

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

F A C T S H E E T

**APPROVAL OF SETTLEMENT AGREEMENT WITH STIRLING ACADEMY,
INC., A MENTAL HEALTH SERVICES-LEGAL ENTITY CONTRACTOR
(SUPERVISORIAL DISTRICT 3)**

REQUEST:

Authorize the Director of Mental Health or his designee to prepare, sign, and execute a Settlement Agreement with Stirling Academy, Inc., a Mental Health Services-Legal Entity Contractor. Upon the Board's approval, this Agreement will allow the Contractor to repay its debt of \$328,086.25 over a period of twelve (12) months, in lieu of the three (3) months stipulated in its Legal Entity (LE) Agreement financial provisions.

BACKGROUND:

The State Department of Mental Health requires an annual cost report from each Department of Mental Health (DMH) contractor who provides Short-Doyle/Medi-Cal (SD/MC) mental health services. Based on the submitted cost report, a State SD/MC Reconciliation Settlement Report is issued which determines the amount earned by the contractor. Based on the State result, County DMH initiates cash settlement with the contractor either to pay additional funds to, or to recover funds from the contractor. Where the contractor owes County funds, the standard DMH LE Agreement allows cash repayments to the County over a period not to exceed three (3) months. Should the contractor request a longer period, DMH negotiates a repayment Settlement Agreement. Such a Settlement Agreement must be approved by the Board. The State SD/MC reconciliation process determined an unearned amount of \$483,256 due from Stirling for its Fiscal Year 2000-2001 services. Stirling has repaid \$155,169.75, leaving a balance of \$328,086.25. This Settlement Agreement is to recover County funds of \$328,086.25 over a period of twelve (12) months with no interest charges.

INTENT:

The Board's approval of the Settlement Agreement will allow Stirling to repay its debt of \$328,086.25 over a period of twelve (12) months with no interest charges. This will mitigate Contractor's adverse cash flow problem and enhance the probability of recovery of County funds.

JUSTIFICATION:

This Settlement Agreement structure is in keeping with David E. Janssen's recommendations made to the Board. In his February 3, 2003 Board Letter, entitled "Settlement Agreements and The Cash Flow Loan Program", it states that, "Repayment settlement agreements help providers mitigate an immediate adverse cash flow impact, thereby enhancing the probability of recovery of County funds. Because this situation often occurs with smaller community-based agencies... if the provider completes repayment within one year, interest charges will be waived." Stirling's repayment is twelve (12) months, we, therefore recommend that there be no interest charges.

CONTRACTING PROCESS:

This subject does not apply.