

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

F A C T S H E E T

REQUEST FOR FISCAL YEAR 2004-2005 RETROACTIVE PAYMENT TO UNILAB CORPORATION dba QUEST DIAGNOSTICS FOR CLINICAL LABORATORY SERVICES (ALL SUPERVISORIAL DISTRICTS)

REQUEST

Approve and delegate authority to the Director of Mental Health or his designee to prepare, sign, and execute an Amendment with Unilab Corporation dba Quest Diagnostics (Unilab) for reimbursement of unpaid clinical laboratory services provided during Fiscal Year (FY) 2004-2005 in the amount of \$70,000, funded by existing resources included in the Department's FY 2005-2006 Adopted Budget.

PURPOSE/JUSTIFICATION

The original five-year (FY 2001-2006) contract with Unilab for clinical laboratory services projected an annual expenditure of \$600,000. The projection was underestimated due to the rapid increase of atypical antipsychotic medications that became available during the time that this contract was in place. These newer medications provided great benefits for patients; yet associated with these medications was an increased need for laboratory tests, especially for monitoring endocrine and cardiac functions. Subsequently, Unilab provided clinical laboratory services that exceeded the budgeted expenditure of \$600,000 by \$70,000 during FY 2004-2005.

In FY 2003-2004, an Amendment request was submitted and approved for additional funding of \$110,000 (with the original expenditure of \$600,000) for DMH's Contract Agreement with Unilab. It was the intent of DMH to have this same request applied to the three (3) outstanding years remaining on the contract; however, the request was misinterpreted and was not applied to FY 2004-2005.

BACKGROUND

DMH has already initiated preliminary corrective actions and intends to further strengthen its internal controls to circumvent any future occurrences such as this. Steps have been taken which provide closer monitoring of expenditures, number and kind of laboratory tests performed, and number of patients served. DMH Pharmacy Services will work closely with DMH Contracts Development and Administration Division to ensure that expenditures are within the terms of the contract. Lab expenditures have been incorporated into the Clinical Snapshot statistic forms which are presented at

Fact Sheet
Retroactive Payment Amendment –
Unilab Corp. dba Quest Diagnostics
Page 2

monthly Clinical Policy Committee Meetings. Status updates will be presented at regularly scheduled meetings, which include weekly meetings with the DMH Office of the Medical Director's (OMD) staff. DMH Pharmacy Services will also ensure that it keeps OMD apprised of the fiscal impact on ancillary services as new products are accepted on the Department's formulary. In addition, DMH will include the 75 percent and six-month rule language in Paragraph 4, "Financial Provisions," Subparagraph B, "Reimbursement for Initial Period" in the new Clinical Laboratory Services Agreement format, and monitor its compliance in all current and future contracts.

WC:RK:CK