and identify funds for the administrative processing fee, based on the outcome of this negotiation. Accordingly, the $1.0 million MCA is for services only and does not include reimbursement for ASO administrative costs.

Since the onset of this arrangement with ValueOptions, Inc. under the Agreement with CMHDA, more than 3,400 Los Angeles County children who were placed by the Department of Children and Family Services and the courts outside of Los Angeles County have received medically necessary mental health services. Medi-Cal regulations and SDMH policy state that the county in which the Medi-Cal is issued and within the court jurisdiction remains responsible for the provision of mental health services to eligible minors.

Without Board approval to permit cash flow advances to CMHDA for ASO services, services to out-of-county placed children and youth who are Medi-Cal beneficiaries would be interrupted.

The attached Amendment has been approved as to form by County Counsel. The proposed actions have been reviewed by the Chief Administrative Office, County Counsel, and DMH's Finance and Program administration.

IMPACT ON CURRENT SERVICES

Los Angeles County lacks the infrastructure and capacity to implement such a program for 3,400 children. Without the services provided by the ASO, there may be a problem with unnecessary delays for out-of-county placed children who need mental health services. Consequently, the continuation of this arrangement with the ASO through the Agreement with CMHDA provides cost-effective, valuable services and enables Los Angeles County to comply with Medi-Cal regulations and SDMH policy. In addition, the ability to ensure timely access to mental health services for children and adolescents placed out-of-county is consistent with the Board's priorities for efficient government operations and children and families' well-being.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board action. It is requested that the Executive Officer, Board of Supervisors, notify the Department of Mental Health's Contracts Development and Administration Division at (213) 738-4684, when this document is available.

Respectfully submitted,

Marvin J. Southard (SK)

Marvin J. Southard, D.S.W.
Director of Mental Health

MJS:SK:RK:KT

Attachment

c: Chief Administrative Officer
County Counsel
Chairperson, Mental Health Commission

CONTRACT NO. DMH-01121

AMENDMENT NO. 2

THIS AMENDMENT is made and entered into this ____ day of _____, 2003, by and between the COUNTY OF LOS ANGELES (hereafter "County") and the California Mental Health Directors' Association (CMHDA) (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated June 18, 2002, identified as County Agreement No. DMH-01121 (hereafter "Agreement"); and

WHEREAS, for Fiscal Years 2003-2004 and 2004-2005, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, effective upon Board approval, for Fiscal Years 2003-2004 and 2004-2005, County and Contractor intend to amend Agreement to add a Maximum Contract Amount and change the funding source to reimburse Contractor for the management and administrative services of an Administrative Services Organization (ASO) throughout the existing contract term, which expires on June 30, 2005, unless renewed. The purpose of this Amendment is to authorize County to reimburse Contractor $1,000,000 in State General Funds (SGF) and Federal Financial Participation (FFP) Funds for Short-Doyle/Medi-Cal services rendered and to allow Contractor a Cash Flow Advance not to exceed of $416,000 annually from County General Funds; and

WHEREAS, for Fiscal Years 2003-2004 and 2004-2005, County authorizes the ASO managed by Contractor to solely use such line of credit funds for services authorized on behalf of Los Angeles County's Medi-Cal beneficiaries and rendered by the ASO managed by Contractor.

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Paragraph 2 (REGULATORY COMPLIANCE AND FUNDING FLOW) shall be deleted in its entirety and the following substituted therefor:

"A. Cash Flow Advance In Expectation of Services/Activities To Be Rendered: For each month of each fiscal year, County will reimburse Contractor based upon the County and/or State and/or Federal government(s) processing of the reimbursement claims for rendered services/activities submitted by Contractor to the County subject to claim edits, and future settlements and audit processes. However, for each month of each fiscal year not to exceed five (5) consecutive months, or portion thereof, as described below, and for such month the County and/or State and/or Federal government(s) have not made payment, Contractor may request in writing from County a monthly County General Fund Cash Flow Advance as herein described.

Cash Flow Advance shall consist of, and shall be payable only from, the Maximum Contract Amount appropriation approved by County's Board of Supervisors for the particular fiscal year in which the costs are to be

incurred and upon which the request(s) is (are) based.

Cash Flow Advance is intended to provide cash flow to Contractor pending Contractor's rendering and billing of eligible services/activities as identified in the Agreement, to the County and/or State and/or Federal government(s), and the County and/or State and/or Federal government(s) have made payment for such services/activities. Contractor may request each monthly Cash Flow Advance only for such services/activities and only when there is no reimbursement from other public or private sources for such services/activities.

The Cash Flow Advance amount for any particular month will be reduced by County payments of actual reimbursement claims received by County from the Contractor. The County's claims payment process is initiated immediately upon County receipt from Contractor of a reimbursement claim. If such Contractor reimbursement claim is received at any time during the five (5) months, the monthly payment to Contractor will include the payment for such actual reimbursement claim thereby reducing the Cash Flow Advance disbursement amount for that particular month.

Cash Flow Advance is based upon the following:

Each month of each fiscal year not to exceed five (5) consecutive months, or portion thereof, that this Agreement is in effect, Contractor may request, separately for each month, in writing from County a

monthly County General Fund Cash Flow Advance for any funds which may be part of the Maximum Contract Amount for such fiscal year. Contractor shall specify in their request the amount of the monthly Cash Flow Advance not to exceed $83,200 per month and the total Cash Flow Advance for the five (5) months shall not exceed $416,000.

Upon receipt of a request, Director, in his sole discretion, shall determine whether to approve the Cash Flow Advance request and, if approved, whether the request is approved in whole or in part.

County identifies if Contractor's units of service and State FFP & EPSDT-SGF approvals are meeting or exceeding the contracted levels and if not Cash Flow Advance recovery is initiated to ensure Contractor completes repayment of the Cash Flow Advance with units of services by the time the Contractor's fiscal year's twelfth month of claims are received and processed.

Any County and/or State and/or Federal government(s) approved Contractor reimbursement claims for eligible services/activities in excess of the actual unpaid Cash Flow Advance County to Contractor will be disbursed in accordance with the terms and conditions of this Agreement.

Should Contractor request and receive Cash Flow Advance, Contractor shall exercise cash management of such Cash Flow Advance in a prudent manner.

B. Payments Due to County/Method of Payment: Within ten days after written notification by County to Contractor of any amount due by Contractor to County, Contractor shall notify County as to which of the following six payment options Contractor requests be used as the method by which such amount shall be recovered by County. Any such amount shall be: (1) paid in one cash payment by Contractor to County, (2) offset against prior year(s) liability(ies), (3) deducted from future claims over a period not to exceed three months, (4) deducted from any amounts due from County to Contractor whether under this Agreement or otherwise, (5) paid by cash payment(s) by Contractor to County over a period not to exceed three months, or (6) a combination of any or all of the above. If Contractor does not so notify County within such ten days, or if Contractor fails to make payment of any such amount to County as required, then Director, in his sole discretion, shall determine which of the above six payment options shall be used by County for recovery of such amount from Contractor.

C. Within 30 days after the ASO provides the necessary data and request for reimbursement, the County shall transfer to CMHDA an amount equal to any and all State ("State EPSDT-SGF") and Federal matching funds ("Federal Financial Participation") the County is to receive for State-approved Medi-Cal services provided to beneficiaries in conjunction with the ASO Contract, to the extent such beneficiaries are

deemed by the appropriate State or Federal authorities to be the County's Medi-Cal responsibility.

D. CMHDA shall distribute to the ASO (1) any and all amounts CMHDA receives from the County for any State EPSDT-SGF and Federal Financial Participation funds the County is to receive, as well as (2) any and all line of credit County General Funds, as needed for payment of claims from authorized providers and/or for administrative expenses, as authorized by the ASO Contract. CMHDA shall refund to the County any excess County General Funds, within three months after the close of the applicable fiscal year for which the line of credit funds were used.

E. The County shall comply in good faith with all Medi-Cal rules and regulations applicable to the provision of Specialty Mental Health services for Medi-Cal beneficiaries who are minors and who reside out-of-home and out-of-County.

F. The County may retain responsibility for providing services for any minor placed out-of-County at the County's discretion after notification to the ASO and CMHDA, at any point in the treatment. Upon receipt of such notification from the County, CMHDA shall cooperate with the ASO to transfer back to the County sufficient funds to enable the County to provide treatment for any minor for whom the County retains responsibility. The County's right to receive funds back from CMHDA in order to provide services for any minor placed out-of-County shall be

limited to those amounts that CMHDA is able to transfer back to the County funds from those that the County previously authorized for distribution, and/or directly distributed, to CMHDA pursuant to this Contract.

G. The County shall include in its Client Services Information reports to the State DMH ("DMH") all required data regarding services provided in conjunction with the ASO Contract to beneficiaries who are deemed by the appropriate State or Federal authorities to be the County's Medi-Cal responsibility.

H. The County shall submit to the State DMH ("DMH") all necessary Cost Report/Data Collection fiscal year-end settlement documents which reflect services provided in conjunction with the ASO Contract to beneficiaries who are deemed by the appropriate State or Federal authorities to be the County's Medi-Cal responsibility."

2. Paragraph 6 (MISCELLANEOUS) shall be changed to read Paragraph 7 and, therefore, a new Paragraph 6 (MAXIMUM CONTRACT AMOUNT) shall be added as follows:

"6. The Maximum Contract Amount shall not exceed $1,000,000 annually for the remaining contract term, July 1, 2003 through June 30, 2004, and July 1, 2004 through June 30, 2005."

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3. New Paragraph 7 (MISCELLANEOUS) shall be amended as follows:

"7. This Contract shall remain in full force and in effect until the ASO Contract expires, is otherwise terminated, or the Contract expires on June 30, 2005, whichever comes first. Either party may terminate this Contract upon 120 days' prior written notice to the other party. Notwithstanding the termination of this Contract, all obligations of the County pursuant to this Contract shall survive until the end of the fiscal year or until CMHDA and/or the ASO have received any and all reimbursements provided for herein."

4. Paragraph 7 (ADDITIONAL PROVISIONS) shall be changed to read Paragraph 8.

5. Paragraph 39 (NOTICES) in ADDITIONAL PROVISIONS of the Agreement shall be deleted in its entirety and the following substituted therefor:

"A. All notices or demands required or permitted to be given under this Contract shall be in writing and shall be delivered with signed receipt or mailed by first class, registered or certified mail, postage pre-paid, addressed to the parties at the following addresses and to the attention of the persons named. Director shall have the authority to execute all notices or demands which are required or permitted by County under this Contract. Addresses and persons to be notified may be changed by either party by giving ten days prior written notice thereof to the other party.

To Contractor: California Mental Health Directors' Association

2030 J Street

Sacramento, CA 95814

Attention: Patricia Ryan, Executive Director

To County: Department of Mental Health

Contracts Development and Administration Division

550 South Vermont Ave., 5th Floor

Los Angeles, CA 90020

Attention: Chief of Contracts

B. Upon request, CMHDA shall submit its Tax Identification Number or Social Security Number, whichever is applicable, in the form of a signed W-9 form, to provide for appropriate fiscal management and reporting.

C. County requires CMHDA to notify County of any change in Name, Legal Business Status, Address, or CMHDA's Signatory Power that occur during the term of this Contract.

D. Nothing in this Contract shall be construed to prevent or render ineffective delivery of notices required or permitted under this Contract by personal service."

6. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

APPROVED AS TO FORM:

LLOYD W. PELLMAN
County Counsel

By _____
Principal Deputy County Counsel

COUNTY OF LOS ANGELES

By _____
MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

California Mental Health Directors' Association
CONTRACTOR

By _____

Name Patricia Ryan

Title Executive Director

APPROVED AS TO CONTRACT ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development and Administration Division