

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

F A C T S H E E T

**APPROVAL OF NEW MENTAL HEALTH ADMINISTRATIVE SERVICES
ORGANIZATION AGREEMENT WITH VALUEOPTIONS, INC. FOR
COORDINATION OF MENTAL HEALTH SERVICES FOR MEDI-CAL
ELIGIBLE CHILDREN AND YOUTH PLACED OUTSIDE OF LOS ANGELES
COUNTY FOR FISCAL YEAR 2004-2005**

**(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

REQUEST:

1. Request Board approval and authorization for the Director of Mental Health or his designee to prepare, sign, and execute a new Mental Health Administrative Services Organization Agreement, which is a uniform format used statewide, with ValueOptions, Inc. (ValueOptions). This 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 children and youth placed outside of Los Angeles County.

The term of the new Agreement is July 1, 2004 through June 30, 2005, with four optional one-year renewal periods, not to exceed a five-year contract term. The Maximum Contract Amount (MCA) will be \$1.5 million, funded by \$680,400 in EPSDT-State General Funds (SGF), \$699,800 in EPSDT-Federal Financial Participation (FFP) Medi-Cal funds, \$84,800 in Realignment funds, and \$35,000 in Supportive and Therapeutic Options Program (STOP) funds, which are included in the Department of Mental Health's (DMH) Fiscal Year (FY) 2004-2005 Proposed Budget.

2. Request Board approval for the waiver of the following required contract language--Budget Reductions, Consideration of Hiring Greater Avenues For Independence (GAIN) Participants/General Relief Opportunities For Work (GROW) Program, Contractor's Notification within Six Months from Expiration, Subcontracting, and Safely Surrendered Baby Law--based upon a sole source justification for contracting with this specialized provider and due to the critical necessity to execute a new contract with uniform and standardized terms for California counties with ValueOptions, the existing ASO serving the County of Los Angeles, within an extremely compressed time period.

3. Request Board approval for delegation of authority to the Director of Mental Health or his designee to prepare, sign, and execute future amendments to the Mental Health Administrative Services Organization Agreement with ValueOptions.

INTENT/JUSTIFICATION:

Board approval is required for the execution of this new, standardized Mental Health Administrative Services Organization Agreement between the County of Los Angeles and ValueOptions, an existing ASO provider which coordinates and manages the statewide mental health care and treatment of Medi-Cal eligible children and youth placed out of their county of residence. ValueOptions developed the standardized Agreement format through negotiations with 34 participating counties and required the use of this uniform Agreement for all 34 counties contracting with ValueOptions for the statewide implementation of ASO services. This new Agreement is necessitated to ensure the continual and uninterrupted access to medically necessary specialty mental health services due to the recent and unanticipated decision made by CMHDA on February 20, 2004 to discontinue the statewide management of ASO services and to terminate contracts with participating counties as of June 30, 2004.

CONTRACTOR:

ValueOptions is a private managed care corporation with its main headquarters located in Norfolk, Virginia, and a local administration office located in Long Beach, California. Since FY 1999-2000, ValueOptions has been subcontracting with CMHDA after being selected from a "Request for Proposals: Administrative Services Organization for Mental Health Services" issued by CMHDA in December 1998. Under that subcontract and on behalf of participating counties that contracted with CMHDA, ValueOptions administered a statewide program with outpatient specialty mental health services provided to full-scope Medi-Cal eligible out-of-county children and youth, ages 0 through 18, placed out of their county of residence. Services include credentialing licensed network providers, determining service needs, authorizing claims, reimbursing out-of-county providers, and handling complaints and grievances.

FISCAL SUMMARY:

There is no increase in net County cost. The MCA of \$1.5 million will be funded by \$680,400 in EPSDT-SGF, \$699,800 in EPSDT-FFP Medi-Cal funds, \$84,800 in Realignment funds, of which \$19,300 and \$15,000 is for the EPSDT growth match and STOP local match, respectively, and STOP funds of \$35,000 previously allocated to DMH from the Department of Children and Family Services for payment of mental

health services provided to non-Medi-Cal foster children. The total MCA of \$1.5 million is included in DMH's FY 2004-2005 Proposed Budget.

The payment provisions of this new Agreement follow the method previously established for these out-of-county services. DMH will provide advance payments to ValueOptions every six months. ValueOptions will pay providers immediately upon the submission of appropriate invoices. The County, as payer, shall bear ultimate risk of loss for claims paid for specialty mental health services.

FACTS AND PROVISIONS:

CMHDA's contracts with participating counties, including Los Angeles County, were the culmination of a statewide effort to resolve problems experienced by County-operated managed care plans in obtaining timely and accessible mental health services for eligible Medi-Cal children and youth, ages 0 through 18, placed out of their county of residence.

On October 26, 1999, the Board initially approved and delegated authority to the Director of Mental Health to enter into an Agreement with CMHDA for the coordination of mental health services by an ASO for Title XIX Medi-Cal eligible children and youth placed outside of Los Angeles County.

On June 18, 2002, the Board renewed the Agreement with CMHDA for a three-year term, effective FY 2002-2003, to act as its agent to monitor and pay the ASO. The subcontract between CMHDA and ValueOptions was renewed, effective FY 2002-2003, for a three-year term.

On February 20, 2004, CMHDA unexpectedly notified County mental health directors of its intent to discontinue the management of the ASO, effective June 30, 2004, due to overriding administrative issues with demonstrating compliance with all of the Medi-Cal and the Health Insurance Portability and Accountability Act (HIPAA) regulations following a consultant's report on risk assessment of the ASO and the conclusion that CMHDA was deemed a Medi-Cal provider and, therefore, subject to all of the Federal compliance rules and regulations. CMHDA addressed serious concerns raised in the risk assessment report and determined that with these new and unanticipated external and extenuating circumstances beyond CMHDA's control, limited staffing, and the lack of resources to implement the new mandate, CMHDA could not continue to manage the ASO statewide after June 30, 2004.

In anticipation of the expiration of its contracts with counties, CMHDA formed a transition team to find an alternative that could assume management of the ASO to

continue to meet the statewide mental health needs of out-of-county foster care youth. On behalf of Los Angeles County, DMH assumed a pivotal leadership role in working closely with 34 other participating counties in developing a contract directly with ValueOptions to ensure the continual provision of ASO services, without disruption, as of July 1, 2004.

Among the issues and concerns raised by ValueOptions was responsibility for denied claims. Due to the inability of ValueOptions to access the statewide Medi-Cal eligibility database during the entirety of its subcontract with CMHDA, ValueOptions required in its new contracts with all participating counties that counties assume full financial responsibility for denied claims. Additionally, due to the extremely compressed timeframe in which a new contract between the County of Los Angeles and ValueOptions was negotiated and developed, it was not possible to include a provision in the standardized contract format for FY 2004-2005 to enable DMH as an authorized agent of ValueOptions and all of its network of providers to modify and resubmit claims in the event of billing errors and, subsequently, to receive funds from the state.

The new 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. ValueOptions negotiated with Los Angeles County and all participating counties statewide on programmatic, fiscal, and contractual issues but was unable to completely comply with the needs of all parties in order to finalize the uniform Agreement format to ensure the timely execution of new contracts statewide by July 1, 2004, and the continual, uninterrupted access to and provision of mental health services statewide within an extremely compressed timeframe. Thus, the standardized Agreement format includes mutual indemnification and mandated provisions (in some cases in abbreviated form or in a different form from Los Angeles County's language, but in accord with the intent of such), with the exception of Budget Reductions, Consideration of Hiring GAIN/GROW Program Participants for Employment, Contractor's Notification within Six Months from Contract Expiration, Subcontracting, and Safely Surrendered Baby Law. ValueOptions attested to compliance with all applicable laws and, therefore, has included in its Agreement format such compliance language. Additionally, this new Agreement will require ValueOptions to minimize audit risks with Medi-Cal compliance. 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.

Like all other participating counties, Los Angeles County was confronted with the sudden and critical negotiations and implementation of a new contract with the existing ASO, ValueOptions, as of July 1, 2004, for the continual, uninterrupted provision of specialty mental health services to Medi-Cal beneficiaries who are minors and who

reside out-of-home and/or out of their county of residence. Upon Board approval of this new contract, DMH and ValueOptions have agreed to continue negotiations on mandated contract provisions and the rebilling issue before the renewal period.

IMPACT ON CURRENT SERVICES:

The new Agreement with the ASO contractor, ValueOptions, will allow Los Angeles County to provide continuous and timely statewide access to mental health services for Medi-Cal eligible children and youth placed out-of-county, consistent with the Board's priorities for efficient government operations and children and families' well-being. Additionally, Los Angeles County will be able to comply with Medi-Cal and HIPAA regulations and the California Department of Mental Health's policy for providing mental health services to Title XIX Medi-Cal eligible children and youth placed out of their home county.

With the dissolution of the existing contract with CMHDA and without a new Agreement in place with ValueOptions by July 1, 2004, Los Angeles County would be confronted with a serious disruption and problems with timely access to mental health services to children and youth placed out-of-county statewide and would require individual contracts with over 1,000 network providers to serve the target population.

MJS:SK:MY:RK