

# COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

## F A C T   S H E E T

### **APPROVAL OF AMENDMENTS TO EXISTING LEGAL ENTITY AGREEMENTS WITH MEDI-CAL LONG TERM CARE PROVIDERS TO IMPLEMENT STATE-MANDATED RATE INCREASE FOR FISCAL YEAR 2005-2006 (ALL SUPERVISORIAL DISTRICTS)**

#### **REQUEST**

1. Approval and delegation of authority to the Director of Mental Health or his designee to prepare, sign, and execute amendments to nine (9) Legal Entity (LE) Agreements with existing Institutions for Mental Disease (IMD) contractors, as listed in Attachment I, for Fiscal Year (FY) 2005-2006 only. These amendments will allow the Department of Mental Health (DMH) to comply with a directive issued by the California Department of Mental Health (CDMH) on January 25, 2006 (Attachment II) to all counties to increase the reimbursement rate of payment to Medi-Cal nursing facilities, which provide long term care as IMDs to chronically and severely mentally ill adults who reside in long term care facilities, retroactive to July 1, 2005. Financing for this mandated rate increase for FY 2005-2006 will be from existing resources included in DMH's FY 2005-2006 Adopted Budget.
2. Delegation of authority to the Director of Mental Health or his designee to prepare, sign, and execute future amendments to the Legal Entity Agreements with IMD contractors, including annual State-mandated rate increase amendments, as directed in CDMH's directive of January 25, 2006.

#### **PURPOSE/JUSTIFICATION**

Pursuant to CDMH's directive issued on January 25, 2006, Board approval is required to initiate this State-mandated rate increase, retroactive to July 1, 2005, to IMD contractors. Submission of the Board letter at this time regarding a retroactive, State-mandated rate increase for Medi-Cal nursing facilities providing long term care as IMDs is unavoidable and is attributed to the delayed notification of this rate change by CDMH to all counties.

#### **BACKGROUND**

With the exception of Braswell Enterprises, Inc., which will be renewed as of FY 2006-2007, the remaining eight (8) LE contractors will be superseded with a revised contract format, effective FY 2006-2007. The Renewal and Supersession Board letters

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for FY 2006-2007 and ongoing will address the State-mandated rate increases (6.5 percent for FYs 2006-2007 through 2007-2008 and 4.7 percent for FY 2008-2009 and ongoing) for the IMD contractors for the term of their contract renewal or supersession.

Pursuant to Section 5902(e) of the Welfare and Institutions Code, as long as IMDs have county contracts and retain Nursing Facility Level B (formerly SNF) licensure and certification, they shall be reimbursed for basic services at the rate established by CDHS, in addition to the rate established for Special Treatment Programs (STP).

IMDs are State-licensed skilled nursing facilities that provide psychiatric care, psychosocial rehabilitation services, and STP geared to the needs of persons with chronic and debilitating mental illness. Generally, patients are admitted to IMDs from a higher level of care, and the average length of stay is six (6) to nine (9) months.

Services include, but are not limited to, psychiatric assessments, goal-oriented treatment plans, and general psychiatric services. STP patch services include, but are not limited to, therapeutic services which provide chronically mentally ill adults with self-help skills, behavioral adjustment, and interpersonal relationships.

In FY 2000-2001, DMH shifted its management of IMD bed resources from contracting for a specific number of beds with a Maximum Contract Amount (MCA) to contracting for established bed rates without a MCA. DMH has managed its IMD budget by closely monitoring the use of IMD bed resources and the utilization of lower levels of care, where appropriate, and purchasing IMD beds on an as needed basis. The deletion of the MCA from the LE Agreement with IMD providers has increased DMH's flexibility in managing bed resources in specific geographic areas and has allowed effective utilization of contractors who offer specialized services.

### **CONTRACTING PROCESS**

On March 13, 2006, DMH notified the CAO of its intent to request Board approval of amendments with a retroactive effective date of July 1, 2005, to implement a State-mandated rate increase for IMD contractors. Upon the Board's approval, DMH will execute amendments to nine (9) existing LE agreements with long term care IMD contractors as listed in Attachment I.

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Attachments (2)

COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL HEALTH  
 Contracts Development and Administration Division

LIST OF IMD CONTRACTORS' RATE INCREASE\*  
 FISCAL YEAR 2005-2006 ONLY

| LEGAL ENTITY CONTRACTOR**   | SUP. DIST. (SITE) | CONTRACT NO. | IMD SERVICES             | CURRENT IMD RATE | PROPOSED IMD RATE | SPECIAL TREATMENT PROGRAM (STP) PATCH | TOTAL REVISED RATE | DMH PATCH | TOTAL REIMBURSEMENT |
|---|-------------------|--------------|--------------------------|------------------|-------------------|---------------------------------------|--------------------|-----------|---------------------|
| AMADA Enterprises, Inc.<br>dba View Heights Convalescent Hospital<br>12619 S. Avalon Boulevard<br>Los Angeles, CA 90061<br>Elwood Sireator, Administrator                                     | 2                 | DMH-02095    | IMD Basic Beds 60 & over | \$ 107.20        | \$ 114.17         | \$ 5.72                               | \$ 119.89          | -         | \$ 119.89           |
| Braswell Enterprises, Inc.<br>dba Olive Vista, Laurel Park, & Sierra Vista<br>2530 Arnold Drive, Suite 170<br>Martinez, CA 94553<br>San Bernardino County<br>Julie Campbell, Regional Manager | 1                 | DMH-02275    | IMD Basic Beds 1-59      | \$ 107.06        | \$ 114.02         | \$ 5.72                               | \$ 119.74          | -         | \$ 119.74           |
|   |                   |              | IMD Basic Beds 60 & over | \$ 107.20        | \$ 114.17         | \$ 5.72                               | \$ 119.89          | -         | \$ 119.89           |
|   |                   |              | IMD Patched Beds         | \$ 107.20        | \$ 114.17         | \$ 5.72                               | \$ 119.89          | \$ 45.61  | \$ 165.50           |
|   |                   |              | MIO-Indigent             | \$ 107.20        | \$ 114.17         | \$ 5.72                               | \$ 119.89          | \$ 95.83  | \$ 215.72           |
| MIO-Regular   | \$ 107.20         | \$ 114.17    | \$ 5.72                  | \$ 119.89        | \$ 38.81          | \$ 158.70                             |                    |           |                     |
| Patch for IMD with 05 (36)  | \$ 119.60         | \$ 127.37    | \$ 5.72                  | \$ 133.09        | \$ 50.00          | \$ 183.09                             |                    |           |                     |
| Community Care Center, Inc.<br>2335 S. Mountain Avenue<br>Duarte, CA 91010<br>Peter Bennett, Administrator  | 5                 | DMH-02103    | IMD Basic Beds 60 & over | \$ 107.20        | \$ 114.17         | \$ 5.72                               | \$ 119.89          | -         | \$ 119.89           |
| Harbor View Adolescent Center<br>dba Harbor View Center<br>2530 Arnold Drive, Suite 170<br>Martinez, CA 94553<br>Julie Campbell, Regional Manager   | 4                 | DMH-02106    | IMD Basic Beds 1-59      | \$ 107.06        | \$ 114.02         | \$ 5.72                               | \$ 119.74          | -         | \$ 119.74           |
|   |                   |              | IMD Patched beds         | \$ 107.06        | \$ 114.02         | \$ 5.72                               | \$ 119.74          | \$ 198.42 | \$ 318.16           |
| Landmark Medical Services, Inc.<br>dba Landmark Medical Center<br>2030 N. Garey Ave.<br>Pomona, CA 91767<br>Rosemary C. Kilby, Administrator  | 1                 | DMH-02108    | IMD Basic Beds 60 & over | \$ 107.20        | \$ 114.17         | \$ 5.72                               | \$ 119.89          | -         | \$ 119.89           |

COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL HEALTH  
 Contracts Development and Administration Division

LIST OF IMD CONTRACTORS' RATE INCREASE\*  
 FISCAL YEAR 2005-2006 ONLY

| LEGAL ENTITY CONTRACTOR**   | SUP. DIST. (SITE) | CONTRACT NO. | IMD SERVICES                                 | CURRENT IMD RATE       | PROPOSED IMD RATE      | SPECIAL TREATMENT PROGRAM (STP) PATCH | TOTAL REVISED RATE     | DMH PATCH            | TOTAL REIMBURSEMENT    |
|---|-------------------|--------------|--|------------------------|------------------------|---------------------------------------|------------------------|----------------------|------------------------|
| Meadowbrook Rehabilitation Center<br>dba Meadowbrook Manor<br>2530 Arnold Drive, Suite 170<br>Martinez, CA 94553              | 2                 | DMH-02110    | IMD Basic Beds 60 & over<br>IMD Patched beds | \$ 107.20<br>\$ 107.20 | \$ 114.17<br>\$ 114.17 | \$ 5.72<br>\$ 5.72                    | \$ 119.89<br>\$ 119.89 | -<br>\$ 42.90        | \$ 119.89<br>\$ 162.79 |
| Julie Campbell, Regional Manager  |                   |              |  |                        |                        |                                       |                        |                      |                        |
| Penn Mar Therapeutic Center, Inc.<br>dba San Gabriel Valley Convalescent Hospital<br>3938 Cogswell Road<br>El Monte, CA 91732 | 1                 | DMH-02119    | IMD Basic Beds 1-59                          | \$ 107.06              | \$ 114.02              | \$ 5.72                               | \$ 119.74              | \$ 127.13            | \$ 246.87              |
| Mitchell Kantor, President  |                   |              |  |                        |                        |                                       |                        |                      |                        |
| Special Service for Groups<br>605 N. Olympic Blvd.<br>Los Angeles, CA 90015   | 1                 | DMH-02360    | ***  | \$ 107.20              | \$ 114.17              | \$ 5.72                               | \$ 119.89              | \$ 66.33             | \$ 186.22              |
| Herbert Hatanaka, Executive Director  |                   |              |  |                        |                        |                                       |                        |                      |                        |
| Telecare Corporation, Inc.<br>1100 Marina Village Parkway, #1<br>Alameda, CA 94501  | 4                 | DMH-02125    | IMD Basic Beds 60 & over<br>MH-RC            | \$ 107.20<br>\$ 107.20 | \$ 114.17<br>\$ 114.17 | \$ 5.72<br>\$ 5.72                    | \$ 119.89<br>\$ 119.89 | \$ 87.88<br>\$ 74.08 | \$ 207.77<br>\$ 193.97 |
| Marshall Langfeld, Vice President & CFO   |                   |              |  |                        |                        |                                       |                        |                      |                        |

NOTE:

\* On January 25, 2006, the California Department of Mental Health (CDMH) issued a directive to all counties that effective July 1, 2005 through June 30, 2008, the rate for IMD providers licensed as Medi-Cal Skilled Nursing Facilities (SNF) shall be increased annually at a rate of 6.5%. After June 30, 2008, an annual rate increase has been approved at 4.7%, effective July 1, 2008.

\*\* SNF/IMD contractors, who provide services countywide, do not have an MCA, as IMD beds are paid by the day utilized within DMH's IMD budgeted allocation. With the exception of Braswell Enterprises, Inc., which will be renewed for FY 2006-2007, the remaining LE contractors will be superseded, effective FY 2006-2007. The State-mandated rate increases for the affected fiscal years will be addressed in the Renewal and Supersession Board letters for FY 2006-2007 and ongoing.

\*\*\* Special Service for Groups has no IMD beds, but the Contractor subcontracts with Telecare for IMD services.

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CALIFORNIA DEPARTMENT OF

# Mental Health

1600 9th Street, Sacramento, CA 95814  
(916) 654-2309

January 25, 2006

DMH INFORMATION NOTICE NO.: 05-11

TO: LOCAL MENTAL HEALTH DIRECTORS  
LOCAL MENTAL HEALTH PROGRAM CHIEFS  
LOCAL MENTAL HEALTH ADMINISTRATORS  
COUNTY ADMINISTRATIVE OFFICERS  
CHAIRPERSONS, LOCAL MENTAL HEALTH BOARDS

SUBJECT: MEDI-CAL FREESTANDING NURSING FACILITY LEVEL-B  
RATES FOR FISCAL YEAR 2004/05

REFERENCE DMH INFORMATION NOTICE NO.: 03-04

**Background**

Assembly Bill (AB) 1629, Chapter 875, Statutes of 2004, created a new system that allowed the State to receive more federal Medicaid dollars to help fund a system with improved quality of care. The problem created by passage of this bill is that it put into affect a Medi-Cal rate increase in FY 2004-05 that county mental health departments would be required to pay to Medi-Cal Freestanding Nursing Facilities Level-B (NF-B) that, in addition, are Institutions for Mental Diseases (IMDs). *Note: These facilities may also be known as Skilled Nursing Facility/IMDs (SNF/IMDs).* Since residents under age 65 who are residing in NF/IMDs are not eligible for Medicaid funding like residents in other NFs, the new rate increases for these individuals would be the sole responsibility of county mental health departments.

Since this legislation would have had a significant fiscal impact on county mental health departments, AB 360 (introduced by Frommer) was passed into law (Chapter 508, Statutes of 2005) to mitigate the unintended consequences resulting from AB 1629. This bill, sponsored by the California Mental Health Director's Association (CMHDA), was drafted to meet the requirements of the Governor's signing message that included an expectation that the sponsors of the bill would work with the county mental health directors to pass clean-up legislation addressing Medi-Cal rates and NF/IMDs.

As a result, AB 360 amends Section 5912 of the Welfare and Institutions Code mandating that rates for NF/IMDs will be the same as the Medi-Cal rates in effect on July 31, 2004. The bill also states that "Effective July 1, 2005, through June 30, 2008,

the reimbursement rate for IMDs shall increase by 6.5 percent annually. Effective July 1, 2008, the reimbursement rate for IMDs shall increase by 4.7 percent annually.”

**Rates Effective July 1, 2004:**

The Department of Health Services (DHS) has provided the Medi-Cal per diem rate for NF Level-B facilities effective July 31, 2004, as follows:

*Please note that any questions related to the use of accommodation codes or information included in the table below should be directed to DHS Medi-Cal Policy Division, Rate Development Branch at (916) 552-9600.*

**Freestanding NF Level-B Per Diem Rates effective July 31, 2004:**

| Accom. Codes | TOTAL BEDS 1-59         |                    |                    | TOTAL BEDS 60+          |                    |                    |
|--------------|-------------------------|--------------------|--------------------|-------------------------|--------------------|--------------------|
|              | S.F.Bay Area Counties * | Los Angeles County | All Other Counties | S.F.Bay Area Counties * | Los Angeles County | All Other Counties |
| 01           | 132.57                  | 107.06             | 115.19             | 139.34                  | 107.20             | 119.60             |
| 02           | 127.52                  | 102.01             | 110.14             | 134.29                  | 102.15             | 114.55             |
| 03           | 127.52                  | 102.01             | 110.14             | 134.29                  | 102.15             | 114.55             |

\* San Francisco Bay Area counties: Alameda, Contra Costa, Marin, San Francisco, San Mateo, Napa and Sonoma.

**Calculating the new rated required as of July 1, 2005:**

The rates shown above do **not** include the annual percentage increases that are required beginning July 1, 2005, nor do they include the Special Treatment Program (STP) patch that remains at \$5.72 per client /per day. Please note that the rate reduction for Leave of Absence and Bed Hold for acute hospitalization is \$5.18 per diem.

In order to calculate the allowable rate effective July 1, 2005, the rate shown in the table above must be multiplied by 6.5 percent to arrive at the additional amount that is then added to that rate. This calculation must occur before any STP patch is added.

For example:

Counties using the rate of \$132.57 would multiply that rate by 6.5 percent to arrive at a total of \$141.19. If an STP patch is also applicable, \$5.72 would then be added to arrive at a final rate of \$146.91.

The following table provides an example of rate calculations effective July 1, 2005 as provided under AB 360:

| Number of Beds | Area        | Rate Effective July 31, 2004 (AB 360 Base Rate) | Allowable Rate Increase of 6.5% Effective July 1, 2005 | Patch  | Rate with Patch July 1, 2005 |
|----------------|-------------|---|--|--------|------------------------------|
| 1 to 59        | Los Angeles | \$107.06  | \$114.02   | \$5.72 | \$119.74                     |
| 1 to 59        | Bay Area    | \$132.57  | \$141.19   | \$5.72 | \$146.91                     |
| 1 to 59        | All Other   | \$115.19  | \$122.68   | \$5.72 | \$128.40                     |
| 60+            | Los Angeles | \$107.20  | \$114.17   | \$5.72 | \$119.89                     |
| 60+            | Bay Area    | \$139.34  | \$148.40   | \$5.72 | \$154.12                     |
| 60+            | All Other   | \$119.60  | \$127.37   | \$5.72 | \$133.09                     |

Please be advised that DMH will no longer provide the Medi-Cal NF rates via an Information Notice. In the future, rates may be accessed on the DHS website at: [www.medi-cal.ca.gov](http://www.medi-cal.ca.gov)

Should you have any questions regarding this matter, please contact Dr. Ruben Lozano, Acting Chief, Licensing and Certification at (916) 654 2396.

Sincerely,

Original signed by:

STEPHEN W. MAYBERG, Ph.D.  
Director