

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

F A C T S H E E T

**APPROVAL OF SETTLEMENT AGREEMENT WITH
GOLDEN STATE HEALTH CENTERS, INC.
(SUPERVISORIAL DISTRICT 3)**

REQUEST:

Request Board approval and delegate authority to the Director of Mental Health to prepare, sign, and execute a Settlement Agreement with Golden State Health Centers, Inc. (Golden State) for the repayment of \$482,715.12 owed to the County of Los Angeles - Department of Mental Health (DMH), subsequent to DMH's termination of the Legal Entity (LE) Agreement with Golden State as of October 1, 2003. Upon Board approval, the Settlement Agreement will allow Golden State to repay DMH over a period of 24 months, beyond the three months stipulated in previous LE Agreements for Fiscal Years (FY) 2000-2001 through 2002-2003.

INTENT/JUSTIFICATION:

Board approval of the Settlement Agreement will allow Golden State to repay DMH over a period of 24 months for funds owed as a result of the FY 2000-2001 Short-Doyle/Medi-Cal (SD/MC) Settlement of \$358,711, excess payment of \$13,284 to this former DMH contractor for Institutions of Mental Disease (IMD) services for FY 2001-2002, and the unsatisfied Cash Flow Loan of \$110,720.12 for FY 2002-2003, for a total payment amount of \$482,715.12.

The extended repayment period is necessary to alleviate a potentially adverse cash flow impact on Golden State and any financial hardship that may affect Golden State as a result of DMH's termination of the contract, effective October 1, 2003. This extended repayment period does not include interest payments on the outstanding debt to alleviate a potentially adverse financial hardship on the former contractor.

CONTRACTOR:

Golden State contracted with DMH for IMD services until October 1, 2003, when DMH terminated the LE Agreement pursuant to convenience.

FISCAL SUMMARY:

There is no fiscal impact on DMH's FY 2004-2005 Adopted Budget. Effective upon Board approval, Golden State will repay the amount of \$482,715.12 in installments of \$20,113.13 per month for 24 months. Monthly payments will be paid by check from Golden State until the entire balance has been repaid. In the event that the monthly payments are not made by the 20th of each month, the entire amount will be due from Golden State as of the 21st of that month.

It should be noted that County General Funds (CGF) in the amount of \$358,711 have already been utilized to pay back the State for the FY 2000-2001 SD/MC and Early and Periodic Screening, Diagnosis and Treatment Program Settlement. There is lost investment opportunity for the County because of the delay in reimbursement to the CGF. There also may be an increased risk of loss to the CGF should Golden State default at any time during the extended repayment period.

FACTS AND PROVISIONS:

The State Department of Mental Health (SDMH) requires an annual cost report for mental health providers performing Medi-Cal services. Approximately every five years, SDMH completes an audit for mental health providers performing Medi-Cal and State-funded services. The result is that the total services rendered are calculated and an earned amount is determined. SDMH also requires that State auditors perform various types of audits at contractors' sites regarding client files. Provider audits may result in units of service being disallowed or adjustments in the amount of reimbursement for services provided. In this instance, the Golden State repayment represents recovery of funds paid in excess of the cost of actual Medi-Cal services provided as well as services that were disallowed by State auditors. The audit results were subsequent to DMH's termination of the LE Agreement with Golden State as of October 1, 2003.

DMH terminated the LE Agreement with Golden State as of October 1, 2003 pursuant to convenience. Upon Board approval, the Settlement Agreement will allow Golden State to repay funds owed to DMH over an extended repayment period to alleviate any potentially adverse cash flow impact and financial hardship following the contract termination as of October 1, 2003. In April 2004 in response to a notice of delinquency of payments to DMH, Golden State initiated monthly payments in the amount of \$20,113.13 against this debt. Through August 2004, Golden State has made five payments totaling \$100,565.65.

This Settlement Agreement does not include interest charges pursuant to the joint departmental Board memo dated February 3, 2003, as DMH deems that interest charges would impose an additional financial burden on the former contractor, who has already initiated a good faith effort to repay DMH monthly.

IMPACT ON CURRENT SERVICES:

Without the Settlement Agreement, Golden State would be required to repay the liability in three installments to the County, which would potentially cause negative cash flow problems to the provider.