

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

FACT SHEET

**APPROVAL OF SETTLEMENT AGREEMENTS
FOR FISCAL YEARS 2001-02 AND 2004-05
(SUPERVISORIAL DISTRICTS 1, 2, 3, AND 5)
(3 VOTES)**

SUBJECT

Request to enter into settlement agreements with ten Department of Mental Health Legal Entity Contractors to extend the Contractors' time to repay amounts owed to the County from three months to six months.

REQUEST

Approve and instruct the Director of Mental Health, or his designee, to prepare, sign and execute Settlement Agreements to allow repayment of settlement amounts from Fiscal Years (FYs) 2001-02 and 2004-05 totaling \$3,111,775 owed to the County to be paid over a period of six months, in lieu of the three-month repayment period stipulated in the financial provisions of the Department of Mental Health (DMH) Legal Entity (LE) Agreement, for ten LE Contractors (see Attachment). The agreements will be effective upon Board approval.

PURPOSE/JUSTIFICATION

In accordance with the State's Settlement Report, County DMH initiates a settlement with the Contractors either to pay additional funds or to recover unearned funds from Contractors. Board approval of the Settlement Agreements will allow the Contractors to repay their County debts over a six-month period in lieu of the three-month repayment period as provided in the LE Agreement. This extension will mitigate an immediate adverse cash flow impact on the subject Contractors, enhance the probability of recovery of County funds, and avoid any potential adverse impact on the level and quality of services provided.

CONTRACTORS

The approval of the Settlement Agreement with Pacific Clinics will allow it to repay DMH, over the period of six months, for the funds owed as a result of the State's countywide Short-Doyle/Medi-Cal (SD/MC) Program Audit for FY 2001-02.

The State has completed the audit for mental health providers performing Medi-Cal services, which is approximately five years after the close of the FY. The result is the total services rendered were calculated and an earned amount was determined. DMH is initiating cash settlements based on the earned amount and will either pay the Contractors additional funds up to the earned amounts or recover over paid amounts above the earned amounts. In this instance, Pacific Clinics' repayment represents recovery of funds paid in excess of the cost of actual Medi-Cal services provided during FY 2001-02.

The approval of the Settlement Agreements with Barbour and Floyd Medical Associates; Dubnoff; Eisner; Penny Lane Centers; South Central Health and Rehabilitation Program; Transitional Living Centers for L.A. County, Inc.; Verdugo; D'Veal; and Aviva will allow them to repay County funds over a period of six months. The County funds owed by Contractors were identified during the FY 2004-05 SD/MC reconciliation process performed in compliance with State requirements of Medi-Cal mental health services providers. This process takes place approximately 18 months after the close of each FY and is based on the annual cost reports from subject Contractors that are required by the State Department of Mental Health (SDMH) to be submitted annually. Based on the submitted cost report, a SD/MC Reconciliation Settlement Report (Settlement Report) is issued by the State, which determines the amount earned by Contractors based on final approved SD/MC allowable units of service.

In the case of Hamburger Home (dba Aviva Family and Children Services), the fiscal year (FY) 2004-05 settlement amount owed to the County is \$530,471; however, Aviva is currently appealing \$330,471 of the amount owed to DMH. As a result, the initial settlement agreement will be in the amount of \$200,000. Upon resolution of the appeal, it is recommended that the Director of Mental Health, or his designee, be authorized to amend the Settlement Agreement to include any additional amounts owed to the County and to allow those payments to be made over a six-month period.

In the case of D'Veal Corporation (dba D'Veal Family and Youth Services), the FY 2004-05 settlement amount owed to the County is \$418,082. D'Veal is currently paying \$153,921 over the 3-month repayment period as provided in the LE agreement. The balance of the amount owed to DMH of \$264,161 is on appeal. Upon resolution of the appeal, it is recommended that the Director of Mental Health, or his designee, be authorized to amend the Settlement Agreement to allow payment of the remaining balance of \$264,161 to be made over a six-month period.

According to the DMH LE Agreement repayment provision, the Contractors are required to repay the entire amount in a period not to exceed three months. The above-mentioned LEs have informed DMH that repayment of the debts in a three-month period would result in adverse consequences for them. To avoid an adverse cash flow impact, the County and the LEs are requesting Board approval to enter into a Settlement Agreement to extend the repayment period to six months with no interest charges.

Effective upon Board approval, the County will receive six monthly repayments from the Contractors until the County has fully recovered the funds owed. Such repayments can be either in the form of actual cash payments, deductions from the Contractors monthly claims, or a combination of both.

The Settlement Agreement has been approved as to form by County Counsel.

DMH Contact:

Lyn Wallensak, Administrative Deputy
Telephone Number: (213) 738-2891
Email address: KWalensak@dmh.lacounty.gov

APPROVED BY:

DMH Program – Michael Boyle
DMH Contracts – Leticia Torres-Ibarra
Chief Executive Officer – David Seidenfeld
County Counsel – Edward Yen

Attachment

COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL HEALTH
 FINANCIAL SERVICES BUREAU

FY 2008-09

EXTENDED 6 MONTHS REPAYMENT PLAN

ATTACHMENT

Recommendation No.	Agreement No.	Entity Name	Settlement Amount owed by provider	Schedule of payment per month
FY 2001-02 SD/MC Program Audit				
1.	MH120144	Pacific Clinics	\$ 326,262.00	\$ 54,377.00
FY 2004-05 SD/MC Reconciliation				
2.	MH120194	Barbour and Floyd Medical Associates	\$ 180,967.00	\$ 30,161.17
3.	MH120155	Dubroff Center for Child Development and Educational Therapy, dba Dubroff	\$ 127,874.00	\$ 21,312.33
4.	MH120171	Pediatric and Family Medical Center, dba Eisner Pediatric & Family Medical Center	\$ 35,941.00	\$ 5,990.17
5.	MH120248	Penny Lane Centers, formerly National Foundation	\$ 812,534.00	\$ 135,422.33
6.	MH120177	South Central Health and Rehabilitation Programs (SCHARP)	\$ 177,637.00	\$ 29,606.17
7.	MH120179	Transitional Living Centers for L.A. County, Inc.	\$ 200,325.00	\$ 33,387.50
8.	MH120279	Verdugo Mental Health Center, Inc	\$ 455,603.00	\$ 75,933.83
9.	MH120212	D'Veal Corporation dba D'Veal Family and Youth Services (Pending appeal resolution)	\$ 264,161.00 (1)	\$ 44,026.83
10.	MH120160	Hamburger Home, dba Aviva Family and Children's Services	\$ 200,000.00 (2)	\$ 33,333.33
11.	MH120160	Hamburger Home, dba Aviva Family and Children's Services (Pending appeal resolution)	\$ 330,471.00 (2)	\$ 55,078.50
TOTAL			\$ 3,114,775.00	\$ 518,629.17

(1) The total settlement amount owed to the County is \$418,082. D'Veal is currently paying \$153,921 over the 3 month repayment period as provided in the LE agreement. The balance of the amount owed to DMH of \$264,161 is on appeal.

(2) The total settlement amount owed to the County is \$530,471; however, Aviva is currently appealing \$330,471 of the amount owed to DMH. As a result, the initial settlement agreement will be in the amount of \$200,000.