

**COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH**

**F A C T   S H E E T**

**APPROVAL OF AMENDMENT NO. 2 TO EXISTING  
AGREEMENT WITH THE CALIFORNIA MENTAL HEALTH  
DIRECTOR'S ASSOCIATION FOR FISCAL YEARS  
2003-2004 AND 2004-2005**

**(ALL SUPERVISORIAL DISTRICTS)**

**REQUEST:**

Request Board approval for changes to the reimbursement methodology for the Administrative Services Organization (ASO) services in the contract between the California Mental Health Directors' Association (CMHDA) and the County of Los Angeles, as set forth in Amendment No. 2, in order to implement new State procedures.

Also, request approval of Amendment No. 2 to the existing Agreement between the County of Los Angeles and CMHDA, a nonprofit affiliate of the California State Association of Counties. This Amendment provides for a cash flow loan to CMHDA to assure the availability of funds to pay providers in the ASO's network for medically necessary specialty mental health services rendered to Los Angeles County's Medi-Cal eligible children who are placed outside of Los Angeles County. This Amendment will be effective upon Board approval through June 30, 2005, which is the end of the existing contract term. This Amendment also adds a new contract provision which sets a new Maximum Contract Amount (MCA) of \$1.0 million consisting of Early and Periodic Screening, Diagnosis, and Treatment – State General Funds (EPSDT-SGF) and Federal Financial Participation (FFP) Medi-Cal funds.

**INTENT/JUSTIFICATION:**

To replace the loss of the EPSDT funds previously advanced by the State, Board approval is required for a contract amendment. Upon Board approval, this Amendment will authorize a MCA of \$1.0 million consisting of EPSDT-SGF and FFP Medi-Cal funds and, using the current Board-approved cash flow advance language, permit a maximum cash flow advance of \$416,000. The cash flow advance to CMHDA will provide continual, uninterrupted funding for the ASO, ValueOptions, Inc., pending State Medi-Cal claims adjudication. The cash flow advance will be repaid as EPDST services are rendered. CMHDA will continue to reimburse the ASO pursuant to the subcontract with the ASO, which will ensure Medi-Cal beneficiaries' access to quality care and treatment without interruption.

**FISCAL IMPACT/FINANCING:**

There is no increase in net County cost. The MCA of \$1.0 million is funded by EPSDT-SGF and FFP Medi-Cal funds currently in DMH's Fiscal Year (FY) 2003-2004 Adopted Budget. Funding for next fiscal year will be requested in DMH's FY 2004-2005 Budget Request.

**FACTS AND PROVISIONS:**

Since FY 1999-2000, CMHDA has been authorized by participating counties to contract with a private managed care company, ValueOptions, Inc., operating as an ASO, to act as an agent to credential out-of-county providers and to improve access to mental health services for children and adolescents, using guidelines set by counties. 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 Medi-Cal eligible children placed outside of Los Angeles County.

The services provided by the ASO include, but are not limited to, the following: (1) credentialing appropriate out-of-county providers; (2) establishing and maintaining the provider network; (3) determining needs for services; (4) determining and authorizing type, frequency and duration of services; (5) assuring the quality of services; (6) providing all necessary beneficiary rights and protections; (7) information management; and (8) reporting and fiscal management and cost reporting. Additionally, an important component of the ASO's function is claims processing and payment for providers in their network.

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, Inc. was renewed, effective FY 2002-2003, for a three-year term.

On August 20, the Board authorized SDMH to transfer a portion of Los Angeles County's share of EPSDT-SGF, totaling \$700,000 annually, to CMHDA to pay for ASO services. Effective FY 2003-2004, SDMH no longer allows such transfer of funds. Therefore, it is necessary that DMH amend the existing Agreement with CMHDA by adding a provision for cash flow advances in the amount of \$416,000, using the current Board-approved cash flow language in DMH's Legal Entity Agreement. The cash flow advance will be repaid as EPSDT services are rendered.

It is the intent of DMH to negotiate with CMHDA and the ASO regarding the administrative fee for denied claims. DMH plans to approach the Board at a later date to implement an Amendment which will address the administrative cost for the ASO's processing of claims and identify funds for the administrative processing fee, based on the outcome of this negotiation. Accordingly, the \$1.0 million MCA is for services only and does not include reimbursement for ASO administrative costs.

**IMPACT ON CURRENT SERVICES:**

Since the onset of this arrangement with ValueOptions, Inc. under the Agreement with CMHDA, more than 3,400 Los Angeles County children who were placed by the Department of Children and Family Services and the courts outside of Los Angeles County have received medically necessary mental health services. Medi-Cal regulations and SDMH policy state that the county in which the Medi-Cal is issued and within the court jurisdiction remains responsible for the provision of mental health services to eligible minors.

Los Angeles County lacks the infrastructure and capacity to implement such a program for 3,400 children. Without the services provided by the ASO, there may be a problem with unnecessary delays for out-of-county placed children who need mental health services. Consequently, the continuation of this arrangement with the ASO through the Agreement with CMHDA provides cost-effective, valuable services and enables Los Angeles County to comply with Medi-Cal regulations and SDMH policy. In addition, the ability to ensure timely access to mental health services for children and adolescents placed out-of-county is consistent with the Board's priorities for efficient government operations and children and families' well-being.

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