COUNTY OF LOS ANGELES

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DEPARTMENT OF MENTAL HEALTH

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June 16, 2009

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

30 JUN 16 2009

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 RENEW A SOLE SOURCE ADMINISTRATIVE SERVICES ORGANIZATION AGREEMENT WITH VALUEOPTIONS, INC., FOR MANAGEMENT OF MENTAL HEALTH SERVICES (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

SUBJECT

Request approval to renew a sole source mental health administrative services organization agreement with ValueOptions, Inc., for Medi-Cal eligible Katie A. foster care minors placed outside of Los Angeles County.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Mental Health, or his designee, to prepare, sign, and execute renewal of a sole source mental health administrative services organization agreement (Agreement), substantially similar to Attachment I, with ValueOptions, Inc. (ValueOptions). This renewal Agreement is for the coordination and management of specialty mental health services rendered by providers in the administrative services organization's (ASO) network to Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Medi-Cal eligible Katie A. foster care children and youth placed outside of Los Angeles County. The term of the Agreement is for three years, effective July 1, 2009 through June 30, 2012, with two optional one-year extension periods, not to exceed a five-year contract term. The annual Maximum Contract Amount (MCA) will be $1,506,500, or an estimated total of $4,519,500 over the three-year term, fully funded by EPSDT-State General Funds (SGF), Federal Financial Participation (FFP) Medi-Cal and sales tax realignment.

2. Delegate authority to the Director of Mental Health, or his designee, to prepare, sign, and execute future amendments to the Agreement with ValueOptions, provided that: 1) the County's total payments under this Agreement will not exceed an increase of 20 percent from the applicable Board approved MCA; 2) any such increase will be used to provide additional services or to reflect program changes; 3) your Board has appropriated sufficient funds for all increases; 4) approval of the Chief Executive Office (CEO) and County Counsel, or designees, 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 20 percent limitation; and 6) the Director of Mental Health provides written notification to your Board within 30 days after the execution of each Amendment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The current Agreement with ValueOptions expires June 30, 2009. The term renewal will enable the Department of Mental Health (DMH) to continue the provision of obligatory, uninterrupted and timely specialty mental health services, accessible throughout California, to the estimated 1,200 members of the "Katie A." certified class who the courts place with relatives residing outside of the Los Angeles County. In addition, upon Board approval the Director of Mental Health will have authority to enter into future amendments to the Agreements to adjust services as necessary, subject to prior approval by the CEO and County Counsel, or designees, and notification to your Board.

Renewal of the Agreement with ValueOptions will permit the County to avoid significant disruptions of service to this vulnerable population. Without an Agreement with ValueOptions, the County would require individual contracts with over 1,000 network providers throughout California to serve the target population.

Implementation of Strategic Plan Goals

The recommended actions are consistent with County Strategic Plan Goal 2, Children, Family and Adult Well-Being, and Goal 4, Health and Mental Health.

FISCAL IMPACT/FINANCING

The annual MCA for the Agreement will be $1,506,500 for Fiscal Years (FYs) 2009-10, 2010-11, and 2011-12, which is fully funded by $499,857 EPSDT-SGF, $927,853 FFP, and $78,790 sales tax realignment, and is included in the Department's FY 2009-10 Proposed Budget. The estimated total over the three-year term is $4,519,500. Funding

for FYs 2010-11 and 2011-12 will be requested through DMH's annual budget process. There is no increase in net County cost.

The payment provisions follow the method established for out-of-county services and are in compliance with Certified Public Expenditure payment requirements. DMH will provide advance payments to ValueOptions every six months. ValueOptions will pay its network providers immediately upon the submission of appropriate invoices. While the County, as payer, continues to bear the ultimate risk of loss for claims paid for specialty mental health services, contract language was added to the agreement in 2005 which allows the County "rebilling" authority to correct errors and mistakes in billing, which has significantly minimized risks to the County. The renewal agreement retains this rebilling provision.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

ValueOptions is a private managed care corporation with its main headquarters located in Norfolk, Virginia, an administration service center in Colorado Springs, Colorado, and a local administration office in Long Beach, California. ValueOptions administers a California statewide ASO program with outpatient specialty mental health services provided to full-scope Medi-Cal eligible out-of-county children and youth, ages 0 through 18.

ValueOptions began as an ASO subcontractor of California Mental Health Directors Associations (CMHDA), selected in FY 1999-2000 through the solicitation process of "Request for Proposals" for Administrative Services Organization for Mental Health Services. Subsequently, Los Angeles County and other California counties obtained ValueOptions services through an ASO contract with CMHDA.

Due to the decision made by CMHDA to terminate its ASO contracts with all California counties effective June 30, 2004, 34 California counties turned directly to ValueOptions to obtain timely and accessible mental health services for the eligible Medi-Cal target population placed out of their county of residence.

Los Angeles County assumed a leadership role in that statewide effort, and on June 15, 2004 your Board approved DMH's entry into a sole source ASO contract with ValueOptions for the continuous provision of the critical services to that foster care population. The ASO contract will expire on June 30, 2009.

ValueOptions serves an estimated population of 1,200 Los Angeles County foster care children and youth who are Medi-Cal eligible and Katie A. certified class members,

residing outside of Los Angeles County. ValueOptions provides this vulnerable population with a network of mental health service providers who meet their cultural, linguistic, and specialty needs, consistent with federal and State requirements, 24 hours a day, 365 days a year. The ASO services include credentialing licensed network providers, determining service needs, authorizing claims, reimbursing network providers, and handling complaints and grievances.

The attached Agreement, which has been approved as to form by County Counsel, is a uniform format required by ValueOptions for all participating counties that agree to contract with the agency, but is modified to include County mandated contract provisions. Additionally, the Agreement will require ValueOptions to minimize Medi-Cal compliance audit risks. The parties agree that, during the term of the Agreement, there will be no subcontracting of ValueOptions' obligations, and that the providers of specialty mental health services are independent contractors.

DMH will continue to administer and monitor ValueOptions adherence to the ASO Agreement. As mandated by your Board, the performance of the contractor is evaluated by DMH on an annual basis to ensure its compliance with all contract terms and performance standards.

CONTRACTING PROCESS

This is a sole source contract renewal. The sole source recommendation is based on DMH's historical experience that ValueOptions has been consistently providing timely and accessible mental health services to County's foster care Katie A. certified class members placed by the Court with their relatives residing outside of Los Angeles County. It is in the interest of Los Angeles County to demonstrate full compliance with the terms and conditions of the Katie A. Settlement Agreement. Current ASO Agreement will expire June 30, 2009. DMH requests your Board's approval for a three-year renewal contract term with two optional one-year extension periods, for a total contract term not to exceed five years.

Attached is the required Sole Source Contract Checklist (Attachment II), identifying and justifying the need for the sole source contract renewal with ValueOptions. The Sole Source Contract Checklist has been approved by the Chief Executive Office.

IMPACT ON CURRENT SERVICES

ValueOptions ASO Agreement renewal enables the County to continue the provision of quality specialty mental health services to foster care Katie A. members placed out of the County, consistent with County's obligations imposed by the Katie A. Settlement Agreement.

Respectfully submitted,

Robin Kay for

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

Attachments (2)

c: Chief Executive Officer
Acting County Counsel
Chairperson, Mental Health Commission
Executive Officer, Board of Supervisors

MENTAL HEALTH
ADMINISTRATIVE SERVICES ORGANIZATION AGREEMENT
BETWEEN
VALUEOPTIONS, INC.
AND
COUNTY OF LOS ANGELES

This Agreement is by and between VALUEOPTIONS, INC., a Virginia corporation located at 240 Corporate Blvd., Norfolk, VA 23502 ("VALUEOPTIONS" or "ASO") on the one hand, and the County of Los Angeles ("COUNTY") on the other hand for administrative services related to the California Counties Medi-Cal Out-of-County Care Program (see below).

PREAMBLE

For over a decade, the County has collaborated with its community partners to enhance the capacity of the health and human services system to improve the lives of children and families. These efforts require, as a fundamental expectation, that the County's contracting partners share the County and community's commitment to provide health and human services that support achievement of the County's vision, goals, values, and adopted outcomes. Key to these efforts is the integration of service delivery systems and the adoption of the Customer Service and Satisfaction Standards.

The County of Los Angeles' Vision is to improve the quality of life in the County by providing responsive, efficient, and high quality public services that promote the self-sufficiency, well-being and prosperity of individuals, families, business and communities. This philosophy of teamwork and collaboration is anchored in the shared values of:

- Responsiveness
- Professionalism
- Accountability
- Compassion
- Integrity
- Commitment
- A Can-Do Attitude
- Respect for Diversity

These shared values are encompassed in the County Mission to enrich lives through effective and caring service and the County Strategic Plan's eight goals: 1) Service Excellence; 2) Workforce Excellence; 3) Organizational Effectiveness; 4) Fiscal Responsibility; 5) Children and Families' Well-Being; 6) Community Services; 7) Health and Mental Health; and 8) Public Safety. Improving the well-being of children and families requires coordination, collaboration, and integration of services across functional and jurisdictional boundaries, by and between County departments/agencies, and community and contracting partners.

The basic conditions that represent the well-being we seek for all children and families in Los Angeles County are delineated in the following five outcomes, adopted by the Board of Supervisors in January 1993.

- Good Health;
- Economic Well-Being;

- Safety and Survival;
- Emotional and Social Well-Being; and
- Education and Workforce Readiness.

Recognizing no single strategy - in isolation - can achieve the County's outcomes of well-being for children and families, consensus has emerged among County and community leaders that making substantial improvements in integrating the County's health and human services system is necessary to significantly move toward achieving these outcomes. The County has also established the following values and goals for guiding this effort to integrate the health and human services delivery system:

- ✔ Families are treated with respect in every encounter they have with the health, educational, and social services systems.

- ✔ Families can easily access a broad range of services to address their needs, build on their strengths, and achieve their goals.

- ✔ There is no "wrong door": wherever a family enters the system is the right place.

- ✔ Families receive services tailored to their unique situations and needs.

- ✔ Service providers and advocates involve families in the process of determining service plans, and proactively provide families with coordinated and comprehensive information, services, and resources.

- ✔ The County service system is flexible, able to respond to service demands for both the Countywide population and specific population groups.

- ✔ The County service system acts to strengthen communities, recognizing that just as individuals live in families, families live in communities.

- ✔ In supporting families and communities, County agencies work seamlessly with public and private service providers, community-based organizations, and other community partners.

- ✔ County agencies and their partners work together seamlessly to demonstrate substantial progress towards making the system more strength-based, family-focused, culturally-competent, accessible, user-friendly, responsive, cohesive, efficient, professional, and accountable.

- ✔ County agencies and their partners focus on administrative and operational enhancements to optimize the sharing of information, resources, and best practices while also protecting the privacy rights of families.

- ✔ County agencies and their partners pursue multi-disciplinary service delivery, a single

service plan, staff development opportunities, infrastructure enhancements, customer service and satisfaction evaluation, and revenue maximization.

- ✔ County agencies and their partners create incentives to reinforce the direction toward service integration and a seamless service delivery system.

- ✔ The County human service system embraces a commitment to the disciplined pursuit of results accountability across systems. Specifically, any strategy designed to improve the County human services system for children and families should ultimately be judged by whether it helps achieve the County's five outcomes for children and families: good health, economic well-being, safety and survival, emotional and social well-being, and education and workforce readiness.

The County, its clients, contracting partners, and the community will continue to work together to develop practical ways to make County services more accessible, customer friendly, better integrated, and outcome-focused. Several departments have identified shared themes in their strategic plans for achieving these goals including: making an effort to become more consumer/client-focused; valuing community partnerships and collaborations; emphasizing values and integrity; and using a strengths-based and multi-disciplinary team approach. County departments are also working to provide the Board of Supervisors and the community with a better understanding of how resources are being utilized, how well services are being provided, and what are the results of the services: is anyone better off?

The County of Los Angeles health and human service departments and their partners are working together to achieve the following ***Customer Service And Satisfaction Standards*** in support of improving outcomes for children and families.

Personal Service Delivery

The service delivery team – staff and volunteers – will treat customers and each other with courtesy, dignity, and respect.

- Introduce themselves by name
- Listen carefully and patiently to customers
- Be responsive to cultural and linguistic needs
- Explain procedures clearly
- Build on the strengths of families and communities

Service Access

Service providers will work proactively to facilitate customer access to services.

- Provide services as promptly as possible

- Provide clear directions and service information
- Outreach to the community and promote available services
- Involve families in service plan development
- Follow-up to ensure appropriate delivery of services

SERVICE ENVIRONMENT

Service providers will deliver services in a clean, safe, and welcoming environment, which supports the effective delivery of services.

- Ensure a safe environment
- Ensure a professional atmosphere
- Display vision, mission, and values statements
- Provide a clean and comfortable waiting area
- Ensure privacy
- Post complaint and appeals procedures

The basis for all County health and human services contracts is the provision of the highest level of quality services that support improved outcomes for children and families. The County and its contracting partners must work together and share a commitment to achieve a common vision, goals, outcomes, and standards for providing services.

WITNESSETH

WHEREAS, COUNTY manages a State-authorized Mental Health Plan for the provision of Specialty Mental Health Services for Medi-Cal beneficiaries;

WHEREAS, one component of care provided by County includes Specialty Mental Health services for Medi-Cal beneficiaries who are minors and who reside out-of-home and/or out of their county of residence ("California Counties Medi-Cal Out-of-County Care Program", "California Counties" or "the Program");

WHEREAS, VALUEOPTIONS has established panels of health care providers who are qualified and appropriately licensed to provide Mental Health Services and other administrative services as an Administrative Services Organization ("ASO"); and

WHEREAS, County desires to engage VALUEOPTIONS as an Administrative Services Organization for management of a network of providers and provision of administrative services for that component of care provided by the County which includes Specialty Mental Health services for Medi-Cal beneficiaries who are minors and who reside out-of-home and out of their county of residence;

WHEREAS, County desires to provide to those persons in Los Angeles County who qualify therefore certain mental health services contemplated and authorized by the Mental Health Service

Act (MHSA) adopted by the California electorate on November 2, 2004, through the County's Request for Statement of Qualifications (RFSQ) process.

NOW THEREFORE, in consideration of the premises and the mutual promises herein contained, it is agreed as follows:

I. DEFINITIONS

1.1 **"Covered Services"** means Specialty Mental Health Services that are medically necessary and are covered for benefits by the Program.

1.2 **"Eligible Beneficiary"** means a minor who is an eligible Medi-Cal beneficiary and who resides out-of-home and/or outside their county of residence.

1.3 **"Specialty Mental Health Services"** means outpatient psychiatric and other outpatient mental health services for the treatment of mental health conditions to include the following specific services evaluation and assessment (CPT Code 90801), individual therapy (CPT Code 90806), individual therapy with medication management (CPT Code 90807), family therapy (CPT Code 90847), group therapy (CPT Code 90853), medication management (CPT Code 90862), case conference (CPT Code X9546) and psychological testing (CPT Code 96100).

1.4 **"Preferred Provider"** means a Provider who has: (i) met VALUEOPTIONS credentialing and recredentialing standards; (ii) contracted as an independent contractor with VALUEOPTIONS; (iii) agreed to accept the rate or fee agreed to with VALUEOPTIONS as payment in full for Covered Services provided to Eligible Beneficiaries; and (iv) agreed to cooperate with VALUEOPTIONS regarding procedures incident to VALUEOPTIONS's administration of the Program.

II. RESPONSIBILITIES OF VALUEOPTIONS

2.1 **Scope of Services.** VALUEOPTIONS shall provide to COUNTY the services required of the administrative service organization of the Program in accordance with the attached Exhibit A "Scope of Services" which is attached hereto and incorporated herein by reference.

Contractor has been found to be eligible to provide mental health services claimable as MHSA services. Contractor has demonstrated experience and training in its specialized field and has submitted to the County a Statement of Qualifications (SOQ) in response to County's RFSQ for the provision of such services, and Contractor has met the minimum qualifications listed in the RFSQ and been selected for recommendation for placement on a MHSA Master Agreement eligibility list. Placement on the Master Agreement eligibility list does not guarantee that Contractor will be selected to provide mental health services claimable as MHSA services; in order to provide mental health services claimable as MHSA services, a provider must have been selected to provide MHSA services pursuant to a Request for Services.

Nothing herein is intended nor shall be construed as creating any exclusive arrangement with Contractor. This Agreement shall not restrict County from acquiring similar, equal or like MHSA goods and/or services from other entities or sources.

2.2 **Preferred Providers Network & Referrals for Specialty Mental Health Services.** VALUEOPTIONS will establish, maintain and administer a network of Preferred Providers ("the Network") for the delivery of Specialty Mental Health Services. The Network of Preferred Providers shall be composed of Providers of reasonably sufficient diversity to meet the cultural, linguistic and specialty needs of Eligible Beneficiaries. Preferred Providers shall be contractually required to continually meet VALUEOPTIONS credentialing standards including, but not limited to maintenance of licensure and applicable malpractice insurance, confirmation of status of provider as being eligible to provide services under federal programs, including Medicaid. A copy of the credentialing policies of VALUEOPTIONS shall be provided to COUNTY upon request. VALUEOPTIONS will contract with additional Preferred Providers as necessary to accommodate all Eligible Beneficiaries for whom services are required under this Agreement. This panel of Preferred Providers will be maintained throughout the term of this Agreement. Where VALUEOPTIONS does not have a Preferred Provider available, it will refer an Eligible Beneficiary to an appropriate Provider with whom appropriate arrangements shall be made for provision of all necessary Specialty Mental Health Services required by the Eligible Beneficiary. Such arrangements by VALUEOPTIONS shall include a single case agreement and verification of provider's licensure and eligibility to participate as a provider in federal health programs, including, but not limited to, Medicaid.

VALUEOPTIONS shall maintain a Provider Handbook containing sections which detail policies and procedures for Preferred Providers and the delivery of Specialty Mental Health Services to Eligible Beneficiaries. This handbook shall include, but not be limited to, the following subject areas: Authorizations for Services, Claims Processing & Payment, Covered Services, Complaints & Grievances, and Psychological Testing.

2.3 **Psychological Testing Services.** VALUEOPTIONS, acting through its specialty clinical staff, including peer advisors, shall provide its clinical review services for Eligible Beneficiaries for whom psychological testing is requested. Any such request shall require completion of the Psychological Testing Request Form in Exhibit B which is attached hereto and incorporated herein by reference. VALUEOPTIONS shall review all requests for psychological testing and coordinate referral for such services to a qualified Participating Provider. The parties acknowledge that VALUEOPTIONS will not provide treatment to Eligible Beneficiaries, and that the final responsibility for all decisions concerning the provision of treatment will rest with the treating Provider and the Eligible Beneficiary.

2.4 **Claims.** VALUEOPTIONS shall provide the claims processing services set forth below in Article III of this Agreement.

2.5 **Toll-Free Telephone Number.** VALUEOPTIONS will maintain and make available to County, Eligible Beneficiaries and Providers a toll-free number seven days per week, twenty-

four hours per day for the purposes of making requests for referrals, making requests for psychological testing and other inquiries, complaints or grievances. VALUEOPTIONS will refer Eligible Beneficiaries needing treatment to appropriate Preferred Providers or, where clinically appropriate and necessary, to other Providers.

Calls for referrals will require VALUEOPTIONS to verify the Eligible Beneficiary's eligibility status through the Medi-Cal website. VALUEOPTIONS shall bear no responsibility for erroneous or inaccurate information regarding eligibility obtained from Medi-Cal.

2.6 **Complaints & Grievances.** VALUEOPTIONS will maintain a system by which Eligible Beneficiaries and Providers may file a complaint or grievance with VALUEOPTIONS related to any issue arising out of VALUEOPTIONS role as ASO under this Agreement including, but not limited to, complaints regarding Preferred Providers. This system shall comport with the Complaints & Grievances Process document in Exhibit C which is attached hereto and incorporated herein by reference. VALUEOPTIONS will provide to Eligible Beneficiaries and Providers who file a complaint or grievance the contact information for COUNTY.

2.7 **Reports**. VALUEOPTIONS will make semi-annual Trend Reports available to COUNTY regarding the utilization and claims processing activities of VALUEOPTIONS for the COUNTY in the form set forth in Exhibit D, which is attached hereto and incorporated herein by reference. Within sixty (60) days after the end of each semi-annual reporting period, VALUEOPTIONS will make available an annual report to COUNTY that provides composite data for the preceding year regarding the utilization and claims processing activities of VALUEOPTIONS on behalf of the COUNTY.

Reporting Compliance with HIPAA Compliant 837 Claims File. Contractor's claims reporting format shall comply with HIPAA Compliant 837 Claims File. Contractor shall deliver all monthly benefits claims in Compliant 837 Claims File format to County by the end of each month following the month of services

All reports shall be accessed by COUNTY through a secure website, established and maintained by VALUEOPTIONS solely for use of the Program and the counties participating in the Program with VALUEOPTIONS as ASO.

2.8 **Compliance with Laws**. VALUEOPTIONS shall comply with all applicable federal, state, and local laws applicable to the services provided under this Agreement.

III. CLAIMS PAYMENT; RESPONSIBILITIES OF VALUEOPTIONS

3.1 **Claims Payment Services**. VALUEOPTIONS will provide the following claims payment services:

(a) Receive and process claims with respect to Eligible Beneficiaries and determine the amount due and payable.

(b) Prepare checks drawn on a designated checking account in payment of valid claims to Preferred Provider or to such other person or assignee entitled thereto.

(c) Provide COUNTY with a copy of the check register or fund account statement itemizing the checks prepared in accordance with subsection (b).

(d) Mail checks prepared in accordance with subsection (b) to the appropriate payee upon receipt from COUNTY of sufficient funds.

(e) Maintain current and complete records and files of claim payments for each Eligible Beneficiary.

(f) Investigate and process any written requests or inquiries received for a review of denied claims and, where applicable, forward the information to COUNTY for review and decision.

(g) Maintain as confidential all claims, reports and other information and material furnished, obtained or developed in regard to its services under this Agreement.

(h) Furnish Form 1099 statements to health care providers and prepare reports regarding such statements as required by the regulations of the Internal Revenue Service.

3.2 **Errors in Claims Payment**. If any claim payment made by VALUEOPTIONS is not for the correct amount, VALUEOPTIONS will adjust any underpayment and attempt to recover any overpayment (other than through litigation). Except where the mistake or other action was the direct consequence of a lack of ordinary care or reasonable diligence on the part of VALUEOPTIONS or any if its directors, officers, or employees, VALUEOPTIONS and/or its directors, officers and employees will have no liability to COUNTY. The COUNTY, as payor, shall bear ultimate risk of loss for claims paid for Specialty Mental Health Services.

3.3 **Lack of Claims Funding Due to Eligibility**. VALUEOPTIONS shall not be responsible for any error or inaccuracy in eligibility information obtained through Medi-Cal. COUNTY shall not deny funding of claims payment or attempt to recover overpayments based on errors or inaccuracies in eligibility information from Medi-Cal. COUNTY bears ultimate responsibility as the payor for Specialty Mental Health Services.

3.4 **Benefit Payments.** Benefit payments for Specialty Mental Health Services furnished by Preferred Providers shall be calculated on the basis of the rates charged by a Preferred Provider in accordance with its agreement with VALUEOPTIONS. Schedules of these rates are included in Exhibit E, which is attached hereto and incorporated herein by reference. In all other respects, benefit payments shall be calculated in accordance with and governed by the relevant Services provided, with COUNTY having final claim determination authority. COUNTY bears ultimate responsibility as the payor for Specialty Mental Health Services.

3.5 **A. Wire Transfer of Funds**. Upon receipt of a copy of the check register or fund account statement from VALUEOPTIONS, in accordance with section 3.1(c), COUNTY shall wire transfer sufficient funds or provide a check payable with sufficient funds to the designated checking account to pay the checks included in such check register or fund account statement within ten (10) days. Such funding requests shall be made by VALUEOPTIONS to COUNTY twice a month. It is COUNTY's responsibility to transfer funds to the designated checking account in an amount adequate to cover all checks validly issued by VALUEOPTIONS according to this Agreement. VALUEOPTIONS will not mail the checks prepared in accordance with section 3.1(b) unless and until COUNTY transfers sufficient funds with which to pay such checks. COUNTY bears ultimate responsibility for payment of claims as the payor, VALUEOPTIONS shall not be liable for claims payment as a payor.

B. Pre-Payment of Funds. In lieu of Section 3.5 A above, COUNTY may elect to make a pre-payment of funds. If COUNTY elects to prepay, COUNTY shall make available sufficient funds in a designated bank. VALUEOPTIONS shall initiate a funds transfer via the Automated Clearing House (ACH) system, debiting the designated COUNTY bank account and crediting VALUEOPTIONS' bank account designated for the purpose of such claims payments. It shall be VALUEOPTIONS' responsibility to initiate the funds transfer. It shall be COUNTY's responsibility to adequately fund the bank account designated for this ACH debit and to permit VALUEOPTIONS to initiate such ACH debit transfers.

C. Pre-Payment of Funds. In lieu of Section 3.5 A and B above, COUNTY may elect to make a pre-payment of funds. If COUNTY elects to prepay, COUNTY shall forward a warrant/check to VALUEOPTIONS on a semi-annual basis. VALUEOPTIONS shall deposit the funds in a bank account designated for purposes of payment of claims to providers of service. It shall be COUNTY's responsibility to reconcile the account balance to the check register or fund account statement with the advance. It shall be the COUNTY's responsibility to ensure that there are adequate funds to pay providers.

3.6 **Section in previous Agreement inapplicable. Left blank intentionally.**

3.7 **Denied Claims Rebilling**: In consideration for the up front payments and related billing processes established by this Agreement, VALUEOPTIONS agrees to require providers with which it contracts to agree to utilize County, through its Department of Mental Health, as a billing agent for purposes of correcting and resubmitting Medi-Cal claims in the event an initial claim is rejected because of a billing error, and to allow County to receive payment in the provider's name based on such resubmitted claims. County shall utilize the provider's

provider number on all such claims. VALUEOPTIONS shall have a corresponding provision in each of its provider agreements, and shall further assure that each of the providers with which it contracts agrees to execute whatever documents are necessary to allow County to function as such provider's billing agent.

IV. RESPONSIBILITIES OF COUNTY

4.1 **Grant of Authority to VALUEOPTIONS.** COUNTY hereby appoints VALUEOPTIONS as its agent for the sole and limited purpose of entering into agreements with Preferred Providers with regard to payment for Covered Services to Eligible Beneficiaries in accordance with the program set forth in this Agreement. COUNTY's responsibility shall extend only to an obligation for payment and COUNTY shall not be responsible for any action taken by VALUEOPTIONS in the selection of Providers, the administration (including termination) of such agreements or any other dealings with the Provider. Nothing contained in such agreements shall expand or increase COUNTY's obligation beyond that set forth in this Agreement or obligate COUNTY to make payment for any services that are not Covered Services.

4.2 **Delay in Furnishing Information**. VALUEOPTIONS will not be responsible for delay in the performance or nonperformance of services caused by or contributed to in whole or in part by the failure of COUNTY to furnish any required information promptly.

V. COMPENSATION

5.1 **Compensation**.

(a) Commencing July 1, 2009, on the last day of each month ("Due Date") thereafter during the term of this Agreement, COUNTY shall pay to VALUEOPTIONS a sum equal to $44.93 per month per Eligible Beneficiary for whom claims were paid in the preceding month as compensation for providing the VALUEOPTIONS ASO services described herein.

Notwithstanding the foregoing, if the underwriting assumptions change then VALUEOPTIONS' fees shall be subject to good faith renegotiation at the request of either party. A party may make a request for renegotiation on the basis of such change in the underwriting assumptions, only once per year.

(b) The compensation described in Section 5.1(a) shall not exceed the Contract Maximum that is listed in Exhibit G, which is incorporated by reference as if set forth fully herein. In the event COUNTY exceeds the Contract Maximum, VALUEOPTIONS shall be under no obligation to perform any further services to COUNTY. VALUEOPTIONS shall provide written notification to COUNTY when expenditures under this Agreement total seventy-five percent (75%) of the Contract Maximum.

(c) If COUNTY elects to prepay, COUNTY shall make a prepayment of the compensation described in Section 5.1(a) on or before July 10, 2009. COUNTY shall make a second payment on , or before January 8, 2010

(d) **Compensation for HIPAA Compliant 837 Claims File Format**. County shall pay ValueOptions, in County General Fund (CGF), ongoing annual administrative fee of $6,500 for HIPAA Compliant 837 Claims File Format reporting.

VI. INDEMNIFICATION AND INSURANCE

6.1 **Indemnification**.

(a) In the event that COUNTY, its officers, directors, employees or agents are made parties to any judicial or administrative proceeding arising in whole or in part out of the negligent performance by VALUEOPTIONS of any of its obligations under this Agreement, then VALUEOPTIONS shall indemnify and hold COUNTY harmless for any and all judgments, settlements, and costs (including reasonable attorneys' fees) which COUNTY incurs or pays in connection therewith except that VALUEOPTIONS shall not be required to reimburse for such amounts to the extent that the court rendering the judgment or the agency making the award determines that the liability underlying the judgment or award (or attorneys' fees with respect thereto) was caused by the gross negligence, fraud or criminal conduct of COUNTY, its agents, employees, officers or directors. This provision is not intended to obligate VALUEOPTIONS to compensate COUNTY for claims for Covered Services or attorneys' fees that COUNTY may pay as a result of judicial or administrative proceedings contesting a denial of benefits based on VALUEOPTIONS good faith recommendation that payment be denied because services were not Medically Necessary.

(b) In the event that VALUEOPTIONS, its officers, directors, employees or agents are made parties to any judicial or administrative proceeding arising in whole or in part out of the negligent performance by COUNTY of any of its obligations under this Agreement, then COUNTY, shall indemnify and hold VALUEOPTIONS harmless for any and all judgments, settlements and costs (including reasonable attorneys' fees) which VALUEOPTIONS incurs or pays in connection therewith except that COUNTY shall not be required to reimburse for such amounts to the extent that the court rendering the judgment or the agency making the award determines that the liability underlying the judgment or award (or attorneys' fees with respect thereto) was caused by the gross negligence, fraud or criminal conduct of VALUEOPTIONS, its agents, employees, officers or directors.

(c) The indemnifications provided for by this Section shall survive the termination of this Agreement.

6.2 **Notice**. VALUEOPTIONS and COUNTY will promptly notify one another of any complaint or litigation of which each becomes aware in connection with any transaction covered by this Agreement. Within forty-eight (48) hours of receipt, each will forward to the other any notice of litigation or document referencing litigation or any complaint letter from any state insurance department or other governmental body.

6.3 **Defense of Litigation**. Except as provided in this Section VI, each party shall be responsible at its own expense for defending itself in any litigation brought against it, whether or not the other party hereto is also a defendant, arising out of any aspect of activities engaged in connection with this Agreement. Each party agrees to provide to the other party information in its possession, which is essential to the other party's defense in such litigation, to the extent allowed by law.

6.4 **Insurance**. VALUEOPTIONS shall maintain professional liability insurance coverage to insure it against any claim for damages arising out of any acts or omissions in connection with VALUEOPTIONS establishment or operation of the VALUEOPTIONS services specified herein. Such coverage shall not be less than five million dollars ($5,000,000) per occurrence and ten million dollars ($10,000,000) aggregate. VALUEOPTIONS shall maintain Comprehensive General Liability Insurance, Directors', Trustees' and Officers' Liability Insurance Policy and Automobile Liability Insurance that shall provide a minimum of one million dollars ($1,000,000) aggregate liability coverage for each policy year. VALUEOPTIONS shall also maintain Workers' Compensation Insurance at limits as may be required under the California Labor Code. County shall be named as an additional insured on the Commercial General Liability insurance policy. ValueOptions shall furnish County with evidence that foregoing insurance policies are in force and that the County is endorsed as an additional insured on the Commercial General Liability Insurance policy.

VII. TERM; TERMINATION

7.1 **Term.** Unless terminated as provided herein, this Agreement shall be for a term of three (3) years beginning on July 1, 2009 and ending on June 30, 2012. At least ninety (90) days prior to the expiration of this Agreement, upon mutual written agreement, the parties may extend the term of this Agreement for two (2) additional one-year periods, not to exceed five (5) years in total. The parties agree to negotiate in good faith the compensation listed in Section 5.1 prior to the commencement of any additional one year period.

7.2 **Termination For Breach.** COUNTY shall have the right to immediately terminate this Agreement upon written notice to VALUEOPTIONS in the event of a breach of the Agreement by VALUEOPTIONS. VALUEOPTIONS shall have the right to terminate this Agreement for cause at any time by giving the COUNTY thirty (30) days prior written notice of a breach hereunder, provided that VALUEOPTIONS shall allow the COUNTY thirty (30) days in which to cure such breach. Should the COUNTY cure such breach to the reasonable satisfaction of VALUEOPTIONS on or before the effective date of termination, then this Agreement shall remain in full force and effect.

7.3 **Termination Without Cause.** Either party shall have the right to terminate this Agreement without cause by giving the other party sixty (60) days prior written notice. VALUEOPTIONS shall continue to make the Specialty Mental Health Services available to Eligible Beneficiaries during the sixty (60) day period following notice of termination without cause and COUNTY shall continue to pay VALUEOPTIONS during such sixty (60) days in accordance with the compensation set forth herein.

7.4 **Following Termination.** Following termination of this Agreement, VALUEOPTIONS will provide reasonable cooperation in the transition of its responsibilities to the entity selected by COUNTY to assume administration of the Specialty Mental Health Services. VALUEOPTIONS shall accept no new Eligible Beneficiary referrals from COUNTY after the effective date of such termination.

7.5 **Alteration of Terms.** No addition to, or alteration of, the terms of the body of this Agreement, or Service Exhibits hereto, whether by written or oral understanding of the parties, their officers, employees or agents, shall be valid and effective unless made in the form of a written amendment to this Agreement which is formally approved and executed by the parties in the same manner as this Agreement.

The County's Board of Supervisors or Chief Executive Officer or designee may require the addition and/or change of certain terms and conditions in the Agreement during the term of this Agreement. The County reserves the right to add and/or change such provisions as required by the County's Board of Supervisors or Chief Administrative Officer. To implement such orders, an Amendment to the Agreement shall be prepared and executed by the Contractor and by the Director of Mental Health.

VIII. MISCELLANEOUS PROVISIONS

8.1 **Record Maintenance and Inspection.**

(a) VALUEOPTIONS shall prepare and maintain all appropriate records on Eligible Beneficiaries receiving Specialty Mental Health Services from Providers. The records shall be maintained in accordance with prudent record-keeping procedures and as required by law.

(b) VALUEOPTIONS agrees to allow COUNTY reasonable review of any data and other records it maintains on Eligible Beneficiaries that relate to this Agreement. COUNTY shall have full access to records relating to billing, payment and assignment, and access to medical records to the limited extent necessary to enable COUNTY to audit VALUEOPTIONS performance of its obligations under this Agreement. Such review shall be allowed upon reasonable notice during regular business hours and shall be subject to all applicable laws and regulations concerning the confidentiality of such data or records.

8.2 **Confidentiality of Clinical Records & HIPAA.** COUNTY and VALUEOPTIONS agree to maintain the confidentiality of any clinical records of Eligible Beneficiaries as required by State and Federal law and COUNTY's and VALUEOPTIONS' confidentiality guidelines. In particular, VALUEOPTIONS and COUNTY agree to abide by the requirements of the Health Insurance Portability and Accountability Act ("HIPAA") and its implementing regulations. Pursuant to HIPAA, VALUEOPTIONS and COUNTY hereby enter into a Contractor's Obligation As A Business Associate Under The Health Insurance Portability and Accountability Act of 1996 Agreement as set forth in the attached Exhibit F, which is incorporated by reference as if set forth fully herein.

8.3 **Right of Audit.** COUNTY shall have the right upon reasonable notice at all reasonable times to audit and examine the records of VALUEOPTIONS which relate to this Agreement and the services provided hereunder insofar as such examination relates to, and is limited by, the transactions involving the services and compensation rendered under the terms of this Agreement. VALUEOPTIONS further agrees to cooperate and assist COUNTY in performance of an audit of a Preferred Provider, such audits being contemplated by the terms of the Preferred Providers contract with VALUEOPTIONS. Such audits may involve the reconciliation of eligibility, claims funding, compensation and fees as applicable. This right of audit may be exercised by the party, or by its duly authorized employee or agent or by an independent consultant designated by such party. The party requesting and conducting the audit shall bear all expenses of the audit which are not expenses incurred in the ordinary course of business.

8.4 **Operations of Parties**. All parties shall, throughout the term of this Agreement, use their best efforts to be in continuous compliance with all applicable laws and regulations.

8.5 **Proprietary Rights**.

(a) COUNTY acknowledges that VALUEOPTIONS and its subcontractor(s) and affiliate(s) have developed manuals, procedures, processes and information related to its services which are proprietary in nature and which constitute trade secrets of such party. COUNTY shall not use any such information or materials that may come into its possession other than as contemplated by this Agreement and in furtherance of its objectives.

(b) Neither party shall use the name, logos, trademarks or service marks of the other without the other's prior written consent, except that VALUEOPTIONS and its subcontractor(s) or affiliate(s) may include COUNTY in its listing of clients and COUNTY may use VALUEOPTIONS and VALUEOPTIONS' subcontractor(s) or affiliate(s) in its Plan materials.

8.6 **Disputes**. Any controversies or claims between COUNTY and VALUEOPTIONS arising out of or relating to this Agreement shall be submitted to non-binding mediation before a single mediator chosen by designated corporate officers of VALUEOPTIONS and officials of the COUNTY. The parties shall bear their own costs of mediation. Nothing contained in

this provision shall be construed to give any Eligible Beneficiary any rights to mediate any dispute with COUNTY or VALUEOPTIONS regarding benefits payment or any other matter related to administration of the Program.

8.7 **Relationship of Parties**. The relationship of the parties under this Agreement shall be that of independent contractors. Neither shall have any claim under this Agreement or otherwise against the other party as a joint venturer or partner.

8.8 **Designated Representatives**. Each party shall designate in writing a representative who shall represent it in the day-to-day administration of this Agreement. Such designation may be changed by either party by written notice to the other party as provided for below.

8.9 **Entire Agreement**. This Agreement represents the entire Agreement between the parties and supersedes any and all previous written or oral agreements or understandings.

8.10 **Delegation and Assignment.**

(a) VALUEOPTIONS shall not assign its rights or delegate its duties under the Agreement, or both, whether in whole or in part, without the prior written consent of County, in its discretion, and any attempted assignment or delegation without such consent shall be null and void. For purposes of this paragraph, County consent shall require a written amendment to the Agreement, which is formally approved and executed by the parties. Any payments by County to any approved delegate or assignee on any claim under the Agreement shall be deductible, at County's sole discretion, against the claims which Contractor may have against County.

(b) Shareholders, partners, members, or other equity holders of VALUEOPTIONS may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein. However, in the event any such sale, transfer, exchange, assignment, or divestment is effected in such a way as to give majority control of VALUEOPTIONS to any person(s), corporation, partnership, or legal entity other than the majority controlling interest therein at the time of execution of the Agreement, such disposition is an assignment requiring the prior written consent of County in accordance with applicable provisions of this Agreement.

Any assumption, assignment, delegation, or takeover of any of the VALUEOPTIONS' duties, responsibilities, obligations, or performance of same by any entity other than VALUEOPTIONS, whether through assignment, subcontract, delegation, merger, buyout, or any other mechanism, with or without consideration for any reason whatsoever without County's express prior written approval, shall be a material breach of the Agreement which may result in the termination of the Agreement. In the event of such termination, County shall be entitled to pursue the same remedies against VALUEOPTIONS as it could pursue in the event of default by VALUEOPTIONS

8.11 **Waiver**. Waiver of a breach of any provision of this Agreement shall not be deemed a waiver of any other breach of the same or different provision.

8.12 **Notices**. Any notice required by this Agreement shall be given in writing to the liaison person designated by a party, sent by United States mail, return receipt requested, or by Federal Express, UPS, or other overnight mail service, with postage prepaid and addressed to each party at the addresses set forth on the signature page, or at any other address of which a party has given notice in accordance with this Section. Notice shall be deemed given on the date of delivery or refusal as shown on the return receipt if delivered by mail or the date upon which such notice is personally delivered in writing to the following designated liaison person:

for COUNTY:

County of Los Angeles – Department of Mental Health
Contracts Development and Administration Division
550 S. Vermont Avenue, 5th Floor, Room 500
Los Angeles, CA 90020
Attention: Chief of Contracts

for VALUEOPTIONS:

Steve Holsenbeck, Service Center Vice President
ValueOptions, Inc.
7150 Campus Drive, Suite 300
Colorado Springs, CO 80920

Copy to VALUEOPTIONS designated Account Executive

8.13 **Administration.** Director of Mental Health shall have the authority to administer this Agreement on behalf of County. VALUEOPTIONS shall designate in writing a Contract Manager who shall function as liaison with County regarding VALUEOPTIONS' performance hereunder.

8.14 **Governing Law**. With respect to the contractual rights between VALUEOPTIONS and COUNTY, this Agreement shall be governed by, and construed in accordance with, the laws of California, excluding any conflicts of law, rules or principles that might otherwise refer the same to the law of another jurisdiction. This Agreement has been entered into and is to be performed in the County of Los Angeles. Accordingly, the parties agree that the venue of any action relating to this Agreement shall be in the County of Los Angeles.

8.15 **News Release**. Upon the execution of this Agreement by both parties, VALUEOPTIONS may write and distribute to the media and the general public a news release ("News Release") announcing the Agreement between VALUEOPTIONS and COUNTY. The News Release may be in any format. COUNTY shall have the opportunity to review and provide comments to VALUEOPTIONS on the News Release prior to its distribution provided that VALUEOPTIONS receives such comments with three (3) business days of providing the release to COUNTY. The COUNTY may appoint a spokesperson to provide a quote for the

News Release. Unless otherwise agreed upon by VALUEOPTIONS and COUNTY, VALUEOPTIONS shall have final approval of the News Release content.

8.16 **Extraordinary Circumstances.** Neither party nor their subcontractor(s) or affiliate(s) hereto shall be held responsible for delay or failure to perform hereunder when such delay or failure is due to fire, flood, epidemic, strikes, acts of God or the public enemy, acts of terrorism, acts of war, unusually severe weather, legal acts of public authorities, or delays or defaults caused by public carriers, or other circumstances which cannot reasonably be forecast or provided against (collectively "Extraordinary Circumstances").

Notwithstanding anything to the contrary in this Agreement, in the event that an Extraordinary Circumstance occurs and VALUEOPTIONS is required to perform its obligations under the conditions caused by the Extraordinary Circumstance or to perform services not originally contemplated under the Agreement, then VALUEOPTIONS shall have the right to increase its compensation rate by an amount or percentage mutually agreed to by the parties in writing. Failure by the parties to mutually agree to an increased compensation rate within 30 days after initiation of renegotiation by VALUEOPTIONS, as set forth herein, may result in termination of the Agreement at the election of either party.

8.17 **Nuclear Ordinance.** If applicable, the Nuclear Free Ordinance of COUNTY prohibits COUNTY from entering into any contracts with any contractor who is knowingly or intentionally engaged in the research, weapons systems, or nuclear weapon components, as defined in the ordinance. Any contracts or agreements resulting from this agreement will contain a provision requiring the Contractor to certify that it is not a Nuclear Weapons Contractor, as defined by the Nuclear Free County Ordinance.

8.18 **Child Support Compliance Program.**

(a) VALUEOPTIONS' Warranty of Adherence to County's Child Support Compliance Program: VALUEOPTIONS acknowledges that County has established a goal of ensuring that all individuals who benefit financially from County through contract are in compliance with their court-ordered child, family, and spousal support obligations in order to mitigate the economic burden otherwise imposed upon County and its taxpayers. As required by County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting VALUEOPTIONS' duty under this Agreement to comply with all applicable provisions of law, Contractor warrants that it is now in compliance and shall during the term of this Agreement maintain in compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholdings Orders or Child Support Services Department Notices of Wage and Earnings Assignment for Child, Family, or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

(b) Termination for Breach of Warranty to Maintain Compliance with County's Child Support Compliance Program: Failure of Contractor to maintain compliance with the

requirements set forth in Subparagraph A (VALUEOPTIONS' Warranty of Adherence to County's Child Support Compliance Program) shall constitute default under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement, failure of VALUEOPTIONS to cure such default within 90 calendar days of written notice shall be grounds upon which County may terminate this Agreement pursuant to Paragraph 7.2 (Termination for Breach) and pursue debarment of VALUEOPTIONS, pursuant to County Code Chapter 2.202.

8.19 Contractor's Exclusion From Participation In A Federally Funded Program.

VALUEOPTIONS hereby warrants that neither it nor any of its staff members is restricted or excluded from providing services under any health care program funded by the Federal government, directly or indirectly, in whole or in part, and that VALUEOPTIONS will notify Director within 30 calendar days in writing of: (1) any event that would require VALUEOPTIONS or a staff member's mandatory exclusion from participation in a federally funded health care program; and (2) any exclusionary action taken by any agency of the Federal government against VALUEOPTIONS or one or more staff members barring it or the staff members from participation in a federally funded health care program, whether such bar is direct or indirect, or whether such bar is in whole or in part.

There are a variety of different reasons why an individual or entity may be excluded from participating in a federally funded health care program. Sometimes, the exclusion is mandatory and in other cases the Office of Inspector General (OIG) has the discretion not to exclude.

The mandatory bases for exclusion include: (1) felony convictions for program related crimes, including fraud or false claims, or for offenses related to the dispensing or use of controlled substances, or (2) convictions related to patient abuse.

Permissive exclusions may be based on: (1) conviction of a misdemeanor related to fraud or financial misconduct involving a government program; (2) obstructing an investigation; (3) failing to provide access to documents or premises as required by federal health care program officials; (4) conviction of a misdemeanor related to controlled substances; (5) failing to disclose information about the entity itself, its subcontractors or its significant business transactions; (6) loss of a state license to practice a health care profession; (7) default on a student loan given in connection with education in a health profession; (8) charging excessive amounts to a federally funded health care program or furnishing services of poor quality or which are substantially in excess of the needs of the patients; (9) paying a kickback or submitting a false or fraudulent claim. Persons controlling or managing excluded entities who knew of the conduct leading to the exclusion can themselves be excluded, and entities which are owned and controlled by excluded individuals can also be excluded.

VALUEOPTIONS shall indemnify and hold County harmless against any and all loss or damage County may suffer arising from any Federal exclusion of VALUEOPTIONS or its

staff members from such participation in a Federally funded health care program. VALUEOPTIONS shall provide the certification set forth in Exhibit H as part of its obligation under this Paragraph.

Failure by VALUEOPTIONS to meet the requirements of this Paragraph shall constitute a material breach of Agreement upon which County may immediately terminate or suspend this Agreement.

8.20 **Nondiscrimination and affirmative action.** VALUEOPTIONS certifies and agrees that all persons employed by it, its affiliates, and subsidiaries are and shall be treated equally without regard to or because of race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or political affiliation, and that it is in compliance with all applicable federal and state anti-discrimination laws and regulations.

8.21 **County Lobbyists.** Contractor and each County lobbyist or County lobbying firm as defined in Los Angeles County Code Section 2.160.010, retained by VALUEOPTIONS, shall fully comply with County's Lobbyist Ordinance, Los Angeles County Code Chapter 2.160. Failure on the part of Contractor or any County lobbyist or County lobbying firm retained by VALUEOPTIONS to fully comply with County's Lobbyist Ordinance shall constitute a material breach of this Agreement upon which County may immediately terminate or suspend this Agreement.

Restriction On Lobbying: If any Federal funds are to be used to pay for any of VALUEOPTIONS' services under this Agreement, VALUEOPTIONS shall fully comply with all certification and disclosure requirements prescribed by Section 319 of Public Law 101-121 (31 United States Code Section 1352) and any implementing regulations, and shall ensure that each of its subcontractors receiving funds under this Agreement also fully complies with all such certification and disclosure requirements.

8.22 **Contractor Responsibility and Debarment**. The following requirements set forth in the County's Non-Responsibility and Debarment Ordinance (Title 2, Chapter 2.202 of the County Code) are effective for this Agreement, except to the extent applicable State and/or Federal laws are inconsistent with the terms of the Ordinance.

(a) A responsible Contractor is a Contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the County's policy to conduct business only with responsible contractors.

(b) VALUEOPTIONS is hereby notified that, in accordance with Chapter 2.202 of the County Code, if the County acquires information concerning the performance of VALUEOPTIONS on this or other Agreements which indicates that the Contractor is not responsible, the County may, in addition to other remedies provided in the Agreement, debar the Contractor from bidding or proposing on, or being awarded, and/or performing work on County Agreements for a specified period of time not to

exceed 3 years, and terminate any or all existing Agreements the Contractor may have with the County.

(c) The County may debar a Contractor if the Board of Supervisors finds, in its discretion, that the Contractor has done any of the following: (1) violated a term of an Agreement with the County or a nonprofit corporation created by the County, (2) committed an act or omission which negatively reflects on the Contractor's quality, fitness or capacity to perform a contract with the County, any other public entity, or a nonprofit corporation created by the County, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County or any other public entity.

(d) If there is evidence that the Contractor may be subject to debarment, the Department will notify the Contractor in writing of the evidence which is the basis for the proposed debarment and will advise the Contractor of the scheduled date for a debarment hearing before the Contractor Hearing Board.

(e) The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The Contractor and/or the Contractor's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a tentative proposed decision, which shall contain a recommendation regarding whether the contractor should be debarred, and, if so, the appropriate length of time of the debarment. The Contractor and the Department shall be provided an opportunity to object to the tentative proposed decision prior to its presentation to the Board of Supervisors.

(f) After consideration of any objections, or if no objections are submitted, a record of the hearing, the proposed decision and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny or adopt the proposed decision and recommendation of the Hearing Board.

(g) These terms shall also apply to subcontractors of County Contractors.

8.23 **Termination for Improper Consideration**. County may, by written notice to VALUEOPTIONS, immediately terminate the right of VALUEOPTIONS to proceed under this Agreement if it is found that consideration, in any form, was offered or given by VALUEOPTIONS, either directly or through an intermediary, to any County officer, employee or agent with the intent of securing the Agreement or securing favorable treatment with respect to the award, amendment or extension of the Agreement or the making of any determinations with respect to the Contractor's performance pursuant to the Agreement. In the event of such termination, County shall be entitled to pursue the same remedies against VALUEOPTIONS as it could pursue in the event of default by the Contractor.

VALUEOPTIONS shall immediately report any attempt by a County officer or employee to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or to the County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861.

Among other items, such improper consideration may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts.

8.24 **Consideration of Hiring County Employees Targeted for Layoff or Former County Employees on A Reemployment List**. Should VALUEOPTIONS require additional or replacement personnel after the effective date of this Agreement to perform the services set forth herein, VALUEOPTIONS shall give first consideration for such employment openings to qualified permanent County employees who are targeted for layoff or qualified former County employees who are on a reemployment list during the term of this Agreement.

8.25 **Use of Recycled-Content Paper Products**. Consistent with the Board of Supervisors' policy to reduce the amount of solid waste deposited at the County landfills, VALUEOPTIONS agrees to use recycled-content paper to the maximum extent possible on the Project.

8.26 **County's Quality Assurance Plan.** The County or its agent will evaluate VALUEOPTIONS' performance under this Agreement on not less than an annual basis. Such evaluation will include assessing VALUEOPTIONS' compliance with all contract terms and performance standards. VALUEOPTIONS deficiencies which County determines are severe or continuing and that may place performance of the Agreement in jeopardy if not corrected will be reported to the Board of Supervisors. The report will include improvement/corrective action measures taken by the County and VALUEOPTIONS. If improvement does not occur consistent with the corrective action measures, County may terminate this Agreement or impose other penalties as specified in this Agreement.

8.27 **Conflict of Interest.** No COUNTY employee whose position in COUNTY enables such employee to influence the award or administration of this Agreement, and no spouse or economic dependent of such employee, shall be employed in any capacity by VALUEOPTIONS or have any direct or indirect financial interest in this Agreement. No officer or employee of VALUEOPTIONS who may financially benefit from the provision of services hereunder shall in any way participate in COUNTY's approval, or ongoing evaluation, of such services, or in any way attempt to unlawfully influence COUNTY's approval or ongoing evaluation of such services.

VALUEOPTIONS shall comply with all conflict of interest laws, ordinances and regulations now in effect or hereafter to be enacted during the term of this Agreement. VALUEOPTIONS warrants that it is not now aware of any facts which create a conflict of interest. If VALUEOPTIONS hereafter becomes aware of any facts which might reasonably be expected to create a conflict of interest, it shall immediately make full written disclosure

of such facts to COUNTY. Full written disclosure shall include, without limitation, identification of all persons implicated and complete description of all relevant circumstances.

8.28 **Compliance With Jury Service Program.**

(a) Jury Service Program: This Agreement is subject to the provisions of the County's ordinance entitled Contractor Employee Jury Service ("Jury Service Program") as codified in Sections 2.203.010 through 2.203.090 of the Los Angeles County Code.

(b) Written Employee Jury Service Policy:

(1) Unless Contractor has demonstrated to the County's satisfaction either that Contractor is not a "Contractor" as defined under the Jury Service Program (Section 2.203.020 of the County Code) or that Contractor qualifies for an exception to the Jury Service Program (Section 2.203.070 of the County Code), Contractor shall have and adhere to a written policy that provides that its Employees shall receive from the Contractor, on an annual basis, no less than five days of regular pay for actual jury service. The policy may provide that Employees deposit any fees received for such jury service with the Contractor or that the Contractor deduct from the Employee's regular pay the fees received for jury service.

(2) For purposes of this Section, "Contractor" means a person, partnership, corporation or other entity which has an Agreement with the County or a subcontract with a County Contractor and has received or will receive an aggregate sum of $50,000 or more in any 12-month period under one or more County Agreements or subcontracts. "Employee" means any California resident who is a full-time employee of Contractor. "Full-time" means 40 hours or more worked per week or a lesser number of hours if: 1) the lesser number is a recognized industry standard as determined by the County, or 2) Contractor has a long-standing practice that defines the lesser number of hours as full-time. Full-time employees providing short-term, temporary services of 90 days or less within a 12-month period are not considered full-time for purposes of the Jury Service Program. If Contractor uses any subcontractor to perform services for the County under the Agreement, the subcontractor shall also be subject to the provisions of this Section. The provisions of this Section shall be inserted into any such subcontract Agreement and a copy of the Jury Service Program shall be attached to the Agreement.

(3) If Contractor is not required to comply with the Jury Service Program when the Agreement commences, Contractor shall have a continuing obligation to review the applicability of its "exception status" from the Jury Service Program, and Contractor shall immediately notify County if Contractor at any

time either comes within the Jury Service Program's definition of "Contractor" or if Contractor no longer qualifies for an exception to the Program. In either event, Contractor shall immediately implement a written policy consistent with the Jury Service Program. The County may also require, at any time during the Agreement and at its sole discretion, that Contractor demonstrate to the County's satisfaction that Contractor either continues to remain outside of the Jury Service Program's definition of "Contractor" and/or that Contractor continues to qualify for an exception to the Program.

(4) Contractor's violation of this section of the Agreement may constitute a material breach of the Agreement. In the event of such material breach, County may, in its sole discretion, terminate the Agreement and/or bar Contractor from the award of future County Agreements for a period of time consistent with the seriousness of the breach.

8.29 **CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION – LOWER TIER COVERED TRANSACTION (45 C.F.R. PART 76).** VALUEOPTIONS hereby acknowledges that the County is prohibited from contracting with and making sub-awards to parties that are suspended, debarred, ineligible, or excluded or whose principals are suspended, debarred, ineligible, or excluded from securing federally funded contracts. By executing this Agreement, VALUEOPTIONS certifies that neither it nor any of its owners, officers, partners, directors or other principals is currently suspended, debarred, ineligible, or excluded from securing federally funded contracts. Further, by executing this Agreement, VALUEOPTIONS certifies that, to its knowledge, none of its subcontractors, at any tier, or any owner, officer, partner, director or other principal of any subcontractor is currently suspended, debarred, ineligible, or excluded from securing federally funded contracts. VALUEOPTIONS shall immediately notify County in writing, during the term of this Agreement, should it or any of its subcontractors or any principals of either be suspended, debarred, ineligible, or excluded from securing federally funded contracts. Failure of VALUEOPTIONS to comply with this provision shall constitute a material breach of this Agreement upon which the County may immediately terminate or suspend this Agreement.

8.30 **Limitation of County's Obligation Due to Nonappropriation of Funds**. Notwithstanding any other provision of this Agreement, County shall not be obligated for VALUEOPTIONS' performance hereunder or by any provision of this Agreement during this or any of County's future fiscal years unless and until County's Board of Supervisors appropriates funds for this Agreement in County's Budget for each such fiscal year. Should County, during this or any subsequent fiscal year impose budgetary restrictions which appropriate less than the amount provided for in Subparagraph B (Reimbursement For Initial Period) and Subparagraph C (Reimbursement If Agreement Is Automatically Renewed) of this Agreement, County shall reduce services under this Agreement consistent with such imposed budgetary reductions. In the event funds are not appropriated for this Agreement, then this Agreement shall terminate

as of June 30 of the last fiscal year for which funds were appropriated. County shall notify VALUEOPTIONS of any such changes in allocation of funds at the earliest possible date.

8.31 **Consideration For Hiring Greater Avenues For Independence (GAIN) Participants.** Should VALUEOPTIONS require additional or replacement personnel after the effective date of this Agreement, VALUEOPTIONS shall give consideration for any such employment openings to participants in the County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program who meet Contractor's minimum qualifications for the open position. The County will refer GAIN participants by job category to VALUEOPTIONS.

8.32 **Six Months Notification of Agreement Expirations.** VALUEOPTIONS shall notify County when this Agreement is within six (6) months of expiration. VALUEOPTIONS shall send such notice to those persons and addresses which are set forth in Paragraph 8.12 (Notices).

No Payment for Services Provided Following Expiration/Termination of Contract: VALUEOPTIONS shall have no claim against County for payment of any money or reimbursement, of any kind whatsoever, for any service provided by Contractor after the expiration or other termination of this Contract. Should VALUEOPTIONS receive any such payment, it shall immediately notify County and shall immediately repay all such funds to County. Payment by County for services rendered after expiration/termination of this Contract shall not constitute a waiver of County's right to recover such payment from VALUEOPTIONS. This provision shall survive the expiration or other termination of this Contract.

8.33 **Notice to Employees Regarding the Federal Earned Income Credit.** VALUEOPTIONS shall notify its employees, and shall require each subcontractor to notify its employees, that they may be eligible for the Federal Earned Income Credit under the Federal income tax laws. Such notice shall be provided in accordance with the requirements set forth in Internal Revenue Service Notice 1015.

8.34 **Contractor's Acknowledgement of County's Commitment to the Safely Surrendered Baby Law.** VALUEOPTIONSr acknowledges that the County places a high priority on the implementation of the Safely Surrendered Baby Law. VALUEOPTIONS understands that it is the County's policy to encourage all County Contractors to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at the Contractor's place of business. VALUEOPTIONS will also encourage its subcontractors, if any, to post this poster in a prominent position in the subcontractor's place of business. The County's Department of Children and Family Services will supply the Contractor with the poster to be used.

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

ValueOptions, Inc.
CONTRACTOR

By _____

Name Steve Holsenbeck, M.D.

Title Service Center Vice President
(AFFIX CORPORATE SEAL HERE)

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

EXHIBIT A

California Counties/The ASO Scope of Services

ASO Program Benefit Administration:

- ValueOptions will administer (routine) outpatient specialty mental health services for full scope out-of-county youth, ages 0 through 18, in California.
- Customer service 800 phone number
- 24 hours a day/365 days a year service
- Dedicated Full-Time Account Manager
- Dedicated IT and Eligibility Analysts
- Peer Advisor/Psychologist for Psychological Testing Pre-authorization
- Customized ValueOptions Website (standard format across all counties)
- Semi-Annual and Annual Reporting (standard format across all counties)
- ASO Provider Network (credentialing/recredentialing)
- Quality Review and Management Program (standard across all counties)
- Bi-monthly provider claims payment (county funding within 10 business days of check run)
- Telephone abandonment rate of less than 3%
- Telephone average speed of answer of 20 seconds or less
- Routine appointments within 7 calendar days

Operational Functions:

- The ASO will be responsible for providing the following services functions to caregivers, and providers:

    - Claims payment information, and problem resolution
    - Routine outpatient mental health authorizations
    - Authorization Status
    - Ongoing procedural education

Contract:

- The ASO and the County will adhere to the terms in the contract from July 1, 2009 through June 30, 2012.

Provider Network:

- The ASO will maintain a network of providers that meets the cultural, linguistic and specialty needs of the population.
- The ASO will assist California Counties in obtaining medical records from providers to the extent of the attached workflow (see attachment A-1 at end of Exhibit).

Claims:

- Claims will be processed and paid from the ASO to the providers. California Counties will provide the ASO with funds for bi-monthly check runs.

- The ASO will provide California Counties with standard invoices documenting the request for claims funding accompanied by a Paid Claims Report

- The ASO will submit invoices to California Counties on a bi-monthly basis.

Authorizations:

- Authorizations time span for professional therapy services will be 13 units over 3-month period.
- Authorizations time span for pharmacological management will be 7 units over 6-month period.

Internet Usage:

- ValueOptions recognizes the need for the careful handling of member information, particularly as it relates to behavioral health treatment. ValueOptions is deploying an Internet based solution for the transmission of data between ValueOptions and California Counties. It is ValueOptions full intent to implement adequate Internet security including encryption, authentication and a management scheme that incorporates password/key management systems.

EXHIBIT B

See attached Psychological Testing Request Form
Exhibit B - Psych Test Form (2).txt

ValueOptions

Request For Medical Necessity Determination For Psychological Testing

Patient Name _____ Date of Birth _____

Employee's Name _____ Employer _____

Employee's Address _____

Employee SSN _____ Patient's Relationship to Employee _____

Name of Psychological Tester _____ Network Non-Network

Discipline & State License and Number _____

Are you independently licensed? Yes No

Address _____

Telephone Number _____

City/State/Zip _____

Tax I.D. Number _____

Name of Therapist (if different from above) _____

Network Non-Network

Discipline & State License and Number _____

Are you independently licensed? Yes No

Address _____

Telephone Number _____

City/State/Zip _____

Tax I.D. Number _____

A. (I.) Who initiated referral? (If MD, what is MD's specialty?) _____

(Ii.) What are the referral questions? _____

B. Current possible DSM-IV Diagnosis under evaluation:

Diagnosis: Axis I: _____ Axis II: _____ Axis III: _____

Axis IV: _____ Axis V (*current*): _____ (*highest in 12 months*): _____

C. History of patient (*Summary of psychosocial/medical info. and past treatment; include any past psychological testing, date and results*):

_____

_____

_____

_____

D. Describe how proposed testing will impact future psychological treatment:

_____

_____

_____

_____

E. List test(s) planned and time required. *(Note: time required for each test should include administration, scoring and interpretation and brief write-up. ValueOptions does not reimburse for lengthy reports; see Provider Manual for "Sample Psychological Testing Evaluation Form")*

Specific Test Planned	**Hours required**
Total Time Required:	

Note: See *ValueOptions* Provider Manual for complete testing guidelines/criteria. Following are two guidelines that have frequent relevance:

1. Testing that is primarily for educational purposes is not a covered benefit. (This disqualifier may be subject to account specific arrangements.)
2. Extended testing for ADHD is not authorized prior to a thorough evaluation with rating scales. (Providers should usually first seek approval for a 90801 and a 90806 for rating scale review and feedback before requesting further ADHD testing. Provide clear explanation in Section C above why initial evaluation was insufficient to answer the ADHD referral questions.)

_____ _____

Signature of Psychologist/Tester Date

EXHIBIT C

COMPLAINTS & GRIEVANCES PROCESS

ValueOptions offers a complaint and grievance resolution process, which includes a two-level grievance appeal process. The complaint process is initiated by using the following procedure:

1) You or your representative will communicate your complaint in writing or telephonically to a *ValueOptions* representative by calling *ValueOptions* at **800-236-0756**.

2) A *ValueOptions* representative will attempt to resolve your complaint at the time of your call. In the event that a complaint cannot be answered at the first point of contact, and needs to be forwarded to another individual for follow up, the status of your complaint remains open until a final determination is made. An acknowledgement letter will be sent to you or your representative acknowledging your written/telephonic complaint within five (5) business days of *ValueOptions* receiving it. *ValueOptions* makes every effort to provide an outcome of determination or resolution of your complaint in a timely matter and is in accordance with the claim filing limitations.

3) Once a determination regarding your written/telephonic complaint has been made, a resolution letter is sent to you or your representative. You will be advised of the right to appeal or grieve *ValueOptions'* determination and will be provided with the necessary information for completing your grievance of the determination.

The appeal process is initiated by using the following procedure:

4) If you are not satisfied with the outcome of the determination or resolution of your complaint, you may request an Appeal of the determination within 60 days of the date of *ValueOptions'* determination. You may file this appeal of your grievance in writing and send to the **home county** of the beneficiary (child).

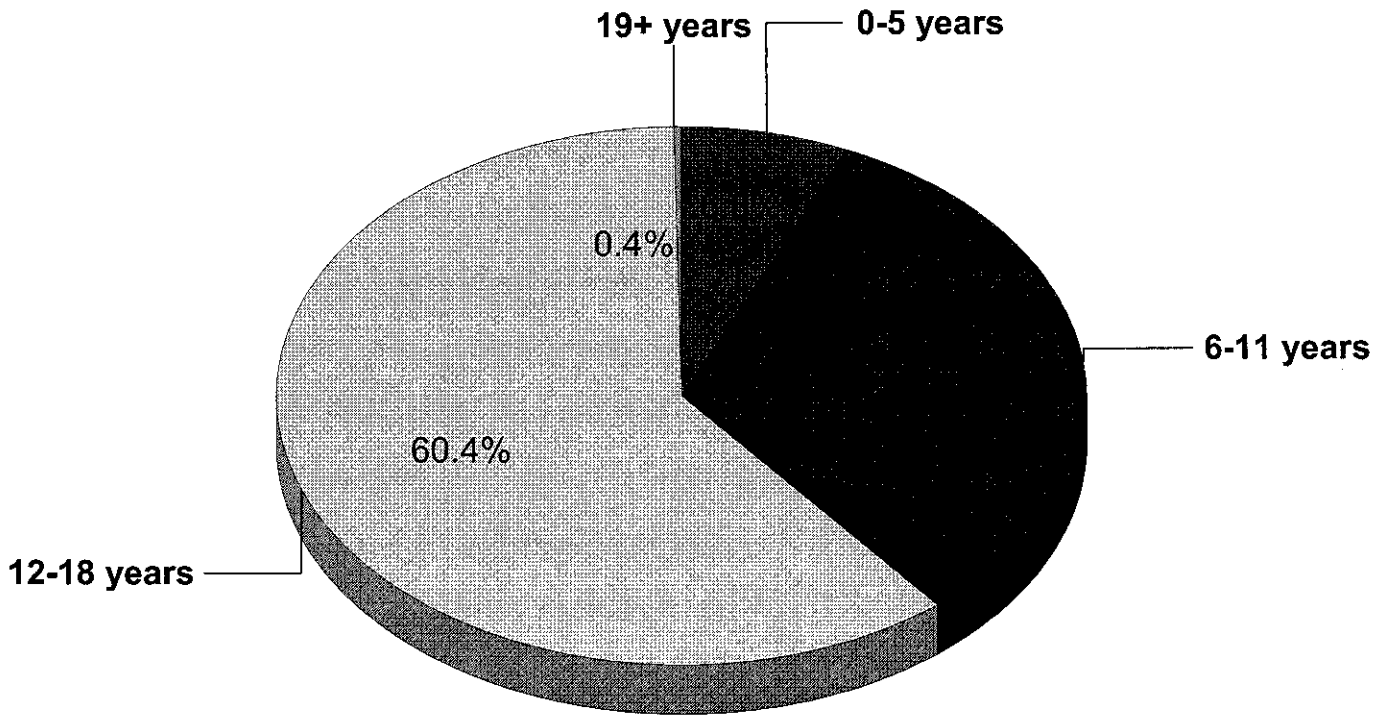
EXHIBIT D

See attached trend reports
Los Angeles_Trend_20080630.pdf

Report Title	**ASO Child Characteristics: Age Distribution**
Client Name	**California Counties LOS ANGELES**
Report Period	**From** 01/01/08 **to** 12/31/08

Report Description/Data Source

A Chart that summarizes utilization by Age.
Tales Prt_claim_lh, GRPMAS



* The sum of youth by age category may exceed the unduplicated count of youth served due to youth moving from one age group into another after a birthday.

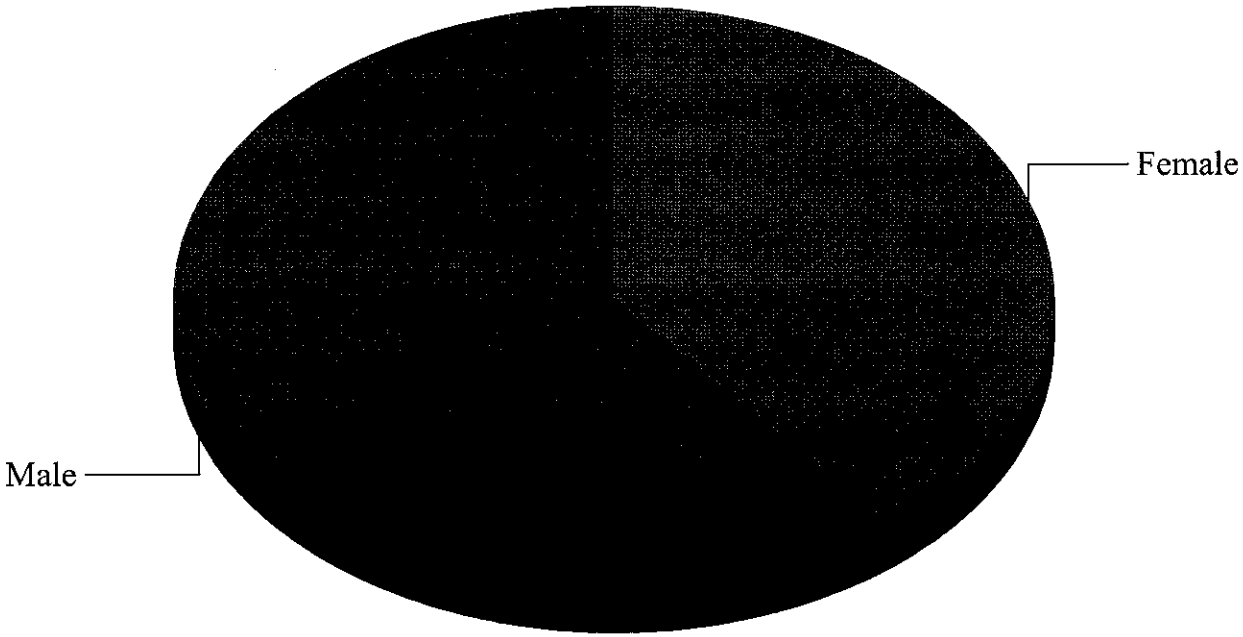
Report Title ASO Child Characteristics: Gender Distribution

Client Name California Counties LOS ANGELES

Report Period From 01/01/08 to 12/31/08

Report Description/Data Source

A chart that summarizes utilization by Gender.
Tables: rpt_claim_lb



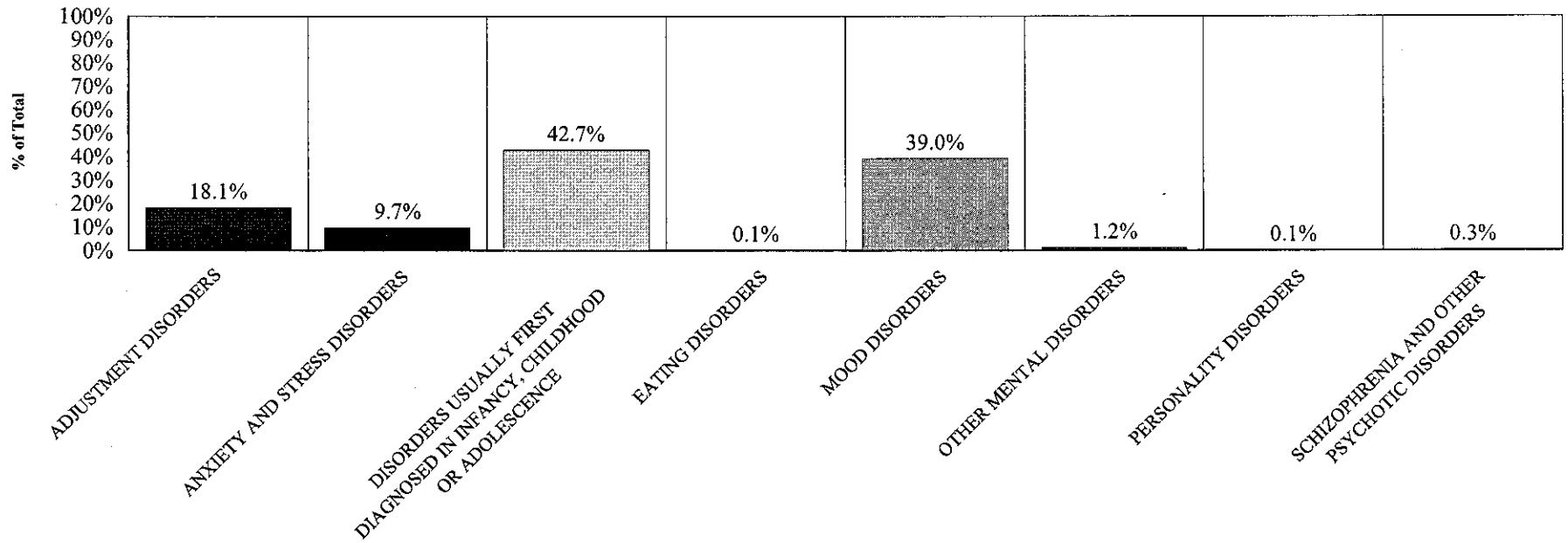
Report Title	**Diagnoses (Based on Claims)**			
Client Name	**California Counties**	**LOS ANGELES**		
Report Period	**From** 01/01/08	**to**	12/31/08	

Report Description/Data Source

A Graph that summarizes the diagnoses trends diagnosos per distinct member
Tables: rpt_claim_lb

Diagnosis	Count
ADJUSTMENT DISORDERS	220
ANXIETY AND STRESS DISORDERS	118
DISORDERS USUALLY FIRST DIAGNOSED IN INFANCY, CHILDHOOD OR ADOLESCENCE	518
EATING DISORDERS	1
MOOD DISORDERS	473
OTHER MENTAL DISORDERS	14
PERSONALITY DISORDERS	1
SCHIZOPHRENIA AND OTHER PSYCHOTIC DISORDERS	4
Distinct Count of Unique Members	**1,213**

Diagnosis Trends



* The sum of youth by diagnoseis category may exceed the unduplicated count of youth served due to youth having a change in diagnosis over the course of treatment.

Report Title	**CPT Code (based on services)**			
Client Name	**California Counties**	**LOS ANGELES**		
Report Period	**From** 01/01/08	**to** 12/31/08		

Report Description/Data Source

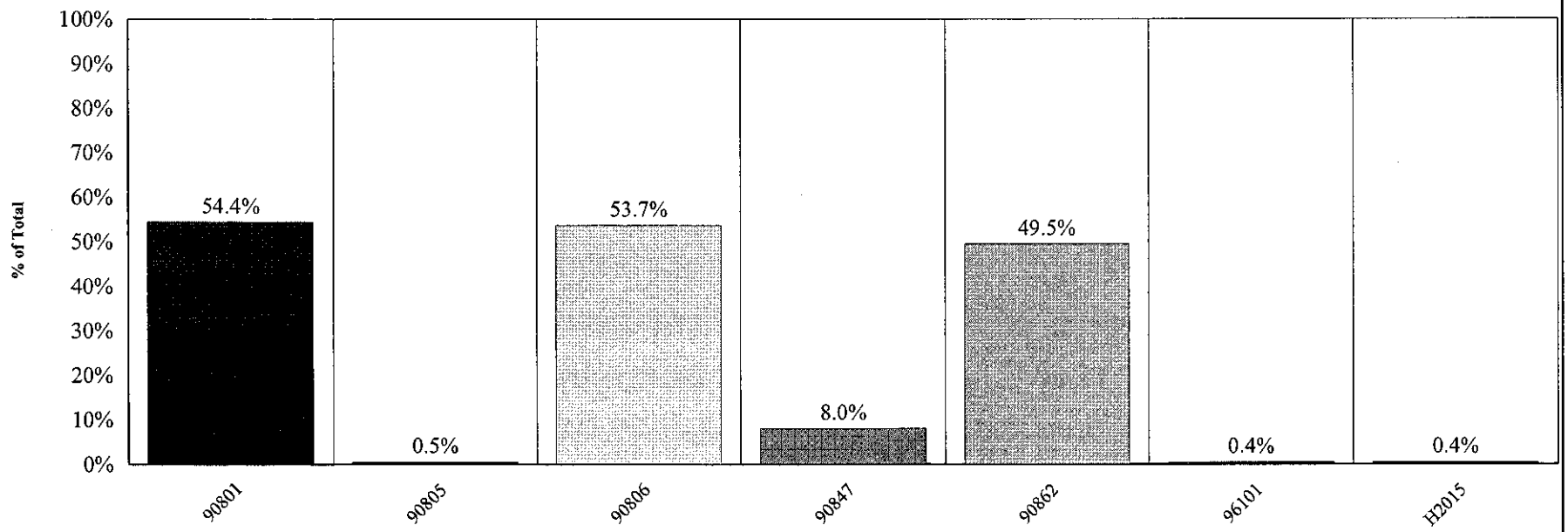
A Chart that summarizes utilization by CPT Code (service code 90802 excluded).
Tables: rpt_claim_lb

CPT Code	Description	# of Distinct Members with Service:	Total # Services Provided:
90801	PSYCHIATRIC DIAGNOSTIC INTERVIEW EXAMINATION	660	757
90805	INDIVIDUAL PSYCHOTHERAPY, INSIGHT ORIENTED,	6	17
90806	INDIVIDUAL PSYCHOTHERAPY, INSIGHT ORIENTED,	651	7039
90847	FAMILY PSYCHOTHERAPY(CONJOINT PSYCHOTHERA	97	473
90862	PHARMACOLOGICAL MANAGEMENT, INCLUDING PRE:	600	2444
96101	PSYCHOLOGICAL TESTING	5	22
H2015		5	22

Distinct Count of Unique Members: 1,213 **Total Services Provided:** 10,774

Average Units per Member: 9

CPT Trends



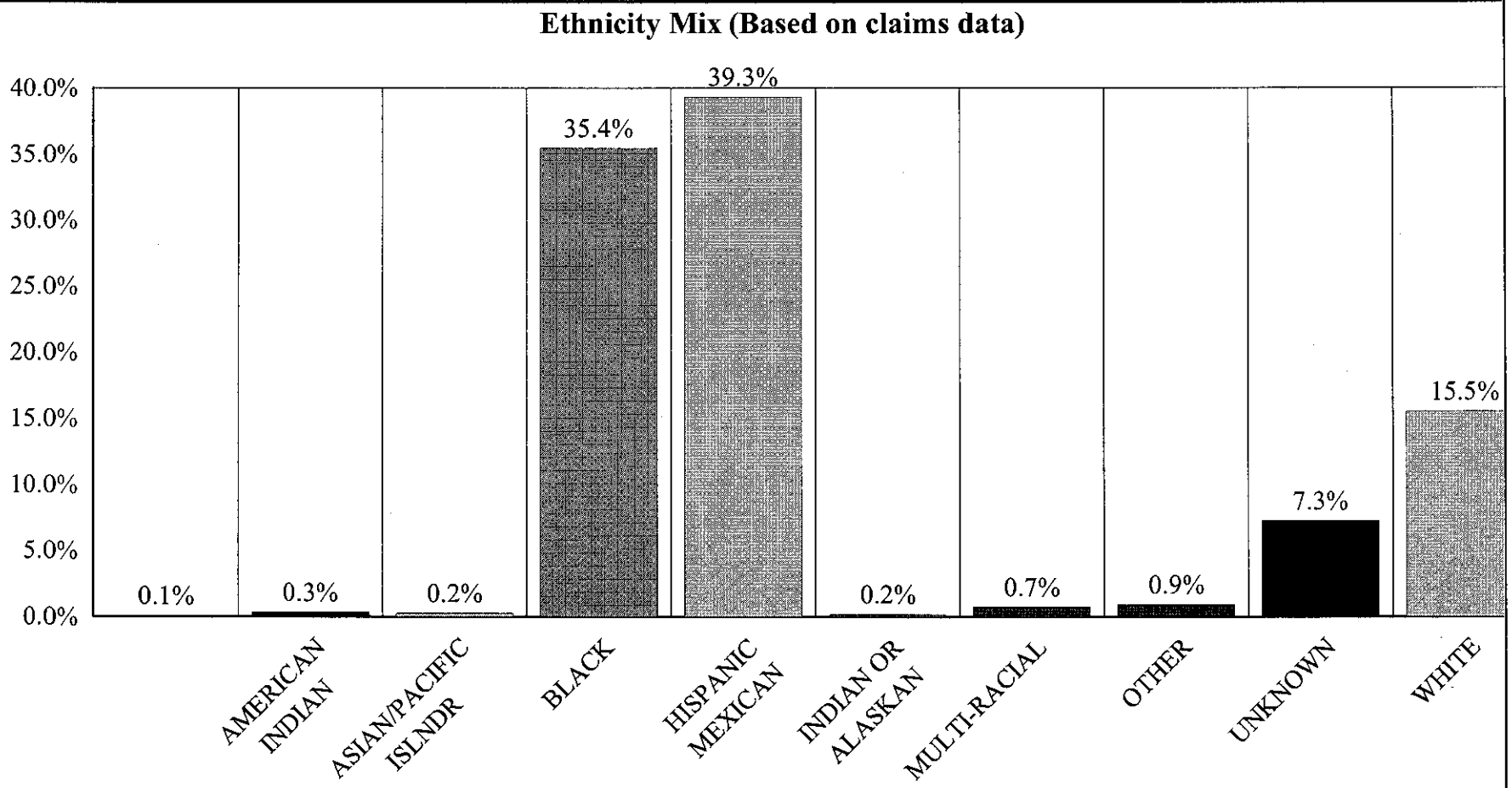
Report Title ASO Ethnicity Mix (Based on claims data)

Client Name California Counties LOS ANGELES

Report Period From 01/01/08 to 12/31/08

Report Description/Data Source

A Chart that summarizes utilization by Ethnicity.
Tables: dw_member; rpt_claim_lb;GRPMAS



Report Title	**ASO Cost Data Per Transaction Per Child**	
Client Name	**California Counties**	**LOS ANGELES**
Report Period	**From** 01/01/08 **to** 12/31/08	

Report Description/Data Source

A table which compares Cost per Service and Cost per Member.

Source:rpt_claim_lb; grpmas

Cost Data Per Transaction Per Child

Average Cost Per Service:	**$62.32**
Average Cost Per Member:	**$553.56**

Report Title **ASO Living Arrangements**

Client Name **California Counties LOS ANGELES**

Report Period **From** 01/01/08 **to** 12/31/08

Report Description/Data Source

This report charts member's living arrangements. This counts Uniqeu Members and groups by Living Arrangements, base on

Data source: CMHDA_Trend_LivArr (rpt_trend_report, ref_rf1mas)

Living Arrangements	Count
FOSTER FAMILY HOME	337
GRP HOME(LEVELS 1-12)	226
JUSTICE RELATED	1
OTHER	627
UNKNOWN/NOT REPORTED	22
Distinct Count of Members	**1,213**

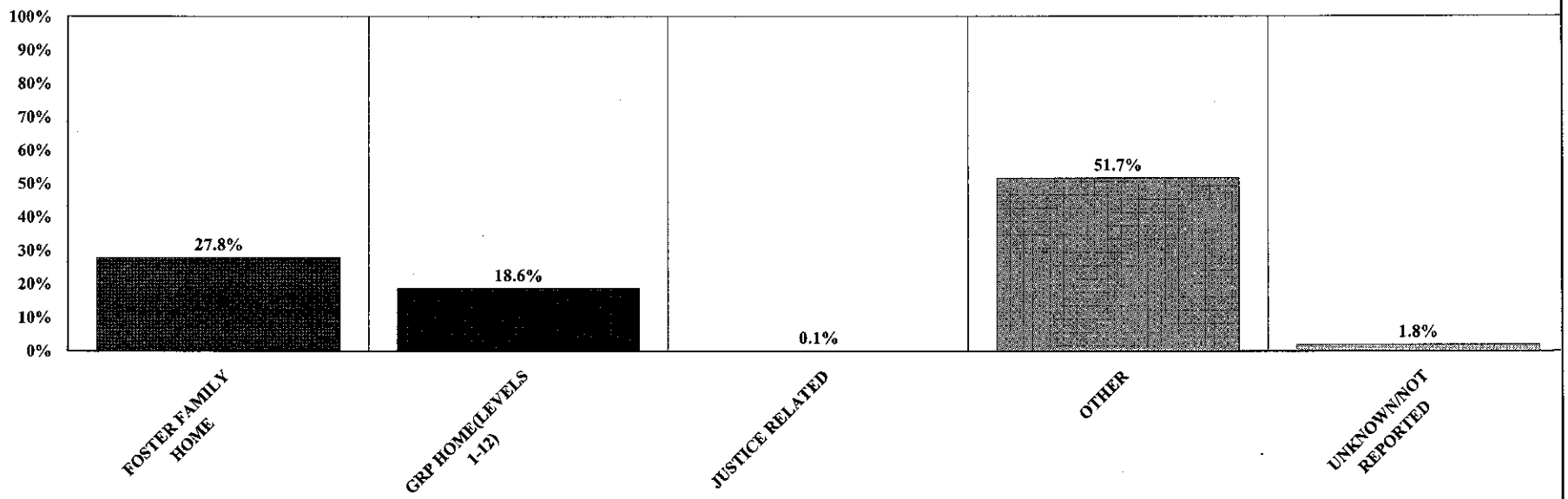


EXHIBIT E – FEE SCHEDULE

Fee schedule Tier 2 (Los Angeles County):

CPT code	Description	Psychiatrist MD	Child Psychiatrist MD	Psychologist PhD	Masters Level
90801	Initial Diagnostic Evaluation (up to 90 min)	$116.00	$145.00	$65.00	$65.00
90804	Individual psychotherapy (up to 30 minutes)			$26.00	$26.00
90805	Individual psychotherapy with medical eval and management services (up to 30 minutes)	$55.00	$65.00		
90806	Individual psychotherapy (up to 60 minutes)			$55.00	$55.00
90807	Individual psychotherapy with medical eval and management services (up to 60 minutes)	$55.00	$65.00		
90847	Family Therapy/Collateral (up to 90 minutes)			$55.00	$55.00
90853	Group Therapy (other than of a multiple-family group (up to 90 minutes)			$20.00	$20.00
90862	Medication check/Evaluation (up to 30 minutes)	$55.00	$65.00		
96101	Psychological Testing per 60 minutes			$55.00	
H2015	Comprehensive Community Support Service (up to 15 minutes; Max 4 units per day)	$13.75	$16.25	$13.75	$13.75

EXHIBIT F

VALUEOPTIONS' OBLIGATION AS A BUSINESS ASSOCIATE UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996:

Under this Agreement, VALUEOPTIONS ("Business Associate") provides services ("Services") to County ("Covered Entity") and Business Associate receives, has access to, or creates Protected Health Information in order to provide those Services. Covered Entity is subject to the Administrative Simplification requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and regulations promulgated thereunder, including the Standards for Privacy of Individually Identifiable Health Information ("the Privacy Regulations") and the Health Insurance Reform: Security Standards ("the Security Regulations") at 45 Code of Federal Regulations Parts 160 and 164 ("together, the "Privacy and Security Regulations").

The Privacy and Security Regulations require Covered Entity to enter into a contract with Business Associate in order to mandate certain protections for the privacy and security of Protected Health Information, and those Regulations prohibit the disclosure to or use of Protected Health Information by Business Associate if such a contract is not in place;

Therefore, the parties agree as follows:

DEFINITIONS

1.1 "Disclose" or "Disclosure" means, with respect to Protected Health Information, the release, transfer, provision of access to, or divulging in any other manner of Protected Health Information outside Business Associate's internal operations or to other than its employees.

1.2 "Electronic Media" has the same meaning as the term "electronic media" in 45 C.F.R. § 160.103. Electronic Media means (1) Electronic storage media including memory devices in computers (hard drives) and any removable/transportable digital memory medium, such as magnetic tape or disk, optical disk, or digital memory card; or (2) Transmission media used to exchange information already in electronic storage media. Transmission media include, for example, the internet (wide-open), extranet (using internet technology to link a business with information accessible only to collaborating parties), leased lines, dial-up lines, private networks, and the physical movement of removable/transportable electronic storage media. Certain transmissions, including of paper, via facsimile, and of voice, via telephone, are not considered to be transmissions via electronic media, because the information being exchanged did not exist in electronic form before the transmission.

1.3 "Electronic Protected Health Information" has the same meaning as the term "electronic protected health information" in 45 C.F.R. § 160.103. Electronic Protected Health Information means Protected Health Information that is (i) transmitted by electronic media; (ii) maintained in electronic media.

1.4 "Individual" means the person who is the subject of Protected Health Information and shall

include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

1.5 "Protected Health Information" has the same meaning as the term "protected health information" in 45 C.F.R. § 160.103, limited to the information created or received by Business Associate from or on behalf of Covered Entity. Protected Health Information includes information, whether oral or recorded in any form or medium, that (i) relates to the past, present, or future physical or mental health or condition of an Individual; the provision of health care to an Individual, or the past, present or future payment for the provision of health care to an Individual; (ii) identifies the Individual (or for which there is a reasonable basis for believing that the information can be used to identify the Individual); and (iii) is received by Business Associate from or on behalf of Covered Entity, or is created by Business Associate, or is made accessible to Business Associate by Covered Entity. "Protected Health Information" includes Electronic Health Information.

1.6 "Required By Law" means a mandate contained in law that compels an entity to make a Use or Disclosure of Protected Health Information and that is enforceable in a court of law. Required by law includes, but is not limited to, court orders and court-ordered warrants; subpoenas or summons issued by a court, grand jury, a governmental or tribal inspector general, or any administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions of participation with respect to health care providers participating in the program; and statutes or regulations that require the production of information, including statutes or regulations that require such information if payment is sought under a government program providing benefits.

1.7 "Security Incident" means the attempted or successful unauthorized access, Use, Disclosure, modification, or destruction of information in, or interference with system operations of, an Information System which contains Electronic Protected Health Information. However, Security Incident does not include attempts to access an Information System when those attempts are not reasonably considered by Business Associate to constitute an actual threat to the Information System.

1.8 "Services" has the same meaning as in the body of this Agreement.

1.9 "Use" or "Uses" means, with respect to Protected Health Information, the sharing, employment, application, utilization, examination or analysis of such Information within Business Associate's internal operations.

1.10 Terms used, but not otherwise defined in this Paragraph shall have the same meaning as those terms in the HIPAA Regulations.

OBLIGATIONS OF BUSINESS ASSOCIATE

2.1 Permitted Uses and Disclosures of Protected Health Information. Business Associate:

(a) shall Use and Disclose Protected Health Information as necessary to perform the Services, and as provided in Sections 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 4.3 and 5.2 of this Agreement;

(b) shall Disclose Protected Health Information to Covered Entity upon request;

(c) may, as necessary for the proper management and administration of its business or to carry out its legal responsibilities:

(i) Use Protected Health Information; and

(ii) Disclose Protected Health Information if the Disclosure is Required by Law.

Business Associate shall not Use or Disclose Protected Health Information for any other purpose.

2.2 Adequate Safeguards for Protected Health Information. Business Associate:

(a) shall implement and maintain appropriate safeguards to prevent the Use or Disclosure of Protected Health Information in any manner other than as permitted by this Paragraph. Business Associate agrees to limit the Use and Disclosure of Protected Health Information to the minimum necessary in accordance with the Privacy Regulation's minimum necessary standard.

(b) effective as of April 20, 2005, specifically as to Electronic Health Information, shall implement and maintain administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of Electronic Protected Health Information.

2.3 Reporting Non-Permitted Use or Disclosure and Security Incidents. Business Associate shall report to Covered Entity each Use or Disclosure that is made by Business Associate, its employees, representatives, agents or subcontractors but is not specifically permitted by this Agreement, and effective as of April 20, 2005, shall report to Covered Entity each Security Incident of which Business Associate becomes aware. The initial report shall be made by telephone call to the Department of Mental Health's Privacy Officer, telephone number 1(213) 738-4864 within forty-eight (48) hours from the time the Business Associate becomes aware of the non-permitted Use or Disclosure or Security Incident, followed by a full written report no later than ten (10) business days from the date the Business Associate becomes aware of the non-permitted Use or Disclosure or Security Incident to the Chief Privacy Officer at:

Chief Privacy Officer, Los Angeles County
Kenneth Hahn Hall of Administration
500 West Temple ST.
Suite 525
Los Angeles, CA 90012

2.4 Mitigation of Harmful Effect. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of Protected Health Information by Business Associate in violation of the requirements of this Paragraph.

2.5 Availability of Internal Practices, Books and Records to Government Agencies. Business Associate agrees to make its internal practices, books, and records relating to the Use and Disclosure of Protected Health Information available to the Secretary of the federal Department of Health and Human Services for purposes of determining Covered Entity's compliance with the Privacy and Security Regulations. Business Associate shall immediately notify Covered Entity of any requests made by the Secretary and provide Covered Entity with copies of any documents produced in response to such request.

2.6 Access to Protected Health Information. Business Associate shall, to the extent Covered Entity determines that any Protected Health Information constitutes a "designated record set" as defined by 45 C.F.R. § 164.501, make the Protected Health Information specified by Covered Entity available to the Individual(s) identified by Covered Entity as being entitled to access and copy that Protected Health Information. Business Associate shall provide such access for inspection of that Protected Health Information within two (2) business days after receipt of request from Covered Entity. Business Associate shall provide copies of that Protected Health Information within five (5) business days after receipt of request from Covered Entity.

2.7 Amendment of Protected Health Information. Business Associate shall, to the extent Covered Entity determines that any Protected Health Information constitutes a "designated record set" as defined by 45 C.F.R. § 164.501, make any amendments to Protected Health Information that

are requested by Covered Entity. Business Associate shall make such amendment within ten (10) business days after receipt of request from Covered Entity in order for Covered Entity to meet the requirements under 45 C.F.R. § 164.526.

2.8 Accounting of Disclosures. Business Associate agrees to maintain documentation of the information required to provide an accounting of Disclosures of Protected Health Information in accordance with 45 C.F.R. § 164.528, and to make this information available to Covered Entity upon Covered Entity's request, in order to allow Covered Entity to respond to an Individual's request for accounting of disclosures. However, Business Associate is not required to provide an accounting of Disclosures that are necessary to perform its Services if such Disclosures are for either payment or health care operations purposes, or both. Additionally, such accounting is limited to disclosures that were made in the six (6) years prior to the request (not including disclosures that were made prior to the compliance date of the Privacy Rule, April 14, 2003) and shall be provided for as long as Business Associate maintains the Protected Health Information.

Any accounting provided by Business Associate under this Section 2.8 shall include: (a) the date of the Disclosure; (b) the name, and address if known, of the entity or person who received the Protected Health Information; (c) a brief description of the Protected Health Information disclosed; and (d) a brief statement of the purpose of the Disclosure. For each Disclosure that could require an accounting under this Section 2.8, Business Associate shall document the information specified in (a) through (d), above, and shall securely maintain the information for six (6) years from the date of the Disclosure. Business Associate shall provide to Covered Entity, within ten (10) business days after receipt of request from Covered Entity, information collected in accordance with this Section 2.8 to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. § 164.528.

OBLIGATION OF COVERED ENTITY

3.1 Obligation of Covered Entity. Covered Entity shall notify Business Associate of any current or future restrictions or limitations on the use of Protected Health Information that would affect Business Associate's performance of the Services, and Business Associate shall thereafter restrict or limit its own uses and disclosures accordingly.

TERM AND TERMINATION

4.1 Term. The term of this Paragraph shall be the same as the term of this Agreement. Business Associate's obligations under Sections 2.1 (as modified by Section 4.2), 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 4.3 and 5.2 shall survive the termination or expiration of this Agreement.

4.2 Termination for Cause. In addition to and notwithstanding the termination provisions set forth in this Agreement, upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:

(a) Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Agreement if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;

(b) Immediately terminate this Agreement if Business Associate has breached a material term of this Paragraph and cure is not possible; or

(c) If neither termination nor cure is feasible, Covered Entity shall report the violation to the

Secretary of the federal Department of Health and Human Services.

4.3 Disposition of Protected Health Information Upon Termination or Expiration.

(a) Except as provided in paragraph (b) of this section, upon termination for any reason or expiration of this Agreement, Business Associate shall return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information.

(b) In the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make it infeasible. If return or destruction is infeasible, Business Associate shall extend the protections of this Agreement to such Protected Health Information and limit further Uses and Disclosures of such Protected Health Information to those purposes that make the return or destruction its infeasible, for so long as Business Associate maintains such Protected Health Information.

MISCELLANEOUS

5.1 No Third Party Beneficiaries. Nothing in this Paragraph shall confer upon any person other than the parties and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.

5.2 Use of Subcontractors and Agents. Business Associate shall require each of its agents and subcontractors that receive Protected Health Information from Business Associate, or create Protected Health Information for Business Associate, on behalf of Covered Entity, to execute a written agreement obligating the agent or subcontractor to comply with all the terms of this Paragraph.

5.3 Relationship to Services Agreement Provisions. In the event that a provision of this Paragraph is contrary to another provision of this Agreement, the provision of this Paragraph shall control. Otherwise, this Paragraph shall be construed under, and in accordance with, the terms of this Agreement.

5.4 Regulatory References. A reference in this Paragraph to a section in the Privacy or Security Regulations means the section as in effect or as amended.

5.5 Interpretation. Any ambiguity in this Paragraph shall be resolved in favor of a meaning that permits Covered Entity to comply with the Privacy and Security Regulations.

5.6 Amendment. The parties agree to take such action as is necessary to amend this Paragraph from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy and Security Regulations.

EXHIBIT G

COUNTY CONTRACT MAXIMUM

$1,506,500

EXHIBIT H

ATTESTATION REGARDING FEDERALLY FUNDED PROGRAMS

In accordance with Paragraph 8.19 (CONTRACTOR'S EXCLUSION FROM PARTICIPATION IN A FEDERALLY FUNDED PROGRAM):

I, the undersigned certify that I am not presently excluded from participation in federally funded health care programs, nor is there an investigation presently pending or recently concluded of me which is likely to result in my exclusion from any federally funded health care program, nor am I otherwise likely to be found by a federal or state agency to be ineligible to provide goods or services under the federally funded health care programs.

I further certify as the official responsible for the administration of ValueOptions, Inc., (hereafter "Contractor") that all of its officers, employees, agents and/or sub-contractors are not presently excluded from participation in any federally funded health care programs, nor is there an investigation presently pending or recently concluded of any such officers, employees, agents and/or sub-contractors which is likely to result in an exclusion from any federally funded health care program, nor are any of its officers, employees, agents and/or sub-contractors otherwise likely to be found by a federal or state agency to be ineligible to provide goods or services under the federally funded health care programs.

I understand and certify that I will notify DMH within thirty (30) calendar days, in writing of:

- Any event that would require Contractor or any of its officers, employees, agents and/or sub-contractors exclusion or suspension under federally funded health care programs, or

- Any suspension or exclusionary action taken by an agency of the federal or state government against Contractor, or one or more of its officers, employees, agents and/or sub-contractors, barring it or its officers, employees, agents and/or sub-contractors from providing goods or services for which federally funded healthcare program payment may be made.

Name of authorized official _____

Please print name

Signature of authorized official _____ Date _____

ATTACHMENT II

COUNTY OF LOS ANGELES

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

ROBIN KAY, Ph.D.
Chief Deputy Director
RODERICK SHANER, M.D.
Medical Director

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

BOARD OF SUPERVISORS
GLORIA MOLINA
Mark Ridley - Thomas
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

DEPARTMENT OF MENTAL HEALTH

http://dmh.lacounty.gov

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

May 13, 2009

TO: Each Supervisor

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

SUBJECT: **ADVANCE NOTIFICATION OF INTENT TO ENTER INTO SOLE SOURCE CONTRACT WITH VALUEOPTIONS, INC.**

This memo is to comply with the Board of Supervisors' September 1999 letter regarding contracting policy requirements for sole source contracts. It is the Los Angeles County Department of Mental Health's (DMH) intent to renew its sole source contract with VALUEOPTIONS, INC. (ValueOptions), a privately managed care corporation with its main headquarters located at 240 Corporate Boulevard, Norfolk, Virginia 23502, an administration service center in Colorado Springs, Colorado, and a local administration office in Long Beach, California. ValueOptions coordinates and manages outpatient specialty mental health services rendered by providers in the Administrative Services Organization (ASO) network to full-scope Medi-Cal eligible out-of-county children and youth, ages 0 through 18. There are 32 California counties contracting with ValueOptions for the ASO services.

DMH proposes to renew its sole source contract with ValueOptions due to the fact that ValueOptions has been consistently providing timely and accessible mental health services to Los Angeles County's foster care Katie A. certified class members placed by the Court with their relatives residing outside of Los Angeles County and who are entitled to timely and appropriate mental health services as specified in the Katie A. Settlement Agreement. Therefore, renewing the ASO contract with ValueOptions will allow ValueOptions to continue without disruption of services, its role in coordinating and managing the provision of mental health services to Medi-Cal eligible children and youth who are the responsibility of the Los Angeles County but have been placed by the Court with relatives who reside outside of Los Angeles County.

In 1998 the California Mental Health Directors Association (CMHDA) awarded an ASO contract to ValueOptions, Inc. through the appropriate bidding process to coordinate and manage the provision of mental health services, as described above, throughout California. CMHADA continued this contractual agreement until fiscal year (FY) 2004-05 when it unexpectedly notified County mental health directors of its intent to discontinue the management of the ASO effective June 30, 2004, and each county was required to contract with ValueOptions separately.

On June 15, 2004, your Board approved a sole source contract for FY 2004-05 with four optional one-year renewal periods. Both then and now ValueOptions is uniquely qualified to serve an estimated 1,200 Los Angeles County foster care children and youth residing outside of Los Angeles County.

Unless otherwise instructed by a Board office, DMH will proceed with negotiating a sole source contract renewal within two weeks. DMH will work closely with both the Office of the County Counsel and the Chief Executive Office in preparing a renewal agreement with ValueOptions.

MJS:OC:PM:nr

c: Health Deputies
Chief Executive Officer
Executive Officer, Board of Supervisors
County Counsel
Robin Kay, Ph.D., DMH

ATTACHMENT II

SOLE SOURCE CHECKLIST

Check (✓)	JUSTIFICATION FOR SOLE SOURCE CONTRACTS *Identify applicable justification and provide documentation for each checked item.*
X	➢ Only one bona fide source for the service exists; performance and price competition are not available. The California Mental Health Directors Association awarded a contract to ValueOptions, Inc. through the appropriate bidding process for the State of California. Subsequently, the individual Counties were required to contract independently.
	➢ Quick action is required (emergency situation).
	➢ Proposals have been solicited but no satisfactory proposals were received.
	➢ Additional services are needed to complete an ongoing task and it would be prohibitively costly in time and money to seek a new service provider.
	➢ Maintenance service agreements exist on equipment which must be serviced by the authorized manufacturer's service representatives.
	➢ It is more cost-effective to obtain services by exercising an option under an existing contract.
	➢ It is in the best interest of the County, e.g., administrative cost savings, excessive learning curve for a new service provider, etc.
	Other reason. Please explain:
Deputy Chief Executive Officer, CEO	Date 6/4/09