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April 7, 2009

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

26 APR 07 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 OF DEFERMENT OF FISCAL YEAR 2007-08 CASH FLOW ADVANCE RECOVERY FOR THE INSTITUTE FOR THE REDESIGN OF LEARNING (SUPERVISORIAL DISTRICTS 1 AND 5) (3 VOTES)

SUBJECT

Request approval to defer recovery of certain Cash Flow Advance funds for The Institute for the Redesign of Learning (dba Almansor Center) until the State Department of Mental Health's Short-Doyle/Medi-Cal Cost Report Settlement is performed.

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Mental Health, or his designee, to defer the recovery of unearned Cash Flow Advances (CFA) totaling $437,921 for Almansor Center until the State Department of Mental Health (State) completes the Short-Doyle/Medi-Cal (SD/MC) Cost Report Settlement (Cost Report Settlement) for Fiscal Year (FY) 2007-08.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The recommended action pertains to the SD/MC program which is administered by the Department of Mental Health (DMH) pursuant to federal and State statute, regulations, policies and procedures, and business guidance. The justification for this action is to minimize disruption to DMH's service delivery system and to allow Almansor Center sufficient time to satisfy the settlement amount owed to DMH.

Almansor Center has requested relief from its contractual obligations to immediately repay FY 2007-08 CFA funds. The request is based on recovery of a future State cost

report settlement that will be calculated on actual costs. This settlement will result in additional State reimbursements that will be used to offset the amount owed to DMH. Enforcing immediate repayment would result in impairment to Almansor Center of necessary cash flow used to sustain current service operations.

The Cost Report Settlement is based upon the actual costs reported by the contractor in its cost report and the actual units of service billed by the contractor to, and approved by, the State. This request, in part, has resulted because Almansor Center billed, and received payment from, the State based upon provisional reimbursement rates that were less than the actual cost of the services. However, the State ultimately reimburses the actual costs reported by contractors at the time of subsequent cost report and audit settlements. Since Almansor Center's actual costs as reported in the FY 2007-08 cost report were higher than the provisional rate reimbursement, the contractor anticipates to receive additional State reimbursement when the settlement is final, which would reduce the CFA amount owed to DMH.

Accordingly, DMH and Almansor Center request the Board to authorize the deferment of CFA recoveries for FY 2007-08 to the extent that DMH anticipates recovery of additional Federal Financial Participation (FFP) and Early and Periodic Screening, Diagnosis and Treatment (EPSDT) State General Funds (SGF) reimbursements from the State. Due to additional State reimbursements, DMH calculates the CFA amount to be deferred in the amount of $437,921 for Almansor Center.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the County Strategic Plan Goal 4, "Health and Mental Health."

FISCAL IMPACT/FINANCING

There is no increase in net County cost or adverse impact on DMH's FY 2008-09 Adopted Budget. The recommended Board action would result in the deferral of CFA collections totaling $437,921 from FY 2008-09 to FY 2009-10. This assumes cost settlement and repayment occurs as scheduled in FY 2009-10.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

CFA is a disbursement of funds to the contractor for working capital purposes. Such advances are fiscal year specific and are made to provide funds for the contractor to operate during the period of time from the delivery of the services to the DMH payment of the claims. CFA is contractually restricted to the mental health programs. Earned

interest, if any, is required to be expended on mental health programs. The recovery of the CFA is made as either offsets to the contractor's reimbursement claims or by cash repayment.

As of December 11, 2008, Almansor Center has a FY 2007-08 CFA balance of $437,921 owed to DMH. This amount is now due and payable to DMH. The requested deferral action applies to Almansor Center's entire CFA balance of $437,921.

The Department's agreements with contractors specify that repayment of CFA to DMH is to be made no later than September 30th following a fiscal year close. Such CFA repayment is to be paid by contractor over a period not to exceed three months. Additionally, consistent with the February 3, 2003, Chief Administrative Office, Auditor-Controller, and DMH joint action memo to your Board regarding timely repayment of settlement agreements, contractors must pay interest if the repayment period exceeds one year and must provide DMH with a comprehensive financial plan to support the repayment schedule.

Almansor Center requested, and DMH disbursed, CFAs for FY 2007-08 in anticipation of State FFP and EPSDT-SGF reimbursements. Currently, Almansor Center requests relief from its contractual obligation to immediately repay FY 2007-08 CFA funds.

Approval of the deferral of CFA recovery until settlements are final will permit Almansor Center to retain a portion of the CFA funds already disbursed to them. Although these CFA funds are presently unearned, according to current Medi-Cal reimbursements for approved SD/MC services, they are projected to be earned when the State concludes its settlements because of State adjustments increasing FFP and EPSDT-SGF reimbursements from the provisional rate level to actual costs. If DMH recovered these CFA funds now, it is projected that DMH would be paying the funds back to Almansor Center in approximately 18 months. In the unlikely event that the State precludes the additional reimbursements, the full amount of the deferred CFA will be due and payable subsequent to the final settlements conducted by the State and DMH.

IMPACT ON CURRENT SERVICES

By deferring recovery of the CFA funds owed to DMH and anticipated to be recovered from the projected additional earned FFP and EPSDT-SGF reimbursements, and by extending the repayment period, the potential adverse changes in the current fiscal year's level and quality of client services being provided by Almansor Center due to immediate negative cash flow will be mitigated.

CONCLUSION

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

Respectfully submitted,

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

MJS:GSK:RK

c: Chief Executive Office
Auditor-Controller
Chairperson, Mental Health Commission
County Counsel

Almansor-Board Letter ck