COUNTY OF LOS ANGELES

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BOARD OF SUPERVISORS
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DEPARTMENT OF MENTAL HEALTH

http://dmh.co.la.ca.us

June 19, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

APPROVAL OF A POLICY MODIFICATION AND REQUEST FOR FY 2002-2003 APPROPRIATION ADJUSTMENT FOR THE REDIRECTION OF FY 2001-2002 AND FY 2002-2003 TOBACCO FUNDS TO MAKE SENATE BILL 90 (SB 90) PAYMENTS TO NON-GOVERNMENTAL AGENCIES (NGA) FOR FISCAL YEAR 2000- 2001 AB 3632 SERVICES (ALL SUPERVISORIAL DISTRICTS) (4 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve on a one-time basis and effective upon Board approval for Fiscal Year (FY) 2002-2003, 1) a policy modification to the October 31, 2000 Board approved Tobacco Settlement Spending Plan whereby any unspent funds at the end of each fiscal year revert back to the Tobacco Settlement designation account rather than serve to cover ongoing Department of Health Services/Department of Mental Health (DHS/DMH) operations, and 2) that this one-time policy modification will allow unspent Tobacco Settlement funds to be available to assist Non-Governmental Agencies (NGAs) with cash flow problems created by the State's lapse in SB90 payments for Assembly Bill (AB) 3632 services provided to Seriously Emotionally Disturbed (SED) children in FY 2000-2001. Upon receipt of SB90 funds from the State, the County will redirect such funds back to repay the Tobacco Settlement Designation account.

If the Board approves this recommendation, then it is recommended that the following additional three items be approved:

2. Approve the redirection of $77,835 of FY 2002-2003 unspent Tobacco Settlement funds and $242,331 of FY 2001-2002 unspent Tobacco Settlement Accounts Payable

(AP) balances to compensate twenty-five (25) NGAs $320,166 for Assembly Bill (AB) 3632 services provided in FY 2000-2001 (Attachment I) prior to receipt of SB 90 funds from the State.

3. Approve the Request for Appropriation Adjustment (Attachment II) to utilize the unspent Tobacco Settlement Accounts Payable balance of $242,000 from the Appropriation for Contingency Cancelled Commitment and Accounts Payable account and increase DMH's Service & Supplies account. This will then allow DMH to cancel a portion of unspent Accounts Payable balances from three NGAs contractors in the amount of $242,331 to pay for AB 3632 services prior to receipt of State SB 90 funds.

4. Delegate authority to the Director of Mental Health to prepare, sign, and execute amendments to existing agreements, as listed in Attachment I, for FY 2002-2003, to decrease the Maximum Contract Amounts of three (3) NGA contractors by $77,835 and transfer $77,835 to an appropriate account thereby authorizing DMH to pay NGAs for AB 3632 services prior to receipt of State SB 90 funds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Purpose/Justification for Recommendation #1 is as follows:
On June 10, 2003, the Board approved a motion directing the Chief Administrative Officer, Auditor-Controller, and the Department of Mental Health to report back with recommendations on identifying and redirecting any unspent and/or additional unallocated funds in order to make SB90 payments to NGAs for AB3632 services provided in FYs 2000-2001 and 2001-2002. The Department identified unspent Tobacco Settlement funds from FYs 2001-2002 and 2002-2003 that could be redirected to compensate NGAs for such AB 3632 services. Therefore, the first purpose of this action is for the Board to approve, on a one-time basis, 1) a modification in its original Tobacco Settlement Spending Plan whereby any unspent funds at the end of each fiscal year revert back to the Tobacco Settlement designation account rather than serve to cover ongoing DHS/DMH operations, and 2) that such unspent Tobacco Settlement funds be available to pay NGAs for AB3632 services provided to SED children in FY 2000-2001 prior to receipt of State SB90 funds.

The Department will continue to explore additional funding options which may be available and/or identified subsequent to the year-end closing process, which is required to verify and finalize the exact available amount of FY 2002-2003 unexpended funds.

Purpose/Justification for Recommendations #2 through #4 are as follows:
Per 1984, California legislature, the County serves an intermediary role between contracted service providers and the State for AB 3632 mental health services for severely emotionally disturbed (SED) children through the SB 90 reimbursement process that was designed to enable local governments to recover from a net financial injury that results from this State mandated program.

The claiming process for determining "net financial injury" that results from the State's mandated AB 3632 program is lengthy and involves the following three steps: 1) a SB 90 claim showing net financial injury is prepared based on what is reported in the cost report; 2) the State performs a SD/MC reconciliation that validates SB 90 services; and 3) the Department incorporates the State's SD/MC reconciliation into its settlement process thereby establishing true and accurate SB 90 costs and determines net financial injury. This three-step claiming process normally takes about 20-22 months after the close of the fiscal year, and for FY 2000-2001 is expected to be completed soon with payment from the State expected sometime during FY 2003-2004 or later. Such a lengthy SB 90 processing time period places NGAs at a cash flow disadvantage. It is very difficult for NGAs to carry Accounts Receivable balances for two–three years after services were delivered and continually do that for multiple years.

Also, even after the lengthy claiming process is complete/finalized, the present fiscal conditions of the State are such that the State is apparently unable to provide its SB 90 payments for AB 3632 services in a timely manner, creating additional multi-year cash flow problems for NGA contractors. A partial interim solution to this cash flow problem, on a one-time, non-precedent setting basis only, is to redirect unused tobacco settlement funds from four (4) NGAs that can be used to pay other NGAs for FY 2000-2001 AB 3632 services. This will provide some cash flow relief to NGAs thereby allowing for the continuance of AB 3632 services, without interruption, pending fulfillment of the State's payment obligations. Contractor understands that County has devoted a limited fund for this purpose, that payments are being made to other similar situated providers, which exhaust the fund, and that accordingly, there are no other funds presently available for these purposes. Be advised that once the SB 90 claiming process is completed for FY 2000-2001 and the State validates FY 2000-2001 SB 90 services, there may be an adjustment to NGA SB 90 final payments.

Also as per FY 2000-2001 contract language, "SB 90 funds are not part of the Maximum Contract Amount(s) of this Agreement and shall be paid by County to Contractor solely in County's capacity as the SB 90 claim intermediary between the Contractor and the State..... Contractor shall be paid by County from State SB 90 funds upon receipt from the State". Therefore, the Department is contractually bound to compensate NGAs for

the AB 3632 mental health services provided pursuant to the provisions of the Agreement upon receipt of State SB 90 funds. Therefore, another purpose of this request is as follows: 1) recommend that contract language, on this one-time basis, be waived authorizing the Department to pay NGAs for AB 3632 services prior to receipt of State SB 90 funds, 2) approve an appropriation adjustment thereby using unspent FY 2001-2002 Tobacco Settlement Accounts Payable funds of $242,331 from the Appropriation for Contingency Cancelled Commitments and Accounts Payable account to pay NGAs for FY 2000-2001 SB 90 service claims, and 3) redirect $77,835 of FY 2002-2003 unspent Tobacco Settlement funds to pay NGAs for FY 2000-2001 SB 90 service claims.

Implementation of Strategic Plan Goals The recommended Board actions are consistent with the County's Fourth Goal: "Fiscal Responsibility." This action will enable DMH to make payments to NGAs for AB3632 services provided to SED children in FY 2000-2001 which will provide cash flow relief to NGAs thereby allowing for the continuance of AB 3632 services, without interruption, pending fulfillment of the State's payment obligations.

FISCAL IMPACT/FINANCING

There is a one-time FY 2002-2003 increase of $242,000 in net County cost since the Department is utilizing the unspent Tobacco Settlement Accounts Payable balance of $242,000 from the Appropriation for Contingency Cancelled Commitment and Accounts Payable account to increase the Department's Service & Supplies account.

There is no FY 2002-2003 increase in net County cost for the $77, 835 since the Department would like to redirect $77,835 of FY 2002-2003 unspent Tobacco Settlement funds (freed up by reducing three (3) NGA Tobacco Settlement allocations).

Both the $242,000 and $77,835 will be used, on a one-time basis, to pay other NGA's for prior year SB 90 service claims.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In 1984, the California legislature enacted AB3632 in order to maximize and coordinate the provision of mental health services to SED children by State and local government agencies. Since the inception of AB 3632, DMH has delivered mental health services to clients through a vast network of directly operated and community-based provider agencies.

Contractors have expressed serious concern about not being paid for services already delivered, which has created serious cash flow problems. Overall, SB 90 funds are not available to counties to provide timely payments for the federally mandated services, as the funds are not anticipated to be received from the State within 12 months of the current fiscal year claiming period. Given the urgent circumstances and the critical need to continue federally mandated services without interruption, on March 4, 2003 the Board approved a $6.1 million reserve that allowed partial payment of SB 90 claims to NGAs and authorized DMH to proceed with contract amendments to change the language adding $6.1 million in SB 90 funds to the Maximum Contract Amount and allowing NGAs to be partially paid by County. Subsequently, on June 17, 2003, the Board approved a $3.2 million appropriation adjustment to provide additional one-time cash flow relief to contractors until funds are received from the State.

Serving as the fiscal intermediary between the contractors and the State, the County does not expect to receive any SB 90 funds from the state for FY 2000-2001 this fiscal year (the Department's preliminary settlement show that over $ 4.8 million of SB90 funds is owed by the State to the County on behalf of NGA providers). Therefore, the Department is requesting a one-time policy modification to redirect $320,166 in unspent Tobacco Settlement funds to compensate NGAs for AB 3632 services provided in FY 2000-2001 prior to receipt of SB 90 funds from the State. Upon receipt of SB 90 funds from the State, the County will redirect such funds back to repay the Tobacco Settlement Designation account. An alternative would be for the Board to instruct the Department to make necessary service curtailments in other indigent programs in order to fund the SB 90 program with Sales Tax Realignment funds.

CONTRACTING PROCESS

For FY 2002-2003 three (3) NGA Maximum Contract Amounts will be decreased by $77,835 as listed in Attachment I.

Per the Mental Health Services Agreement at least twenty-five (25) NGAs have delivered AB 3632 mental health services and are eligible for SB 90 payments in FY 2000-2001.

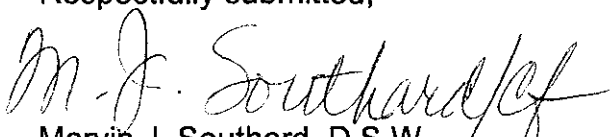
IMPACT ON CURRENT SERVICES

Your Board approval of this request, which impacts the FY 2002-2003 budget only, will enable the Department to make payments to NGAs and will allow for continued and uninterrupted AB 3632 mental health services rendered to Los Angeles County SED beneficiaries.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board action. It is requested that the Executive Officer, Board of Supervisors, notify the Department of Mental Health's Contracts Development and Administration Division at (213) 738-4684 when this document is available.

Respectfully submitted,



Marvin J. Southard, D.S.W.
Director of Mental Health

MJS:OFS:AW

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Office, Board of Supervisors
Auditor-Controller
Chairperson, Mental Health Commission

ATTACHMENT I

CANCELLATIONS/REDUCTIONS

	Legal Entity #	Legal Entity Name	FY 01-02 AP cancellations	FY 02-03 MCA reduction	Total Amount of tobacco reduction
1	206	Harbor View (Regency Health Services)		21,350	21,350
2	310	Watts Labor	13,370	6,685	20,055
3	300	For the Child (Cedar House)	18,558		18,558
4	n/a	The Regents (Addendum A attached and made a part of Mental Health Service Agreement)	210,403	49,800	260,203
			242,331	77,835	320,166

ALLOCATIONS

	Legal Entity #	Legal Entity Name	Allocation - % of $320,166 (6) = (5) x $320,166
1	00173	Associated League of Mexican American (ALMA)	140
2	00210	Child and Family Center (Santa Clarita Valley Child & Fan	58,771
3	00783	ChildNet Youth and Family Service, Inc.	406
4	00179	Children's Hospital of Los Angeles	2,886
5	00591	Children's Institute International	241
6	00321	Church Home of Children (Hillsides Home for Children)	10,341
7	00181	Community Family Guidance Center	9,641
8	00183	Didi Hirsch Psychiatric Service	7,361
9	00778	D'Veal Corporation	573
10	00647	Five Acres Service (Five Acres Boys & Girls Aid Society o	5,322
11	00724	Foothill Family Services	339
12	00191	Greater Long Beach Child Guidance Center	3,579
13	00174	Hamburger Home, Inc. (Aviva Center)	9,128
14	00206	Harbor View Adolescent Center (Regency Health)	1,070
15	00192	Hathaway Children's Services	12,472
16	00171	Institute for the Redesign of Learning (Almansor Center)	10,651
17	00198	Los Angeles Center for Therapy (H.E.L.P.)	3,130
18	00315	Los Angeles Unified School District	7,557
19	00203	Pacific Clinics	2,171
20	00204	Pasadena Children's Trng. Society	19,614
21	00213	South Bay Children's Health Center	5,283
22	00214	Special Service for Groups	299
23	00217	St. John's Hospital	26,769
24	00221	Verdugo Mental Health Center	16,071
25	00196	Vista del Mar (Jewish)	106,350
		Sub-Total	320,166

ATTACHMENT II

76R 352M (11/83)

BOARD OF SUPERVISORS OFFICIAL COPY

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPT'S. NO. 435

DEPARTMENT OF Mental Health

19

AUDITOR-CONTROLLER.
THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

(FY 02-03)

4-Votes

Sources:

Department of Mental Health
Contingency Cancelled Commitment and Accounts Payable
A01-MH-20500-3306
$242,000

Uses:

Department of Mental Health
Services & Supplies
A01-MH-20500-2000
$242,000

This adjustment is requested to utilize the unspent Tobacco Settlement Account Payables balance of $242,000 from the Appropriation for Contingency Cancelled Commitment and Accounts Payable account and increase the Department's Services & Supplies Account. This will allow the Department to cancel a portion of unspent Account Payable balances from three contract providers to pay for AB3632 services prior to the receipt of State SB90 funds. This adjustment will increase net County cost.

Marvin J. Southard, D.S.W.
Director of Mental Health

CHIEF ADMINISTRATIVE OFFICER'S REPORT

REFERRED TO THE CHIEF ADMINISTRATIVE OFFICER FOR — ACTION ✓ RECOMMENDATION

AUDITOR-CONTROLLER NO. 290 BY JUNE 19 2003

APPROVED AS REQUESTED ✓ AS REVISED

19 June 2003

CHIEF ADMINISTRATIVE OFFICER DAVID E. JANSSEN

APPROVED (AS REVISED): BOARD OF SUPERVISORS 19

BY DEPUTY COUNTY CLERK

SEND 5 COPIES TO THE AUDITOR-CONTROLLER