

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

**F A C T   S H E E T**

**APPROVAL OF AMENDMENT NO. 3 TO EXISTING  
AGREEMENT WITH THE CALIFORNIA MENTAL HEALTH  
DIRECTORS' ASSOCIATION FOR FISCAL YEAR 2003-2004**

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

**REQUEST:**

Request Board approval and authorization for the Director of Mental Health or his designee to prepare, sign, and execute Amendment No. 3 to the existing Agreement with the California Mental Health Directors' Association (CMHDA). The original term of the Agreement is July 1, 2002 through June 30, 2005, for the provision of medically necessary specialty mental health services rendered by providers in the Administrative Services Organization's (ASO) network to Los Angeles County's Medi-Cal eligible children who are placed by the Department of Children and Family Services (DCFS) and the courts outside of Los Angeles County.

This Amendment involves the following actions:

- a) Reduces the contract term by one year with a revised expiration date of June 30, 2004.
- b) Increases the Maximum Contract Amount (MCA) for Fiscal Year (FY) 2003-2004 by \$500,000 to meet the increased demand for mental health services delivered to Los Angeles County's Medi-Cal eligible children who are placed outside of Los Angeles County, without interruption.
- c) Adds contract provisions and increases the MCA by an additional \$193,654 to allow payment for FY 2003-2004 for prior years and current year denied Medi-Cal claims.

This Amendment will be effective upon Board approval through June 30, 2004, which is the end of the revised contract term.

**INTENT/JUSTIFICATION:**

On February 20, 2004, CMHDA unexpectedly notified County Mental Health Directors of their intent to discontinue the statewide management of the ASO, Value Options, Inc., as of June 30, 2004. Board approval is required to amend the existing Agreement with CMHDA to reduce the contract term by one year from June 30, 2005 to a revised expiration date of June 30, 2004.

Upon Board approval, the contract amendment will also increase the FY 2003-2004 MCA by \$500,000, which will provide CMHDA with necessary funding to meet the increased demand and need for mental health services rendered to Los Angeles County's Medi-Cal eligible children placed in other counties and, thus, ensure Medi-Cal beneficiaries' access to quality mental health care and treatment rendered by the ASO provider, ValueOptions, Inc., without interruption.

This action also includes an additional \$193,654 increase to the MCA which will reimburse CMHDA for claims submitted by the ASO, ValueOptions, Inc., for mental health services provided to children placed by DCFS or the courts where the child was believed to be Medi-Cal eligible but was later found not to be. Upon receipt of a denied claim, DMH will check the Medi-Cal Eligibility Data System (MEDS) file to verify the lack of Medi-Cal eligibility before a claim is considered denied. Upon verification that the child is not Medi-Cal eligible and has no other coverage, the Department of Mental Health (DMH) will pay CMHDA for the services claimed. The \$193,654 includes a one-time only lump sum amount not to exceed \$143,654 for prior year Medi-Cal denied claims and an additional \$50,000 for current year Medi-Cal denied claims.

**CONTRACTOR:**

Since FY 1999-2000, CMHDA, a nonprofit affiliate of the California State Association of Counties, 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: 1) credential and establish a provider network; 2) determine service needs; 3) assure quality of services; 4) ensure necessary beneficiary rights and protection; and 5) reimburse out-of-county providers for the purpose of improving access to mental health services for children and adolescents placed out of their home county, using guidelines set by the involved counties.

**FISCAL SUMMARY:**

There is no increase in net County cost. The increase in MCA totaling \$693,654 will be fully funded by existing appropriation of \$210,700 in Early and Periodic Screening,

Diagnosis, and Treatment – State General Funds (EPSDT-SGF), \$266,500 in EPSDT-Federal Financial Participation (FFP) Medi-Cal funds, \$146,454 in Realignment funds, of which \$22,800 is for the EPSDT growth match and \$30,000 is for the Supportive and Therapeutic Options Program (STOP) match, and \$70,000 in STOP funds, which are included in DMH's FY 2003-2004 Adopted Budget.

The revised MCA of \$1,693,654 for FY 2003-2004 will be funded by \$677,700 in EPSDT-SGF, \$799,500 in EPSDT-FFP Medi-Cal funds, \$146,454 in Realignment funds, of which \$22,800 is for the EPSDT growth match and \$30,000 is for the STOP match, and \$70,000 in STOP funds, which are included in DMH's FY 2003-2004 Adopted Budget.

### **FACTS AND PROVISIONS:**

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

On August 20, 2002, the Board authorized the State Department of Mental Health (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 allowed such transfer of funds.

Subsequently, on October 21, 2003, the Board approved Amendment No. 2 to change the reimbursement methodology by adding a provision for cash flow advances in the amount of \$416,000 in order to implement new State policy and procedures.

In addition to the inability of CMHDA and ValueOptions, Inc. to obtain access to the statewide Medi-Cal eligibility database, children's Medi-Cal eligibility is difficult to monitor because of the many circumstances in these children's lives that impact their eligibility; for example, a child's last name has changed or suddenly a parent has insurance which may only last for a short time. Initially, CMHDA thought that the denials would be minimal. However, denials were greater than anticipated and continued to be an issue, requiring the financial assistance in the amount of \$193,654 for FY 2003-2004 presented in Amendment No. 3.

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. Additionally, CMHDA addressed serious concerns with these new and unanticipated external and extenuating circumstances beyond CMHDA's control, extremely limited staff, and the lack of resources to implement the new mandate.

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. DMH has been working closely with 34 other participating counties in developing a contract directly with ValueOptions, Inc. to ensure the continual provision of ASO services, without disruption, to Medi-Cal eligible children and youth placed out of Los Angeles County, as of July 1, 2004.

**IMPACT ON CURRENT SERVICES:**

Since the onset of the subcontract with ValueOptions, Inc. under the Agreement with CMHDA, more than 3,400 of Los Angeles County's children who were placed by DCFS 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.

This subcontract arrangement with the ASO through the Agreement with CMHDA has provided cost-effective services and enabled Los Angeles County to ensure timely access to mental health services for children and adolescents placed out-of-county, consistent with the Board's priorities for efficient government operations and children and families' well-being. The additional funding will ensure payment for mental health service rendered to this specific target population.

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