COUNTY OF LOS ANGELES

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

SUSAN KERR
Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

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

BOARD OF SUPERVISORS
GLORIA MOLINA
YVONNE BRATHWAITE BURKE
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

DEPARTMENT OF MENTAL HEALTH

http://dmh.co.la.ca.us

September 9, 2004

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

3 3 SEP 2 1 2004

Violet Varona-Lukens
VIOLET VARONA-LUKENS
EXECUTIVE OFFICER

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

Dear Supervisors:

APPROVAL OF SETTLEMENT AGREEMENT WITH GOLDEN STATE HEALTH CENTERS, INC. (SUPERVISORIAL DISTRICT 3) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Mental Health to prepare, sign, and execute a Settlement Agreement with Golden State Health Centers, Inc. (Golden State), in accordance with the attached, substantially similar Settlement Agreement format, for the repayment of $482,715.12 owed to the County of Los Angeles - Department of Mental Health (DMH) subsequent to DMH's termination of the Legal Entity (LE) Agreement with Golden State as of October 1, 2003. The Settlement Agreement, which will be effective upon Board approval, will allow Golden State to repay DMH over a period of 24 months, beyond the three months stipulated in previous Contract Nos. DMH-00187 and DMH-01214 for Fiscal Years (FY) 2000-2001 through 2002-2003.

PURPOSE/JUSTIFICATION OF RECOMENDED ACTION

Board approval of the Settlement Agreement will allow Golden State to repay DMH over a period of 24 months for funds owed as a result of the FY 2000-2001 Short-Doyle/Medi-Cal (SD/MC) Settlement of $358,711, excess payment of $13,284 to this former DMH contractor for Institutions of Mental Disease (IMD) services for FY 2001-2002, and the unsatisfied Cash Flow Loan of $110,720.12 for FY 2002-2003, for a total payment amount of $482,715.12. The Settlement Agreement will also formalize an ongoing payment arrangement initiated by Golden State in April 2004. The extended repayment period is necessary to alleviate a potentially adverse cash flow impact on

Golden State and any financial hardship that may affect Golden State as a result of DMH's termination of the contract, effective October 1, 2003. This extended repayment period does not include interest payments on the outstanding debt to alleviate a potentially adverse financial hardship on the former contractor.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the County's Organizational Goal No. 4, "Fiscal Responsibility," within the Countywide Strategic Plan to strengthen the County's fiscal capacity.

FISCAL IMPACT/FINANCING

There is no fiscal impact on DMH's FY 2004-2005 Adopted Budget. Effective upon Board approval, Golden State will repay the amount of $482,715.12 in installments of $20,113.13 per month for 24 months. Monthly payments will be paid by check from Golden State until the entire balance has been repaid. Golden State has been making payments to DMH since April 2004. In the event that the monthly payments are not made by the 20th of each month, the entire amount will be due from Golden State as of the 21st of that month.

It should be noted that County General Funds (CGF) in the amount of $358,711 have already been utilized to pay back the State for the FY 2000-2001 SD/MC and Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program Settlement. There is lost investment opportunity for the County because of the delay in reimbursement to the CGF. There also may be an increased risk of loss to the CGF should Golden State default at any time during the extended repayment period.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The State Department of Mental Health (SDMH) requires an annual cost report for mental health providers performing Medi-Cal services. Approximately every five years, SDMH completes an audit for mental health providers performing Medi-Cal and State-funded services. The result is that the total services rendered are calculated and an earned amount is determined. SDMH also requires that State auditors perform various types of audits at contractors' sites regarding client files. Provider audits may result in units of service being disallowed or adjustments in the amount of reimbursement for services provided. In this instance, the Golden State repayment represents recovery of funds paid in excess of the cost of actual Medi-Cal services provided, as well as services that were disallowed by State auditors.

DMH terminated the LE Agreement with Golden State as of October 1, 2003, pursuant to convenience. In April 2004 in response to a notification of delinquency of payments to DMH, Golden State initiated making monthly payments in the amount of $20,113.13. Through August 2004, Golden State has made five payments totaling $100,565.65. Upon Board approval, the Settlement Agreement will allow Golden State to repay funds owed to DMH over an extended repayment period to alleviate any potentially adverse cash flow impact and financial hardship following the contract termination as of October 1, 2003.

This Settlement Agreement does not include interest charges pursuant to the joint departmental Board memo dated February 3, 2003, as DMH deems that interest charges would impose an additional financial burden on the former contractor, who has already initiated a good faith effort to repay DMH monthly.

The Chief Administrative Officer and DMH's Program and Fiscal Administration have reviewed the proposed actions. County Counsel has approved the Settlement Agreement as to form.

CONTRACTING PROCESS

Upon Board approval, DMH will execute a Settlement Agreement with Golden State for the repayment of funds over 24 months.

IMPACT ON CURRENT SERVICES

Without the Settlement Agreement, Golden State would be required to repay the liability in three installments to the County, which would potentially cause negative cash flow problems to the provider.

CONCLUSION

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

Respectfully submitted,

for

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

MJS:MY:RK:KT:pp

Attachment

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

ATTACHMENT

CONTRACTOR: Golden State Health Centers, Inc.

DMH-
Contract Number

Business Address: 13347 Ventura Boulevard
Sherman Oaks, CA 91423

7214
Provider Number(s)

DMH-00187
DMH-01214
DMH-01558
Reference Number(s)

Supervisorial District(s) 3

SETTLEMENT AGREEMENT

TABLE OF CONTENTS

PARAGRAPH		PAGE
1.	TERM	3
2.	ADMINISTRATION	3
3.	REPAYMENT OF CONTRACTOR'S DEBT	3
4.	INTEREST CHARGES	4
5.	LIABILITY FOR LEGAL COSTS	5
6.	INDEMNIFICATION	5
7.	DELEGATION AND ASSIGNMENT	5
8.	GOVERNING LAW, JURISDICTION AND VENUE	5
9.	COMPLIANCE WITH APPLICABLE LAW	5
10	THIRD PARTY BENEFICIARIES	6
11.	TERMINATION FOR INSOLVENCY	6
12.	TERMINATION FOR DEFAULT	6
13.	SEVERABILITY	7
14.	CAPTIONS AND PARAGRAPH HEADINGS	7
15.	ALTERATION OF TERMS	7
16.	ENTIRE AGREEMENT	7
17.	WAIVER	7
18.	CONTRACTOR'S OFFICES	8
19.	AUTHORIZATION WARRANTY	8
20.	NOTICES	8

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 2004 between the County of Los Angeles (hereafter "County") and Golden State Health Centers, Inc. (hereafter "Contractor").

Business Address: 13347 Ventura Boulevard
Sherman Oaks, CA 91423

WHEREAS, County believes it is in the best interest of the people of the County of Los Angeles for Contractor to repay Contractor's Debt to County in the manner described in this Agreement; and

WHEREAS, County and Contractor desire to enter into this Agreement in order to set forth the agreed plan by which Contractor shall repay Contractor's Debt to County; and

WHEREAS, hereafter, the total sum owed by Contractor to County shall be referred to as "Contractor's Debt"; and

WHEREAS, under the Agreement, Contractor currently owes County a determined sum at a maximum of FOUR HUNDRED EIGHTY-TWO THOUSAND SEVEN HUNDRED FIFTEEN AND 12/100 DOLLARS ($482,715.12) for Fiscal Years 2004-2005 and 2005-2006; and

WHEREAS, Contractor's debt for Fiscal Years 2000-2001, 2001-2002, and 2002-2003 resulted from not providing enough services and the Federal Financial Participation (FFP) required giveback under the Agreement and audit disallowed costs and services under the Agreement; and

WHEREAS, the following terms, as used in this Agreement, shall have the following meanings:

A. "Day(s)" means calendar day(s) unless otherwise specified;

B. "Director" means County's Director of Mental Health or his/her authorized designee;

C. "DMH" means County's Department of Mental Health;

D. "Fiscal Year" means County's Fiscal Year which commences July 1 and ends the following June 30.

/

NOW, THEREFORE, Contractor and County agree as follows:

1. TERM: This Agreement shall commence on the date of Board approval, and shall continue in full force and effect thereafter until County's Board of Supervisors certifies, in writing, that Contractor has fully repaid to County all of Contractor's Debt, as determined by County, and has satisfied all other obligations under this Agreement, as determined by County.

This Agreement may be terminated by County without cause at any time by giving at least thirty days prior written notice to Contractor. Other termination provisions for County are found in Paragraphs 3 (REPAYMENT OF CONTRACTOR'S DEBT), 7 (DELEGATION AND ASSIGNMENT), 11 (TERMINATION FOR INSOLVENCY), and 12 (TERMINATION FOR DEFAULT). Any termination of this Agreement shall be approved by County's Board of Supervisors.

In the event that this Agreement is terminated by County, then, upon the issuance of the notice of termination, the total outstanding Contractor's Debt, as determined by County, shall be immediately due and payable by Contractor to County and shall be repaid by Contractor to County by cash payment upon demand.

2. ADMINISTRATION: Director shall have the authority to administer this Agreement on behalf of County. Contractor shall designate in writing a Settlement Manager who shall function as liaison with County regarding Contractor's performance hereunder.

3. REPAYMENT OF CONTRACTOR'S DEBT:

A. Contractor shall repay Contractor's Debt to County at the repayment rate of FOUR HUNDRED EIGHTY-TWO THOUSAND SEVEN HUNDRED FIFTEEN AND 12/100 DOLLARS ($482,715.12) over a 24-month period from April 14, 2004 through April 14, 2006.

B. Contractor shall pay County by cash payment towards repayment of Contractor's Debt the sum of TWENTY THOUSAND ONE HUNDRED THIRTEEN AND 13/100 DOLLARS ($20,113.13) per month, with repayment commencing retroactively to April 14, 2004. Payment shall be due on or before the 20th day of each month and failure to provide payment on or before the 20th of each month shall constitute a material breach of this Agreement upon which County may terminate this Agreement.

C. Notwithstanding any other provision of this Agreement, in the event that County determines that Contractor has failed to make cash payment to County as described in Subparagraph B or in Paragraph 4 (INTEREST CHARGES) and that there is no written agreement between County and Contractor for mental health services and no amounts due by County to Contractor from which the withhold amounts described in Subparagraph B or in Paragraph 4 (INTEREST CHARGES) can be made, then the total outstanding Contractor's Debt, as determined by County, shall be immediately due and payable by Contractor to County and Contractor shall repay County by cash payment upon demand.

D. Pursuant to California Code of Civil Procedure Section 360.5, Contractor hereby waives all statutes of limitation upon Contractor's Debt as described in this Agreement. Whenever requested by County, Contractor shall promptly execute and deliver to County all instruments or other documents requested by County, including, but not limited to, additional written waivers, relating to contractor's waiver of all statutes of limitation upon Contractor's Debt during the term of this Agreement.

4. INTEREST CHARGES: In the event Contractor fails to pay County any amounts due to County under this Agreement within the time frames stipulated in Paragraph 3 (REPAYMENT OF CONTRACTOR'S DEBT) as determined by County, then: (1) Interest Charges shall be assessed at one and one-half percent (1.5%) per month on the delinquent amount owed and (2) at County's sole option, the entire Contractor's Debt then remaining unpaid shall become immediately payable and shall carry Interest Charges at the same rate.

Interest Charges shall be considered part of Contractor's Debt. Contractor shall pay County the Interest Charges due by cash payment upon demand.

Interest Charges due under this Paragraph 4 shall be separate from, and in addition to, the monthly repayment amounts due as described in Paragraph 3 (REPAYMENT OF CONTRACTOR'S DEBT), Subparagraph A.

Any payment by Contractor shall be applied first to Interest Charges computed in full to the date of such payments, and the remainder to principal.

5. LIABILITY FOR LEGAL COSTS: Contractor may become subject to legal action for any breach of this Agreement, and in such event, Contractor shall pay all court costs, County's expenses for the enforcement of the judgment, and County's Attorneys fees.

6. INDEMNIFICATION: Contractor shall indemnify, defend and hold harmless County and County Special Districts, their elected and appointed officers, employees, and agents, from and against any and all liability or expense, including, but not limited to, demands, claims, actions, fees, costs, and expenses (including attorney and expert witness fees), arising from or connected with Contractor's acts and/or omissions arising from and/or relating to this Agreement.

7. DELEGATION AND ASSIGNMENT: Contractor shall not delegate its duties or assign its rights under this Agreement, or both, either in whole or in part, without the prior written consent of County. Any prohibited delegation or assignment shall be null and void and shall constitute a material breach of this Agreement upon which County may terminate this Agreement.

8. GOVERNING LAW, JURISDICTION AND VENUE: This Agreement shall be governed by, and construed in accordance with, the laws of the State of California. Contractor agrees and consents to the exclusive jurisdiction of the courts of the State of California for all purposes regarding this Agreement and further agrees and consents that venue of any action brought hereunder shall be exclusively in the County of Los Angeles, California.

9. COMPLIANCE WITH APPLICABLE LAW:

A. Contractor shall comply with all Federal, State, and local laws, ordinances, rules, regulations, guidelines, and directives applicable to its performance hereunder. Further, all provisions required thereby to be included in this Agreement are hereby incorporated herein by reference.

B. Contractor shall indemnify and hold harmless County from and against any and all liability, damages, costs or expenses, including, but not limited to, defense costs and attorneys' fees, arising from or related to any violation on the part of Contractor, its officers, employees, or agents, of any such Federal, State or local laws, ordinances, rules, regulations, guidelines, or directives.

/

10. THIRD PARTY BENEFICIARIES: Notwithstanding any other provision of this Agreement, the parties do not in any way intend that any person or entity shall acquire any rights as a third party beneficiary of this Agreement.

11. TERMINATION FOR INSOLVENCY:

A. County may terminate this Agreement forthwith in the event of the occurrence of any of the following:

(1) Insolvency of Contractor: Contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least 60 days in the ordinary course of business or cannot pay its debts as they become due, whether or not a petition has been filed under the Federal Bankruptcy Code and whether or not Contractor is insolvent within the meaning of the Federal Bankruptcy Code.

(2) The filing of a voluntary or involuntary petition regarding Contractor under the Federal Bankruptcy Code.

(3) The appointment of a Receiver or Trustee for Contractor.

(4) The execution by Contractor of a general assignment for the benefit of creditors.

B. The rights and remedies of County provided in this Paragraph 11 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

12. TERMINATION FOR DEFAULT:

A. County may, by written notice of default to Contractor, terminate this Agreement in any one of the following circumstances:

(1) If, as determined in the sole judgment of County, Contractor fails to perform within the times specified in this Agreement or any extension thereof as County may authorize in writing; or

(2) If, as determined in the sole judgment of County, Contractor fails to perform and/or comply with any of the other provisions of this Agreement, or so fails to make progress as to endanger performance of this Agreement in accordance with its terms, and in either of these two

circumstances, does not cure such failure within a period of five days (or such longer period as County may authorize in writing) after receipt of notice from County specifying such failure.

B. The rights and remedies of County provided in this Paragraph 12 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

13. SEVERABILITY: If any provision of this Agreement or the application thereof to any person or circumstance is held invalid, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby.

14. CAPTIONS AND PARAGRAPH HEADINGS: Captions and paragraph headings used in this Agreement are for convenience only and are not a part of this Agreement and shall not be used in construing this Agreement.

15. ALTERATION OF TERMS: No addition to, or alteration of, the terms of this Agreement, 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.

16. ENTIRE AGREEMENT: The body of this Agreement and County's letter to Contractor dated March 29, 2004, which is attached hereto as Exhibit A and incorporated herein by references, shall constitute the complete and exclusive statement of understanding between the parties which supersedes all previous agreements, written or oral, and all other communications between the parties relating to the subject matter of this Agreement. In the event of any conflict or inconsistency between the body of this Agreement and Exhibit A, such conflict or inconsistency shall be resolved by giving precedence to the body of this Agreement.

17. WAIVER: No waiver by County of any breach of any provision of this Agreement shall constitute a waiver of any other breach of such provision. Failure of County to enforce at any time, or from time to time, any provision of this Agreement shall not be construed as a waiver thereof. The rights and remedies set forth in this Paragraph 17 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

18. CONTRACTOR'S OFFICES: Contractor shall notify in writing DMH's Contracts Development and Administration Division, and any other County office(s) as identified in Paragraph 20 (NOTICES), of any change in its business address, as shown on page I of this Agreement, at least 30 days prior to the effective date thereof.

19. AUTHORIZATION WARRANTY: Contractor represents and warrants that the person executing this Agreement for Contractor is an authorized agent who has actual authority to bind Contractor to each and every term, condition, and obligation of this Agreement and that all requirements of Contractor have been fulfilled to provide such actual authority.

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

/

/

/

/

/

/

/

/

/

/

/

/

To Contractor: Golden State Health Centers, Inc.
13347 Ventura Boulevard
Sherman Oaks, CA 91423
Attention: Jacob Kasirer, Vice President

To County: (1) Department of Mental Health
550 S. Vermont Avenue
Los Angeles, CA 90020
Attention: Marvin J. Southard, D.S.W., Director

(2) Department of Mental Health
550 S. Vermont Avenue
Los Angeles, CA 90020
Attention: Gurubanda Singh Khalsa
Finance Specialist

(3) Department of Mental Health
550 S. Vermont Avenue
Los Angeles, CA 90020
Attention: Richard Kushi, Chief
Contracts Development and Administration Division

/
/
/
/
/
/

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Agreement to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Agreement 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

Golden State Health Centers, Inc.
CONTRACTOR

By_____

Name Jacob Kasirer

Title 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

PP: Settlement K Golden State