COUNTY OF LOS ANGELES

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DEPARTMENT OF MENTAL HEALTH

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June 7, 2007

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

54 JUN 19 2007

Sachi A. Hamai
SACHI A. HAMAI
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 TO DISBURSE PROVISIONAL PAYMENTS TO FEE-FOR-SERVICE NETWORK PROVIDERS OF SPECIALTY MENTAL HEALTH SERVICES FOR FISCAL YEARS 2006-07, 2007-08, AND 2008-09 (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Mental Health or his designee to prepare, sign, and execute amendments, substantially similar to the Attachment, to provide for the continued disbursement of provisional payments to the Department of Mental Health (DMH) Fee-For-Service (FFS) Network Providers of Specialty Mental Health Services to Medi-Cal eligible beneficiaries of Los Angeles County. Provisional payments to the providers will ensure that they are reimbursed while DMH continues its efforts to restructure its adjudication process in order to generate payments to providers based on State adjudication. The amendment will be effective July 1, 2006, for Fiscal Years (FYs) 2006-07, 2007-08, and 2008-09, or until the adjudication process is restructured, whichever comes first.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Your Board's approval of contract amendments with FFS Network Providers will allow DMH to continue provisional payments to FFS Network Providers in FYs 2006-07, 2007-08, and 2008-09 pending DMH's restructuring of its adjudication process in order to generate payments to providers based on State adjudication. A report documenting the requirements for the restructuring of the adjudication process was approved by the Chief Information Office Bureau on February 14, 2007. A six-week development phase of the Integrated System (IS) occurred through March 29, 2007. The testing phase

immediately followed and continues with a proposed duration through early August 2007. If the testing phase is successful, provisional payments to providers and these amendments will terminate, and the IS will proceed into implementation of payment to providers based upon State adjudication.

Provisional payments are based on claim line detail billed by the provider as in the past. Provisional payments are based on claim information which is forwarded to the FFS System for tracking and auditing purposes. If the claim passes DMH edits and is approved 100 percent (100%), the claim is paid. All FFS claims are processed through DMH's claiming system for edits before a provisional payment is issued. The edits in the DMH claiming system ensure that a claim meets the requirements to validate reimbursement. However, this does not eliminate any claim reduction. Claims may be denied after State adjudication. Collection of provisional payments based on State adjudication cannot be avoided until the IS is restructured to implement payments to providers based upon State adjudication.

The Department's Final Adopted Budget for FY 2006-07 includes $76,723,805 in State allocation funds for all FFS programs including hospitals, and reflects the maximum amount to be paid to all service providers. The maximum amount projected for FFS Network Providers in 2007-08 is $21,400,000. The maximum amount paid to all FFS Network Providers was $15,920,409 for FY 2004-05 and $14,423,508 for FY 2005-06.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the Principles of the Countywide Strategic Plan Organizational Goal No. 4 – "Fiscal Responsibility." Board approval of this request will authorize reimbursement to FFS Network Providers for services rendered, pending DMH's restructuring of its adjudication in order to generate payments to providers based on State adjudication.

FISCAL IMPACT/FINANCING

There is no impact on net County cost.

The Agreements with FFS Network Providers do not contain a maximum contract dollar amount, but the projected amount for 2007-08 is $21,400,000. DMH is requesting to reimburse these contractors based on provisional payments. Funding for the amendments in the amount of $21,400,000, fully funded with the State Allocation for Managed Care, $10,700,000, and Federal Financial Participation (FFP) Medi-Cal, $10,700,000, is included in the FY 2006-07 Adopted Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Beginning June 1, 1998, upon Board approval of DMH serving as the Local Mental Health Plan (LMHP) of the Phase II Medi-Cal Mental Health Consolidation, DMH entered into contractual agreements with individual, group, and organizational FFS Network Providers who met State and LMHP credentialing standards.

To comply with the Health Insurance Portability and Accountability Act (HIPAA), DMH implemented a claiming system, the IS, in October 2003, which receives electronic claiming transactions in the format required under HIPAA rules. Delays in DMH's ability to successfully transmit FFS Network Providers HIPAA-compliant electronic claims to the State resulted in late payments to providers. FFS Network Providers submitted complaints to the Board of Supervisors that payments for services delivered were untimely and that the delays were causing these providers financial hardship. On February 17, 2004, the Board approved a motion directing the Auditor-Controller, County Counsel, and DMH to report back with recommendations to develop a provisional payment schedule for FFS Network Providers until DMH's IS was fully functional.

On March 30, 2004, the Board approved a contract amendment to the Medi-Cal Professional Services Agreement. The amendment temporarily added provisional payments for the period July 1, 2003 to October 15, 2003. It was anticipated that when the IS was implemented on October 16, 2003, the system would be capable of generating a file to the State for claims adjudication. However, this was not the case and the contract was amended again "to temporarily add provisional payment language for the period effective October 16, 2003, until the IS was fully functional;" authorizing provisional payments to FFS Network Providers to reduce reimbursement wait time until an acceptable automated process could be implemented to assure that payments to providers would be based on State adjudication that is processed consistently, accurately, and timely. However, the language was not incorporated into the Medi-Cal Professional Services Agreement that was renewed effective July 1, 2006. Therefore, the effective date of this amendment to continue provisional payments is requested to be July 1, 2006 for FYs 2006-07, 2007-08, and 2008-09.

Implementation of full system functionality in the IS for FFS Network Providers was designed to be completed in two phases. The first phase, submitting HIPAA-compliant claim transactions to the State, was successfully completed in August 2006.

The attached amendment format has been approved as to form by County Counsel. The Chief Administrative Office (CAO) and Auditor-Controller have reviewed the proposed action.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board action. It is requested that the Executive Officer of the Board notify the Department of Mental Health 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:RS:RK:DWK

Attachment

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

ATTACHMENT

CONTRACT NO. _____

AMENDMENT NO.____

THIS AMENDMENT is made and entered into this _____day of_____, _____, by and between the COUNTY OF LOS ANGELES (hereafter "County") and_____ (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated _____, identified as County Agreement No. _____, and any subsequent Amendments (hereinafter collectively "Agreement"); and

WHEREAS, for Fiscal Years 2006-07, 2007-08, and 2008-09, and continuing until the Department of Mental Health's adjudication process is restructured to reduce Fee-For-Service (FFS) Network Providers payment wait time, whichever comes first, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, County and Contractor intend to amend Agreement to temporarily add provisional payment language for the period effective July 1, 2006 through June 30, 2009, or until the Department of Mental Health's adjudication process is restructured to reduce FFS Network Providers payment wait time, whichever comes first.

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

1. Provisional payment language shall be temporarily added to Paragraph 6 (PAYMENT), Subparagraph A. for the period beginning July 1, 2006 through

June 30, 2009, or until DMH's adjudication process is restructured to reduce FFS Network Providers payment wait time, whichever comes first as follows:

"A. (6) Provisional reimbursement shall be based on the submission of an actual service claim not yet adjudicated by the State under the State's Medi-Cal Claims Processing System and based on the rates shown on the Provisional Rate Schedule(s) as published and periodically revised as supplements to the Los Angeles Mental Health Plan Medi-Cal Specialty Mental Health Services Network Provider Manual by the Department of Mental Health Medi-Cal Professional Services and Authorization Division and distributed to Individual and Group providers and to the Los Angeles County Department of Mental Health Contracts Development and Administration Division.

A. (7) Contractor shall reimburse County for any claims denied by the State by County to Contractor under the Provisional Payment Reimbursement Method."

2. The Payment language as presently written in the current Agreement, Paragraph 6 (PAYMENT), Subparagraph A.(1) through A.(5) shall prevail after June 30, 2007 or until DMH's adjudication process is restructured to reduce FFS Network Providers payment wait time, whichever comes first .

3. Nothing in this amendment shall be considered as an extension of the ending date of this Agreement.

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

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 or his designee, 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.

COUNTY OF LOS ANGELES

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

_____
CONTRACTOR

By _____
CONTRACTOR SIGNATURE

APPROVED AS TO FORM
OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development
and Administration Division

ProvPayment Amend 2006-2007