COUNTY OF LOS ANGELES

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

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Chief Deputy Director

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Medical Director

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

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DEPARTMENT OF MENTAL HEALTH

http://dmh.lacounty.info

Reply To: (213) 738-4601
Fax: (213) 386-1297

June 9, 2005

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

54 JUN 21 2005

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 REQUEST FOR APPROPRIATION ADJUSTMENT FOR SHORT-DOYLE/MEDI-CAL SETTLEMENT PAYMENTS TO CONTRACT PROVIDERS FOR FISCAL YEARS 1999-2000 AND 2001-2002 SERVICES (ALL SUPERVISORIAL DISTRICTS) (4 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve the Request for Appropriation Adjustment for Fiscal Year (FY) 2004-2005 in the amount of $3,918,000 (Attachment I). The appropriation increase will be fully funded with prior year Short-Doyle/Medi-Cal (SD/MC) Federal Financial Participation (FFP) revenues retained in the FFP Trust account. The increase in appropriation will allow the Department of Mental Health (DMH) to make the following reimbursements:

a. FY 1999-2000 State Audited Cost Report Settlement payments, in the amount of $498,000, to 17 contract providers listed on Attachment II funded with prior year FFP Medi-Cal.

b. FY 2001-2002 State SD/MC Reconciliation Settlement payments, in the amount of $3,420,000, to the Department of Health Services (DHS) and to 48 contract providers listed on Attachment III funded with prior year FFP Medi-Cal.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of this request is for approval of an appropriation adjustment increasing FY 2004-2005 Services and Supplies (S&S) appropriation by $3,918,000. This will enable DMH to make the FY 1999-2000 Audited Cost Report settlement and FY 2001-2002 SD/MC Reconciliation Settlement payments to DHS and to contract providers as

required by Federal law and the DMH Legal Entity (LE) Agreement. Subsequent steps in the State's audit and appeals processes may occur at future dates with potential adjustments to these contractor claims.

As per the LE Agreement with mental health contract providers, if the post-contract audit conducted by County, State, and/or Federal personnel determines that the County's liability is more than the amount paid to a contract provider for any fiscal year, then the difference shall be paid by the County to the contract provider. Accordingly, DMH's action to collect from or reimburse contract providers is the result of the State fulfilling its responsibilities for the management and oversight of the Federal Medicaid program, which is called Medi-Cal in California. DMH, in its capacity, acts as the fiscal intermediary.

Board approval of the recommended appropriation adjustment will enable DMH to address underpayment to the contract providers and authorizes the appropriate payments to settle accounts with them under their contract agreements.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the County's Organizational Goal No. 4, "Fiscal Responsibility," within the Countywide Strategic Plan. Board approval of this request will enable DMH to make payments to DHS and contract providers that resulted from post-contract reconciliation, audit, and appeals processes conducted by the County and/or State.

FISCAL IMPACT/FINANCING

There is no increase in net County cost.

The appropriation increase of $3,918,000 is funded with prior year FFP Medi-Cal revenues retained in the FFP Trust account.

Upon Board approval, DMH will reimburse $498,000 to 17 contract providers for services delivered in FY 1999-2000, and $3,420,000 to DHS and 48 contract providers for services delivered in FY 2001-2002.

The FFP Medi-Cal funding was not included in the Maximum Contract Amount (MCA) for FYs 1999-2000 and 2001-2002. DMH, in its capacity as fiscal intermediary, has received pass-through payments from the State and, in turn, is required to disburse such payments to the contract providers. This appropriation adjustment increasing

S&S by $3,918,000 will enable DMH to reimburse FFP Medi-Cal funds, which have been received and retained in the FFP Trust account, to each contract provider in the amounts indicated in Attachments II and III.

	DHS	*Contract Providers*	*Total Amount owed to Providers*
FY 1999-2000	*$ -*	*$ 498,000*	*$ 498,000*
FY 2001-2002	*$ 1,018,000*	*$ 2,402,000*	*$ 3,420,000*
Total	*$ 1,018,000*	*$ 2,900,000*	*$ 3,918,000*

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

This is a routine Board action regularly requested of your Board to reimburse contract providers at the end of the County and State SD/MC Reconciliation and Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Settlement, Audited Cost Report Settlement, and Final Cost Report Settlement processes. The reconciliation, audit, and appeals processes lead to underpayment and overpayment determinations.

If the contract providers have been underpaid, they are reimbursed the appropriate amounts. As per the LE Agreement with the mental health contract providers, if the *post-contract audit* (Paragraph 4, Financial Provisions, Subparagraph R) and the *County audit settlement* (Paragraph 4, Financial Provisions, Subparagraph T) conducted by County, State, and/or Federal personnel determines that the County's liability is more than the amount paid to a service provider for any fiscal year, then the difference shall be paid by the County to the service provider provided that in no event shall County's MCA for the applicable Fiscal Year be exceeded. The FFP and State Medi-Cal funding was not included in the MCA for FYs 1999-2000 and 2001-2002. Thus, there is no requirement for contract amendments. DMH, in its capacity as fiscal intermediary, has received pass-through payments from the State and, in turn, is required to disburse such payments to the contract providers.

In the event contract providers have been overpaid, they are required to pay back the amounts to the County. The repayment method could be by cash payment or in the form of offsets against monthly claims for reimbursement per Paragraph 4, Financial Provisions, Subparagraph U, *Payments Due to County/Method of Payment*.

The State has recently completed its FY 1999-2000 Audited Cost Report Settlement, FY 2001-2002 SD/MC Reconciliation, and EPSDT settlement process. Based on the mental health contract providers' submission of certified, true, and accurate reimbursement claims, the County needs to collect a total of $6,477,000 from contract providers. Collection efforts have already begun as per the contract terms. A Board letter is in process to allow two (2) contract providers, Child and Family Guidance Center ($591,138) and Intercommunity Child Guidance ($111,673), to repay their FY 2001-2002 debts to the County over a period of 12 months, in lieu of the three (3) months stipulated in the LE Agreement financial provision.

Also, the County is to reimburse $3,918,000 to DHS and contract providers, and $1,182,000 to the State totaling $5,100,000. This Board action takes care of the $3,918,000 reimbursement to DHS and contract providers. The State recovered its fund of $1,182,000 by offsetting against DMH's current year Medi-Cal revenue. This is the State's normal method for recovering their fund resulting from audit settlement. Accordingly, DMH will restore Department funds through collection from the contract providers. The Department's policy is not to collect identified audit/settlement disallowances from contract providers until the State has collected from the County. The difference between collection of $6,477,000 from DHS and contract providers and reimbursement of $5,100,000 to the State, DHS, and contract providers is DMH's favorable net effect of $1,377,000 that results in Realignment Trust savings. The result is favorable because DMH is recovering contractors' prior year overcharges to the County, which became apparent during the FY 1999-2000 Audited Cost Report Settlement, FY 2001-2002 SD/MC Reconciliation, and EPSDT settlement process. The DMH's recovery amount is recorded as a reduction to the prior year contractors' expenditure account because the expenditure in the previous fiscal year was overstated due to the contractors' overcharges. The Auditor-Controller calls this a contra-expenditure transaction. Prior year expense is reduced instead of increasing revenue because the transaction, in compliance with the Auditor-Controller's procedure, is a reduction of the amount expensed by DMH when payment is made to the service providers. The consequent of reducing prior year expense is a net reduction to current year expenditures, and this net reduction to current year expenditures will create a saving in Sales Tax Realignment funds at year-end. There would be no net County cost impact in the current year.

CONTRACTING PROCESS

The subject does not apply.

There is no requirement for contract amendments because the Board-approved LE Agreements for FY 1999-2000 and FY 2001-2002 did not include either the Federal or State funding for Medi-Cal in the MCA.

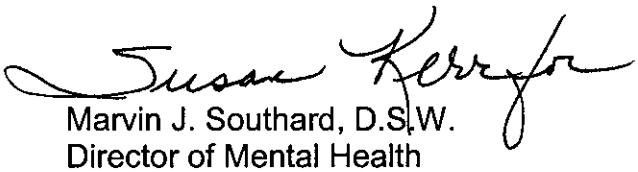
IMPACT ON CURRENT SERVICES

Your Board approval of this request will enable DMH to make FY 1999-2000 Audited Cost Report Settlements and FY 2001-2002 SD/MC Reconciliation Settlement payments to DHS and contract providers as legally required.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board's action. It is requested that the Executive Officer of the Board notifies 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, D.S.W.
Director of Mental Health

MJS:GSK:ad

Attachments (3)

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

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ATTACHMENT I

76R 352M (11/83)

BOARD OF SUPERVISORS OFFICIAL COPY

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPARTMENT OF MENTAL HEALTH

DEPT'S. NO. 435

19

AUDITOR-CONTROLLER.
THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

4-VOTES

SOURCES:

Department of Mental Health
Federal Aid - Mental Health
A01-MH-20500-9025
$3,918,000

USES:

Department of Mental Health
Services and Supplies
A01-MH-20500-2000
$3,918,000

This adjustment is requested to increase appropriation in Services and Supplies to provide spending authority for the FY 1999-2000 Audited Cost Report Settlement and FY 2001-2002 Short Doyle Medi-Cal Reconciliation Settlement payments to DHS and contract providers. There is no impact on net County cost.

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

CHIEF ADMINISTRATIVE OFFICER'S REPORT

REFERRED TO THE CHIEF ADMINISTRATIVE OFFICER FOR — ACTION ✓ RECOMMENDATION

AUDITOR-CONTROLLER NO. 361 BY [illegible] JUNE 6 2005

APPROVED AS REQUESTED JUNE 6 2005 AS REVISED

Gregory C. [illegible] FOR CHIEF ADMINISTRATIVE OFFICER

APPROVED (AS REVISED): BOARD OF SUPERVISORS 19

BY DEPUTY COUNTY CLERK

LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH
Audited Cost Report Settlement
FY 1999-2000

Count	Entity Number	Legal Entity Name	FFP Amount owed to Providers
1	00519	Aspen Health Svcs.	85,303
2	00211	Center for Healthy Aging	389
3	00180	Community Counseling Services	8,436
4	00181	Community Family Guidance Center	1,455
5	00778	D'Veal Corporation	2,251
6	00185	El Centro de Amistad	828
7	00647	Five Acres Service	10,878
8	00321	Hillsides Home for Children	26,628
9	00194	Hillview Mental Health Center	13,593
10	00195	Intercommunity Child Guidance	12,962
11	00203	Pacific Clinics	166,939
12	00204	Pasadena Children's Training Society	16,422
13	00205	Portals House	45,632
14	00212	Social Model Recovery Systems, Inc.	4
15	00543	Star View Adolescent Center	60,255
16	00219	Transitional Living Center	8,681
17	00221	Verdugo Mental Health Center	37,564
		rounding	(220)
		TOTAL	**$498,000**

Source: Audited Cost Report from Settlement Section.

LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH
SD/MC Reconciliation & EPSDT Settlement
FY 2001-2002

Count	Entity Number	Legal Entity Name	FFP Amount owed to Providers
1	00502	LAC-DHS-Harbor/UCLA	$ 133,019
2	00503	LAC-DHS-MLK/Medical Center	332,585
3	00504	LAC_DHS-USC Medical Center	78,667
4	00505	LAC-DHS-Olive View Medical Center	473,507
		rounding	222
		Subtotal DHS	***$ 1,018,000***
1	00177	Alcott Center for MHS (Beverlywood)	7,710
2	01030	Caring for Babies with Aids	6,836
3	00783	Childnet Youth & Family Services	72,814
4	00668	Children's Bureau of So. California	36,075
5	00179	Children's Hospital of Los Angeles	60,334
6	00591	Children's Institute International	35,121
7	00321	Church Home for Children (Hillside)	25,325
8	00322	City of Gardena	3,972
9	00184	Dubnoff Center for Child Development	18,155
10	00188	ENKI Health & Research Systems	110,930
11	00995	Ettie Lee Homes, Inc.	11,092
12	00527	Exodus Recovery, Inc.	20,293
13	00647	Five Acres	11,005
14	00300	For The Child, Inc.	29,241
15	00846	GLASS (Gay & Lesbian Adolescent)	5,752
16	00191	Greater Long Beach Child Guidance	339,583
17	00174	Hamburger Home Inc. (Aviva Center)	24,605
18	00206	Harbor View Rehabilitation (Regency)	98,200
19	00193	Health Research Assoc.	6,391
20	00965	Heritage Clinic	1,271
21	00194	Hillview MHC	24,823
22	00508	Homes for Life Foundation	769
23	00197	Kedren Community MHC	35,444
24	00326	Korean Youth & Community Center	54,138
25	00317	LAMP, Inc.	30,460
26	00198	Los Angeles Center for Therapy (H.E.L.P.)	33,898
27	00199	Los Angeles Child Guidance Clinic	6,654
28	00881	Los Angeles County Office of Education (LACOE)	17,504
29	00304	Los Angeles Gay & Lesbian Community	4,843
30	00780	Los Angeles Orphans Home (Hollygrove)	16,380
31	00315	Los Angeles Unified School District	490,479
32	01034	Maryvale	45,770
33	00200	Mental Health Association	8,332
34	00781	Optimist Youth Homes	40,087
35	00204	Pasadena Children's Trng. Society	97,487
36	00805	Phoenix Houses of Los Angeles, Inc.	19,137
37	00212	Social Model Recovery Systems, Inc.	39,789
38	00213	South Bay Children's Health Center	393
39	00506	South Central	11,004
40	00784	St. Francis Medical Center	15,887
41	00217	St. John's Hospital	140,229
42	00218	St. Joseph Center	3,118
43	00984	The Regents/UCLA	66,162
44	00220	United Cambodian Community, Inc.	25
45	00196	Vista Del Mar (Jewish)	171,025
46	00583	White Memorial Medical Center	47,277
47	00579	WRAP Family Service	8,262
48	00687	Youth Intervention Program	47,958 *
		rounding	(39)
		Subtotal Contract Providers	***$ 2,402,000***
		GRAND TOTAL FOR DHS AND CONTRACT PROVIDERS	**$ 3,420,000**

* *Payment to Youth Intervention Program will be subject to any Court Order and/or legal actions resulting from federal bankrupcy proceedings or other court findings.*

Source: SD/MC reconciliation & EPSDT settlement schedule from Settlement Section.