COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.
Director

ROBIN KAY, Ph.D.
Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

BOARD OF SUPERVISORS
GLORIA MOLINA
MARK RIDLEY-THOMAS
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

DEPARTMENT OF MENTAL HEALTH

http://dmh.lacounty.gov

Reply To: (213) 738-4601
Fax: (213) 386-1297

September 1, 2009

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

Dear Supervisors:

APPROVAL OF SETTLEMENT AGREEMENT AND PARTIAL DEFERMENT AND EXTENDED REPAYMENT OF COST REPORT SETTLEMENT RECOVERY (SUPERVISORIAL DISTRICT 5) (3 VOTES)

SUBJECT

Request approval to defer recovery of certain amounts owed by Pacific Clinics until the State Department of Mental Health's Short-Doyle/Medi-Cal Audit is performed, and to enter into a repayment settlement agreement with Pacific Clinics to extend the Contractor's time to repay amounts owed to the County Department of Mental Health from three months to December 31, 2009.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Mental Health, or his designee, to defer the recovery of $955,210 determined to be owed during the Fiscal Year (FY) 2004-05 Cost Report and Reconciliation Settlement process for Pacific Clinics until the State Department of Mental Health (State) completes the Short-Doyle/Medi-Cal (SD/MC) Audit Settlement for FY 2004-05 (Audit Settlement).

2. Approve and instruct the Director of Mental Health, or his designee, to prepare, sign, and execute a Repayment Settlement Agreement with Pacific Clinics, substantially similar in format to Attachment I, to allow amounts owed by Pacific Clinics to the Department of Mental Health (DMH) for FY 2004-05 totaling $965,628 to be paid by December 31, 2009, in lieu of the three-month repayment period stipulated in the financial provisions of the DMH Legal Entity Agreement (LE Agreement). The Repayment Settlement Agreement will be effective upon Board approval.

3. Find that there is sufficient justification to exempt Pacific Clinics from the moratorium provision on expansion and/or implementation of any new programs during the program of repayment, as provided for in the February 3, 2003, Chief Administrative Office (CAO), Auditor-Controller (A-C), and DMH joint action memo to your Board regarding timely repayment of settlement agreements.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The recommended actions pertain to the SD/MC program, which is administered by DMH pursuant to federal and State statute, regulations, policies and procedures, and business guidance. The justifications for these actions are to minimize disruption to DMH's service delivery system and to allow Pacific Clinics sufficient time to satisfy the settlement amount owed to DMH.

Based on the FY 2004-05 State SD/MC Cost Report Reconciliation and Settlement, Pacific Clinics was determined to owe the County $1,920,838 for its cost report settlement liability. Pacific Clinics seeks to defer $955,210 of its cost report settlement liability for FY 2004-05. The request is based on future recovery of estimated State audit settlement amounts that will be calculated on actual costs. The FY 2004-05 audit settlement is estimated to result in additional State and federal reimbursement totaling $942,219 that will be used to offset the amount owed to DMH, with the difference of $12,991 being the County local match. Enforcing immediate repayment would result in impairment to Pacific Clinics of necessary cash flow used to sustain current service operations.

The audit settlement is based upon the actual audited costs allowed for the costs reported by the contractor and the actual units of service billed by the contractor to, and approved by, the State. This request, in part, is made because Pacific Clinics misreported real property revenues by reducing FY 2004-05 program expenses. This resulted in program expenses being reported in the FY 2004-05 SD/MC Cost Report that were less than the actual cost of the services. This understatement of program costs reduced State and federal reimbursements. However, the State ultimately reimburses the actual costs reported by contractors and as audited at the time of subsequent audit settlement. Pacific Clinics is anticipated to receive additional State and federal reimbursement when the audit settlement is final, which would reduce the Cash Flow Advance amount owed to DMH.

Pacific Clinics and DMH also request Board approval of a Repayment Settlement Agreement which will allow Pacific Clinics to repay the remaining balance of the FY 2004-05 Cost Report and Reconciliation Settlement in the amount of $965,628 over an extended period in lieu of the three-month repayment period as provided in the LE Agreement. DMH requested that the A-C review the financial records of Pacific Clinics to ensure that such extended repayment was justified and that it would not place DMH or the

County at risk of financial loss. Based on the A-C's recommendation, it is recommended that the repayment be extended until December 31, 2009. This extension of the repayment period will mitigate an immediate adverse cash flow impact on Pacific Clinics' current service delivery system, thereby avoiding any adverse impact on the level and quality of services provided, and will enhance the probability of recovery of DMH funds from Pacific Clinics.

The recommendation to find that there is sufficient justification to exempt Pacific Clinics from the moratorium requirement is based on a provision in the February 3, 2003, CAO, A-C, and DMH joint action memo to your Board regarding timely repayment of settlement agreements. This provision states, in pertinent part, "...DMH will recommend that future repayment settlement agreements include the following: A moratorium on expansion and/or implementation of any new programs for this contractor during the period of repayment. Any exemption from this penalty would require justification that this restriction would negatively impact planned program services." DMH finds that Pacific Clinics is an important service provider in the County's mental health service delivery network and to exclude them from future planned programs, such as parts of the Mental Health Services Act (MHSA), would unduly harm County residents requiring services and impair access to services.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the County Strategic Plan Goal 4, Health and Mental Health.

FISCAL IMPACT/FINANCING

These actions will not affect net County cost, as the actions involve prior-year activity.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

As of December 18, 2008, Pacific Clinics had a FY 2004-05 Cost Report Reconciliation and Settlement balance of $1,920,838 (consisting of $955,210 to be deferred and $965,628 to be recovered through December 31, 2009) due and payable to DMH. The requested deferral action applies to Pacific Clinics' balance of $955,210 for FY 2004-05. The remaining $965,628 will be recovered in monthly installments through December 31, 2009.

The Department's LE Agreements with providers specify that repayment of an amount due to DMH is to be made no later than September 30 following a fiscal year close. Such repayment is to be paid by contractor over a period not to exceed three months.

Additionally, consistent with the February 3, 2003, CAO, A-C, and DMH joint action memo to your Board regarding timely repayment of settlement agreements, contractors must pay interest if the repayment period exceeds one year and must provide DMH with a comprehensive financial plan to support the repayment schedule.

Pacific Clinics requested, and DMH disbursed, claim payments for FY 2004-05 in anticipation of State and federal reimbursements. Currently, Pacific Clinics requests to defer a portion of its SD/MC Settlement liability for FY 2004-05.

Approval of the deferral of the settlement recovery until the audit settlement is final will permit Pacific Clinics to retain a portion of the funds already disbursed to them. Although these funds are presently unearned, according to current Medi-Cal reimbursements for approved SD/MC services, they are projected to be earned when the State concludes its audit settlement because of State adjustments to reported costs increasing reimbursements to actual costs. If DMH recovered these funds now, it is projected that DMH would be paying the funds back to Pacific Clinics in approximately 12 months. In the unlikely event that the State does not make the additional reimbursements, the full amount of the deferred funds will be due and payable subsequent to the final settlements conducted by the State and DMH.

This request also includes an extended period for Pacific Clinics to repay DMH the unearned portion of claims payments for FY 2004-05. Pursuant to the LE Agreement's repayment provision, Pacific Clinics is required to repay the amount owed to DMH in a period not to exceed three months. Pacific Clinics has informed DMH that repayment of the debts in a three-month period would result in adverse financial consequences that would directly and negatively impact the level and quality of services to its clients. To avoid such consequences, DMH and Pacific Clinics request Board approval to enter into a Repayment Settlement Agreement to extend the repayment period to December 31, 2009. In compliance with the February 3, 2003, joint action memo to your Board, DMH has included in the proposed Repayment Settlement Agreement the requirement that interest be charged if the repayment exceeds one year. Additionally, Pacific Clinics has also been instructed to provide a comprehensive financial plan to support the repayment schedule, including financial and cash flow statements, to DMH on a monthly basis. DMH will verify the reasonableness of the plan's assumptions and projections.

DMH and Pacific Clinics request that your Board find that there is sufficient justification to exempt Pacific Clinics from the moratorium requirement on expansion and/or implementation of any new programs during the program of repayment, as provided for in the February 3, 2003, CAO, A-C, and DMH joint action memo to your Board regarding timely repayment of settlement agreements. DMH considers Pacific Clinics to be a critical part of the County's mental health service provider network. Any exclusion, particularly

from forthcoming MHSA awards, would leave serious service gaps in the service areas covered by Pacific Clinics with resulting degradation in the available scope and level of services to the clients.

Effective upon Board approval, DMH will continue to receive monthly repayments from Pacific Clinics until DMH has fully recovered the funds, which have not been deferred, owed to it. This proposed repayment period allows sufficient time for Pacific Clinics to take planned actions to improve their financial condition without disruption to their current service delivery level. Such repayments can be either in the form of actual cash payments, deductions from the Pacific Clinics' monthly claims, or a combination of these two categories.

The Settlement Agreement has been approved as to form by County Counsel. The Chief Executive Officer has reviewed the proposed actions.

IMPACT ON CURRENT SERVICES

By deferring recovery of the settlement funds owed to DMH and anticipated to be recovered from the projected additional earned reimbursements, and by extending the repayment period, the potential adverse changes in the current fiscal year's level and quality of client services being provided by Pacific Clinics due to immediate negative cash flow will be mitigated.

Respectfully submitted,

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

MJS:GSK:RK

Attachment

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

ATTACHMENT I

CONTRACTOR: PACIFIC CLINICS

Contract Number

Business Address: 800 S. Santa Anita Avenue

Various
Provider Number(s)

Arcadia, CA 91006

Reference Number(s)

Supervisorial District(s) 5

REPAYMENT SETTLEMENT AGREEMENT

TABLE OF CONTENTS

PARAGRAPH		PAGE
1.	TERM	2
2.	ADMINISTRATION	3
3.	REPAYMENT OF CONTRACTOR'S DEBT	3
4.	INTEREST CHARGES	5
5.	LIABILITY FOR LEGAL COSTS	5
6.	INDEMNIFICATION	6
7.	DELEGATION AND ASSIGNMENT	6
8.	GOVERNING LAW, JURISDICTION AND VENUE	6
9.	COMPLIANCE WITH APPLICABLE LAW	6
10.	THIRD PARTY BENEFICIARIES	6
11.	TERMINATION FOR INSOLVENCY	7
12.	TERMINATION FOR DEFAULT	7
13.	SEVERABILITY	8
14.	CAPTIONS AND PARAGRAPH HEADINGS	8
15.	ALTERATION OF TERMS	8
16.	ENTIRE AGREEMENT	8
17.	WAIVER	8
18.	CONTRACTOR'S OFFICES	8
19.	AUTHORIZATION WARRANTY	9
20.	NOTICES	10

EXHIBIT

EXHIBIT 1 – FY 2004-05 Unearned Cash Flow Advance Recovery Schedule

EXHIBIT 2 – County's Letter to Contractor dated February 19, 2008 for FY 2004-05

REPAYMENT SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 2009 between the County of Los Angeles (hereafter "County") and Pacific Clinics (hereafter "Contractor").

Business Address: 800 S. Santa Anita Avenue
Arcadia, CA 91006

WHEREAS, County believes it is in the best interest of the people of the County of Los Angeles for Contractor to repay Contractor's Debt to County in the manner described in this Agreement; and

WHEREAS, County and Contractor desire to enter into this Agreement in order to set forth the agreed plan by which Contractor shall repay Contractor's Debt to County; and

WHEREAS, hereafter, the total sum owed by Contractor to County shall be referred to as "Contractor's Debt"; and

WHEREAS, under the Agreement, Contractor currently owes County a determined sum at a maximum of ONE MILLION NINE HUNDRED AND TWENTY THOUSAND EIGHT HUNDRED AND THIRTY EIGHT DOLLARS ($1,920,838) for Fiscal Year 2004-05; and

WHEREAS, Contractor's debt for Fiscal Year 2004-05 resulted from insufficient Federal Financial Participation (FFP) and State General Fund – EPSDT revenue reimbursements under the Agreement due to understated provisional rates and fewer services than planned for under the Agreement; and

WHEREAS, the following terms, as used in this Agreement, shall have the following meanings:

A. "Day(s)" means calendar day(s) unless otherwise specified;

B. "Director" means County's Director of Mental Health or his/her authorized designee;

C. "DMH" means County's Department of Mental Health;

D. "Fiscal Year" means County's Fiscal Year which commences July 1 and ends the following June 30.

NOW, THEREFORE, Contractor and County agree as follows:

1. TERM: This Agreement shall commence on the date of Board approval, and shall continue in full force and effect thereafter until County's Board of Supervisors certifies, in writing, that Contractor has fully

repaid to County all of Contractor's Debt, as determined by County, and has satisfied all other obligations under this Agreement, as determined by County, subject to future State Cost Reports and/or State audit findings.

This Agreement may be terminated by County without cause at any time by giving at least thirty days prior written notice to Contractor. Other termination provisions for County are found in Paragraphs 3 (REPAYMENT OF CONTRACTOR'S DEBT), 7 (DELEGATION AND ASSIGNMENT), 11 (TERMINATION FOR INSOLVENCY), and 12 (TERMINATION FOR DEFAULT). Any termination of this Agreement shall be approved by County's Board of Supervisors.

In the event that this Agreement is terminated by County, then, upon the issuance of the notice of termination, the total outstanding Contractor's Debt, as determined by County, shall be immediately due and payable by Contractor to County and shall be repaid by Contractor to County by cash payment upon demand.

2. ADMINISTRATION: Director shall have the authority to administer this Agreement on behalf of County. Contractor shall designate in writing a Settlement Manager who shall function as liaison with County regarding Contractor's performance hereunder.

3. REPAYMENT OF CONTRACTOR'S DEBT:

A. Contractor shall repay Contractor's Debt to County as described below in this Subparagraph A (1) and A (2) for over a 12-month period from January 1, 2009 through December 31, 2009, and as described below in Subparagraph B for the remaining balance of deferred FY 2004-05 amounts due County.

(1) For FYs 2004-05, Contractor shall pay County by cash payment, towards the repayment of Contractor's Debt, the total amount of ONE MILLION NINE HUNDRED TWENTY THOUSAND EIGHT HUNDRED THIRTY EIGHT DOLLARS ($1,920,838) described in this Subparagraph A and Exhibit 1.

(2) Repayment to County shall be as shown in Exhibit 1 at the rate of EIGHTY THOUSAND FOUR HUNDRED SIXTY-NINE DOLLARS ($80,469) for each month.

(3) Notwithstanding any other provision of this Agreement, in lieu of Contractor's cash payment per month to County, County may, in sole discretion, withhold such calculated amount as identified in this Subparagraph A and Exhibit 1 from any monthly billing submitted by Contractor under any written agreement Contractor may have with County for mental health services during the particular fiscal year and/or from any other amounts due by County to Contractor, provided that County shall withhold more than such calculated amount per month pursuant to Paragraph 4.

B. For Fiscal Year 2004-05 County will defer recovery of NINE HUNDRED FIFTY FIVE THOUSAND TWO HUNDRED AND TEN DOLLARS ($955,210) pending the State's releases of the FY 2004-05 SD/MC Audit.

(1) Contractor shall repay the FY 2004-05 deferred Contractor's Debt to County of NINE HUNDRED FIFTY FIVE THOUSAND TWO HUNDRED TEN DOLLARS ($955,210) no later than 30 calendar days after the State release of the FY 2004-05 SD/MC Audit Report.

C. In the event of future audits, settlements, and/or reconciliations that result in money owed to Contractor for the FY(s) covered by this or prior Agreements, such amount(s) shall be offset up to the outstanding balance of the Contractor's liability to County under this Agreement. Therefore, notwithstanding any other provision of this Agreement any federal, State or County amounts due by County to Contractor for claims payments with dates of service prior to July 1, 2009, and/or SD/MC Cost Report Settlements, and/or SD/MC Reconciliations, and/or SD/MC Audit Report Settlements, and/or SD/MC Audit Appeal Findings shall be applied to reduce Contractor's FY 2004-05 debt to County. The order of such reduction of debt application shall be: to either FY 2004-05 if the amount due Contractor is for the specific fiscal year, FY 2004-05 non-deferred balance, and FY 2004-05 deferred balance. Any remaining balance will be paid directly to Contractor.

D. Notwithstanding any other provision of this Agreement, in the event that County determines that Contractor has failed to make cash payment to County as described in Subparagraphs A

or B or in Paragraph 4 (INTEREST CHARGES) and that there is no written agreement between County and Contractor for mental health services and no amounts due by County to Contractor from which the withhold amounts described in Subparagraphs A or B or in Paragraph 4 (INTEREST CHARGES) can be made, then the total outstanding Contractor's Debt, as determined by County, shall be immediately due and payable by Contractor to County and Contractor shall repay County by cash payment upon demand.

E. Pursuant to California Code of Civil Procedure Section 360.5, Contractor hereby waives all statutes of limitation upon Contractor's Debt as described in this Agreement. Whenever requested by County, Contractor shall promptly execute and deliver to County all instruments or other documents requested by County, including, but not limited to, additional written waivers, relating to contractor's waiver of all statutes of limitation upon Contractor's Debt during the term of this Agreement.

4. INTEREST CHARGES: In the event Contractor fails to pay County any amounts due to County under this Agreement within one year, then (1) Compound rate of Interest Charges shall be accrued beginning on the effective date of this Agreement. The rate of interest for the term of this Agreement shall be equal to the County's pool rate on investments per day as of the effective date of this Agreement; (2) Interest for the first 365 days from the date of this Agreement is calculated on the sum of the products of each month's unpaid balance due County times the County's pool rate of interest; (3) For the 366th day and forward from the effective date of this Agreement, interest is calculated on the product of each month's unpaid balance due County times the County's pool rate of interest; and (4) at County's sole option, the entire Contractor's Debt then remaining unpaid, including interest, shall become immediately payable.

Contractor shall not be allowed to use County-generated revenues to pay any interest penalties. Interest Charges shall be considered part of Contractor's Debt. Contractor shall pay County the Interest Charges due by cash payment or by reimbursement claim offset upon demand. Any payment by Contractor shall be applied first to Interest Charges computed in full to the date of such payments, and the remainder to principal.

5. LIABILITY FOR LEGAL COSTS: Contractor may become subject to legal action for any breach of this Agreement, and in such event, Contractor shall pay all court costs, County's expenses for the

enforcement of the judgment, and County's Attorneys fees.

6. INDEMNIFICATION: Contractor shall indemnify, defend and hold harmless County and County Special Districts, their elected and appointed officers, employees, and agents, from and against any and all liability or expense, including, but not limited to, demands, claims, actions, fees, costs, and expenses (including attorney and expert witness fees), arising from or connected with Contractor's acts and/or omissions arising from and/or relating to this Agreement.

7. DELEGATION AND ASSIGNMENT: Contractor shall not delegate its duties or assign its rights under this Agreement, or both, either in whole or in part, without the prior written consent of County. Any prohibited delegation or assignment shall be null and void and shall constitute a material breach of this Agreement upon which County may terminate this Agreement.

8. GOVERNING LAW, JURISDICTION AND VENUE: This Agreement shall be governed by, and construed in accordance with, the laws of the State of California. Contractor agrees and consents to the exclusive jurisdiction of the courts of the State of California for all purposes regarding this Agreement and further agrees and consents that venue of any action brought hereunder shall be exclusively in the County of Los Angeles, California.

9. COMPLIANCE WITH APPLICABLE LAW:

A. Contractor shall comply with all Federal, State, and local laws, ordinances, rules, regulations, guidelines, and directives applicable to its performance hereunder. Further, all provisions required thereby to be included in this Agreement are hereby incorporated herein by reference.

B. Contractor shall indemnify and hold harmless County from and against any and all liability, damages, costs or expenses, including, but not limited to, defense costs and attorneys' fees, arising from or related to any violation on the part of Contractor, its officers, employees, or agents, of any such Federal, State or local laws, ordinances, rules, regulations, guidelines, or directives.

10. THIRD PARTY BENEFICIARIES: Notwithstanding any other provision of this Agreement, the parties do not in any way intend that any person or entity shall acquire any rights as a third party beneficiary of this Agreement.

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11. TERMINATION FOR INSOLVENCY:

A. County may terminate this Agreement forthwith in the event of the occurrence of any of the following:

(1) Insolvency of Contractor: Contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least 60 days in the ordinary course of business or cannot pay its debts as they become due, whether or not a petition has been filed under the Federal Bankruptcy Code and whether or not Contractor is insolvent within the meaning of the Federal Bankruptcy Code.

(2) The filing of a voluntary or involuntary petition regarding Contractor under the Federal Bankruptcy Code.

(3) The appointment of a Receiver or Trustee for Contractor.

(4) The execution by Contractor of a general assignment for the benefit of creditors.

B. The rights and remedies of County provided in this Paragraph 11 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

12. TERMINATION FOR DEFAULT:

A. County may, by written notice of default to Contractor, terminate this Agreement in any one of the following circumstances:

(1) If, as determined in the sole judgment of County, Contractor fails to perform within the times specified in this Agreement or any extension thereof as County may authorize in writing; or

(2) If, as determined in the sole judgment of County, Contractor fails to perform and/or comply with any of the other provisions of this Agreement, or so fails to make progress as to endanger performance of this Agreement in accordance with its terms, and in either of these two circumstances, does not cure such failure within a period of five days (or such longer period as County may authorize in writing) after receipt of notice from County specifying such failure.

B. The rights and remedies of County provided in this Paragraph 12 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

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13. SEVERABILITY: If any provision of this Agreement or the application thereof to any person or circumstance is held invalid, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby.

14. CAPTIONS AND PARAGRAPH HEADINGS: Captions and paragraph headings used in this Agreement are for convenience only and are not a part of this Agreement and shall not be used in construing this Agreement.

15. ALTERATION OF TERMS: No addition to, or alteration of, the terms of this Agreement, whether by written or oral understanding of the parties, their officers, employees or agents, shall be valid and effective unless made in the form of a written amendment to this Agreement which is formally approved and executed by the parties in the same manner as this Agreement.

16. ENTIRE AGREEMENT: The body of this Agreement, FY 2004-05 Unearned Cash Flow Advance Recovery Schedule which is attached as Exhibit 1, County's letter to Contractor dated February 19, 2008 for FY 2004-05, which is attached hereto as Exhibit 2 and incorporated herein by references, shall constitute the complete and exclusive statement of understanding between the parties which supersedes all previous agreements, written or oral, and all other communications between the parties relating to the subject matter of this Agreement. In the event of any conflict or inconsistency between the body of this Agreement and Exhibits 1 or 2, such conflict or inconsistency shall be resolved by giving precedence to the body of this Agreement.

17. WAIVER: No waiver by County of any breach of any provision of this Agreement shall constitute a waiver of any other breach of such provision. Failure of County to enforce at any time, or from time to time, any provision of this Agreement shall not be construed as a waiver thereof. The rights and remedies set forth in this Paragraph 17 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

18. CONTRACTOR'S OFFICES: Contractor shall notify in writing DMH's Contracts Development and Administration Division, and any other County office(s) as identified in Paragraph 20 (NOTICES), of any change in its business address, as shown on page I of this Agreement, at least 30 days prior to the effective date thereof.

19. AUTHORIZATION WARRANTY: Contractor represents and warrants that the person executing this Agreement for Contractor is an authorized agent who has actual authority to bind Contractor to each and every term, condition, and obligation of this Agreement and that all requirements of Contractor have been fulfilled to provide such actual authority.

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20. NOTICES: All notices or demands required or permitted to be given under this Agreement shall be in writing and shall be hand delivered with signed receipt or mailed by first class, registered or certified mail, postage pre-paid, addressed to the parties at the following addresses and to the attention of the persons named. Director shall have the authority to execute all notices or demands which are required or permitted by County under this Agreement. Addresses and persons to be notified may be changed by either party by giving ten days prior written notice thereof to the other party.

To Contractor: Pacific Clinics
800 S. Santa Anita Avenue
Arcadia, CA 91006
Attention: Susan Mandel, Ph.D., President/CEO

To County: (1) Department of Mental Health
550 S. Vermont Avenue
Los Angeles, CA 90020
Attention: Marvin J. Southard, D.S.W., Director

(2) Department of Mental Health
550 S. Vermont Avenue
Los Angeles, CA 90020
Attention: Margo Morales
Administrative Deputy

(3) Department of Mental Health
550 S. Vermont Avenue, 5th Floor
Los Angeles, CA 90020
Attention: Richard Kushi, Chief
Contracts Development and Administration Division

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Agreement to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Agreement to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By_____
MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

Pacific Clinics
CONTRACTOR

By_____

Name_____

Title_____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By_____
Chief, Contracts Development
and Administration Division

07/08/09 cg

COUNTY OF LOS ANGELES DEPARTMENT OF MENTAL HEALTH
PACIFIC CLINICS
FYs 2004-05 UNEARNED CASH FLOW ADVANCE RECOVERY SCHEDULE

SCHEDULE OF REPAYMENT PLAN:				
Month	Scheduled Repayment Amount	Deferred Amt[1]	Non-Deferred Amt[2]	Balance
Beginning Balances	1,920,838	955,210	965,628	1,920,838
January 2009	(80,469)	-	-	1,920,838
February 2009[3]	(80,469)		(160,938)	1,759,900
March 2009	(80,469)		(80,469)	1,679,431
April 2009	(80,469)		(80,469)	1,598,962
May 2009	(80,469)		(80,469)	1,518,493
June 2009	(80,469)		(80,469)	1,438,024
July 2009	(80,469)		(80,469)	1,357,555
August 2009	(80,469)		(80,469)	1,277,086
September 2009	(80,469)		(80,469)	1,196,617
October 2009	(80,469)		(80,469)	1,116,148
November 2009	(80,469)		(80,469)	1,035,679
December 2009	(80,469)	-	(80,469)	955,210
Interim Balance	955,210	955,210	-	955,210
Recovery date to be 30 calendar days after the release of the SDMH SD/MC FY 2004-05 Audit Report (estimated to be May 2010)	955,210	(955,210)		-
Ending Balance	-	-		-

[1] Proposed deferral amount which is based on projected additional State and federal Medi-Cal reimbursement.

[2] Amount to be recovered over the proposed 12 month period of January - December 2009.

[3] The February repayment amount was for the January and February 2009 period.

EXHIBIT 2

COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.
Director

ROBIN KAY, Ph.D.
Acting Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

BOARD OF SUPERVISORS
GLORIA MOLINA
YVONNE B. BURKE
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MICHAEL D. ANTONOVICH

DEPARTMENT OF MENTAL HEALTH

http://dmh.lacounty.gov

Reply To: (213) 738-4831
Fax: (213) 385-2616

February 19, 2008

Susan Mandel, Ph.D.
President
Pacific Clinics
800 S. Santa Anita Ave.
Arcadia, CA 91006

Dear Dr. Mandel:

SHORT-DOYLE/MEDI-CAL RECONCILIATION & EARLY AND PERIODIC SCREENING, DIAGNOSIS, AND TREATMENT SETTLEMENT FOR FISCAL YEAR 2004-05

On May 31, 2006, the State Department of Mental Health (SDMH) issued the FY 2004-05 Short Doyle/Medi-Cal (SD/MC) Reconciliation Settlement. Subsequently, on June 23, 2006, the State issued their settlement of the Fiscal Year (FY) 2003-04 Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program State General Fund (SGF). Using the State settlement information, the Los Angeles County Department of Mental Health has completed its settlement analysis for Pacific Clinics.

The Reimbursement and Audit Support Division's SD/MC Reconciliation Settlement Fiscal Year Ended (FYE) 2005 (Attachment I), indicates the settlement amount owed to the (County)/Provider is **($1,920,838)**. If the settlement amount is a negative amount, the legal entity owes the County; whereas a positive amount means the County owes the legal entity. If the County owes the legal entity, payments are contingent on the Los Angeles County Board of Supervisors hearing and approval of the payment. A copy of this letter will be forwarded to Provider Reimbursement/Accounts Receivable for settlement of your account that could reflect the offset of other fiscal year(s) liabilities to the County against any amounts owed to your agency.

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ADMINISTRATION

Included for your reference is a copy of the State Revised Detailed Cost Report for FY 2004-05 (Attachment II). Contained in the State Revised Cost Report is Form MH 1979 SD/MC Preliminary Desk Settlement concluded by the State. The amount of the approved SD/MC Federal Financial Participation (FFP) dollars used by the State in preparation of the settlements for Pacific Clinics can be found on line 23, and line 27, column J, of MH 1979.

Also included for your reference is an EOB Download for FY 2004-05 (Attachment III). The EOB Download indicates the breakdown of the amounts of FFP and EPSDT SGF dollars that were used in the settlement.

The SD/MC Program Reconciliation Settlement (Attachment I) is not a final settlement and is subject to subsequent adjustments resulting from the State and/or County Audits. The attached SD/MC Reconciliation Settlement Report will be used by the State during the State Audit process. Any questions you may have regarding the Medi-Cal reconciliation or EPSDT settlement should be directed to the County who will forward them to the State.

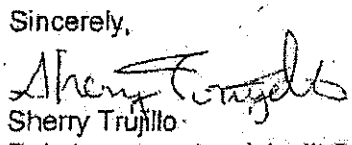
For those Providers that owe the County, we refer you to Subsection S of Section 4 in your contract, which allows you 10 days from the date of receipt of this notice to notify us as to which of the six (6) payment options you request to repay the County. Should you fail to advise the Department of your preference for payment, the Department will make that decision for you. Please mail your payments to the address below and indicate on the remittance the reason for payment, i.e., "SD/MC Reconciliation/EPSDT Settlement FYE 2005" to enable us to credit the proper account.

Department of Mental Health
Lock Box No. 514780
Los Angeles, CA 90051-4780

If you decide to request a decision review for this settlement, simply inform us within **(10) business days** from the date of this letter. If we do not receive a formal request from your agency within the given time, this settlement will be concluded and submitted to the Board of Supervisors for approvals and authorization of any payment that may be due.

Please contact Stella Krikorian of the Provider Reimbursement Section at (213) 738-4692 for questions regarding County payment information. Any other questions, please call me at (213) 738-4831 or Michael Awad, of my staff at 213) 738-4977.

Sincerely,



Sherry Trujillo
Reimbursement and Audit Support Division

ST

Attachments

c: Jim Allen (memo only)
Paul McIver (memo only)
Tony Beliz (memo only)
Lyn Wallensak (memo only)
Michael Boyle (memo only)
Mike Motodani (memo only)
Michael Awad (memo only)
Stella Krikorian (memo only)
Hermosa David (memo only)