

**BOARD LETTER – SUMMARY SHEET  
HEALTH AND MENTAL HEALTH SERVICES CLUSTER**

<b>AGENDA REVIEW</b>	June 20, 2012
<b>BOARD MEETING</b>	July 3, 2012
<b>SUPERVISORIAL DISTRICT</b>	All
<b>DEPARTMENT</b>	Mental Health
<b>SUBJECT</b>	Approval of partial deferment of repayment of Cash Flow Advances (CFA) for Legal Entity contractors and authorization to extend the date for initiating recovery of cash flow advance funds for Fiscal Years 2009-10, 2010-11 and 2011-12
<b>PROGRAM</b>	Office of Administrative Deputy
<b>DEADLINES</b>	None
<b>COST &amp; FUNDING</b>	There is no net County cost impact associated with the recommended actions. However, as reimbursement from Federal and State funding is also based on the provisional rates utilized to adjudicate and pay contract providers, there will continue to be a negative impact on the County's cash flow position as DMH will not receive the State and Federal funds to offset the deferred CFA until after the State completes the SD/MC Cost Report Reconciliation and Settlement process.
<b>PURPOSE OF REQUEST</b>	The purpose of the recommended actions are to waive certain contractual provisions pertaining to the CFA, which are funds advanced in anticipation of services by Department of Mental Health's (DMH) Legal Entity (LE) providers, in order to avoid the potential immediate and severe negative financial impact on the LE providers, to reduce the potential for significant service reduction to clients, and to account for statutory allowances related to the processing of claims at the close of a fiscal year.
<b>SUMMARY/ ISSUES</b>  <b>(Briefly summarize program and potential issues or concerns. Identify changes, if any, to level of funding or staffing; how funding will be utilized and why best use; prior accomplishments; and for BLs involving contracts, also note changes to the contract term.)</b>	<p>CFA is a disbursement of funds to the contractor for working capital purposes. Such advances are fiscal year specific and are made to provide funds for the contractor to operate during the period of time from the delivery of the services to the DMH payment of the claims. CFA is contractually restricted to the mental health programs. Earned interest, if any, is required to be expended on mental health programs. The recovery of the CFA is made as either offsets to the contractor's reimbursement claims or by cash repayment.</p> <p>The recommended actions are intended to reduce potential negative impacts on client services that may result from recouping CFA that has been earned by the providers during a time when most providers will be required to reduce services as a result of declining funding attributable to the current economic climate. By adjusting the amount of recovery of the CFA to reflect the amount DMH ultimately believes the contractors will earn, potential adverse impacts on the quality and amount of client services being provided by the contractors will be mitigated by avoiding the need for contractors to reduce expenditures further to absorb the financial impact of recouping funds that have been earned through actual expenses.</p>
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