COUNTY OF LOS ANGELES

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Director

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BOARD OF SUPERVISORS
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DEPARTMENT OF MENTAL HEALTH

http://dmh.lacounty.gov

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

December 15, 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:

AUTHORIZATION TO EXECUTE AMENDMENTS TO LEGAL ENTITY, FEE FOR SERVICE AND ORGANIZATIONAL PROVIDER AGREEMENTS AND OTHER RELATED ACTIONS FOR FISCAL YEAR 2009-10 TO ACCOMMODATE TRANSITION OF STATE MEDI-CAL CLAIMING SYSTEM (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

SUBJECT

Request approval to execute amendments to the Department of Mental Health Legal Entity Agreements to provide additional Cash Flow Advances, execute amendments to Fee for Service and Organizational Provider Agreements to establish an alternative billing method, and other actions to accommodate the transition to the State's new Medi-Cal claiming system on February 1, 2010.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director of Mental Health, or his designee, to execute amendments, substantially similar to Attachment I, to the Department of Mental Health (DMH) Legal Entity (LE) Agreements with various contract providers in order to accommodate the transition to the new Medi-Cal claiming system by allowing: a) the providers to request and receive additional Cash Flow Advances (CFA), up to 1/12th of the Maximum Contract Amount (MCA) per month, for up to four additional months, fully funded by available federal, State and County funds, and b) the Director of Mental Health, or his designee, to extend, by up to three months, the date upon which DMH determines if a provider has an outstanding CFA balance and the date upon which DMH initiates repayment of any amounts due.

2. Authorize the Director of Mental Health, or his designee, to approve CFAs for providers who do not provide Medi-Cal services to the extent that such providers are impacted by the transition to the new Medi-Cal claiming system.

3. Authorize the Director of Mental Health, or his designee, to execute amendments, substantially similar to Attachment II, to the DMH Fee for Service (FFS) Agreements with group and individual providers and to execute amendments, substantially similar to Attachment III, for DMH LE Agreements with FFS Organizational Providers to provide for payment based on manual claims for up to four months, fully funded by federal, State and County funds.

4. Delegate to the Director of Mental Health, or his designee, the authority to take all necessary actions, including but not limited to preparing and executing amendments to existing DMH Agreements, provided that: a) such actions do not result in an increase in the Maximum Contract Amounts (MCA); b) approval of County Counsel and the Chief Executive Officer (CEO), or their designees, is obtained prior to such actions; and c) approval of the Auditor-Controller and CEO is obtained for any action that may impact the County's cash flow; and d) the Director of Mental Health notifies your Board of any Agreement changes in writing within 30 days of executing each amendment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The recommended actions are necessary to accommodate the transition to the State's new Medi-Cal claiming system, known as Short-Doyle/Medi-Cal Phase II (SD/MC II), which the State has scheduled for implementation in Los Angeles County on February 1, 2010.

The Fiscal Year (FY) 2009-10 LE Agreement allows providers to request, and DMH to approve, CFAs for either a three- or five-month period at the beginning of the fiscal year depending on the services provided by the contractor. The CFAs are an advance of funds to be repaid by Contractor through direct payment of cash and/or through the provision of appropriate services/activities under the LE Agreement during the applicable period. The recommended actions would authorize DMH to grant additional CFAs to its LE contract providers for up to four months in an amount not to exceed 1/12th of the MCA per month. Providing additional CFAs will allow DMH to implement the required changes for SD/MC II without negatively impacting the financial position of the LE contract providers. This additional CFA will be limited to the current fiscal year (FY 2009-10) and is not applicable for future fiscal years.

As part of SD/MC II, the State is automating the process by which approved Medi-Cal claims are submitted for reimbursement to the federal government so that claims will

automatically be forwarded to the Department of Health Care Services (DHCS) upon adjudication for the purpose of requesting federal reimbursement. In order to accommodate the time required for DMH to make payment to the providers prior to DMH's submission of those claims to the State, DMH determined it was necessary to take the Integrated System (IS), DMH's claiming system, off-line as of January 5, 2010, to ensure that claims that would be sent to the State after February 1, 2010, would comply with the new requirements. It is anticipated that the IS claiming system may be off-line for up to four months to accommodate the programming and testing of the revisions to the IS necessary to accommodate SD/MC II.

The IS is used to capture virtually all services rendered to DMH clients by contract providers, including both Medi-Cal and non-Medi-Cal eligible services, and this information is used by DMH to pay providers for such services. With the IS claiming function off-line, providers will be unable to enter their services and DMH will not have the information available to make payments to the providers beginning with the February 2010 payments. As a result, DMH is requesting authorization to amend the agreements so that it can make these additional CFAs for up to four months to accommodate the time that the IS may be off-line.

In addition, DMH is requesting authority to allow contractors who are not eligible Medi-Cal providers to receive CFAs during these same months. Section N, Paragraph 5 of the Financial Exhibit A to the LE Agreement provides that "no Cash Flow Advance will be given if a Contractor has not been certified as an eligible Medi-Cal service provider unless otherwise agreed to by County." As the need to take the IS off-line will also affect the ability of some of these providers to submit service information and receive payment, DMH recommends extending the CFAs to these providers as well.

Calculation of CFAs

In order to minimize the impact on the County's cash flow and to ensure that additional CFAs approximate the value of services being provided, DMH will modify its procedures for reviewing and approving CFAs for these additional months, as follows:

A. Although the recommendation provides for up to four months, the amendment provides for the additional CFAs to be given at DMH's discretion. DMH will only authorize additional CFAs for months where it is determined to be necessary to accommodate the transition to SD/MC II. To the extent that programming and testing of the system takes less time than anticipated and/or the State delays the SD/MC II implementation date for Los Angeles County, DMH will adjust the availability of CFAs accordingly.

B. In addition to submitting a written request for the CFA, providers will be required to submit a report of services rendered in the prior month.

C. Should any contract provider be determined to be at financial risk based on current financial information, DMH will work with the Auditor-Controller to determine any additional conditions that must be met in order for the provider to receive additional CFAs during the transition period.

D. In determining the amount of CFA that an agency will receive in any given month, DMH will ensure the provider is in good standing (i.e., good repayment history, etc.) with DMH and will also review provider overall claiming history, including prior-year experience, claiming history for the first four months of this fiscal year, the reports of services rendered and, for contract agencies that may represent a financial risk, current financial information. Therefore, while the maximum amount of CFA that DMH may authorize for any provider will be 1/12th of its contract amount, DMH may reduce the amount at its discretion. The basis for reduction may include, but is not limited to, the following:

   a. The amount of the MCA for programs and services billed and paid through methods not reliant on the IS system (e.g., invoices);

   b. Average value of monthly services rendered by the provider this fiscal year during the first four months;

   c. The level of services reported by the provider for the previous month and year-to-date when it submits the CFA request; and

   d. The current financial condition of the contractor and its submission of any additional requirements (e.g., updated business plan).

In addition, DMH has encouraged its providers to submit all outstanding claims prior to taking the IS off-line so as to not add to the backlog of claims that would need to be submitted after the IS claiming function is re-enabled and to maximize receipt of federal reimbursement prior to the transition.

Delay in Determining/Collecting Outstanding CFAs

The recommended actions also would allow the Director of Mental Health, or his designee, to delay, up to three months, the date upon which DMH determines whether a provider has an outstanding CFA balance that is due to the County based on both the initial CFA and any additional CFA provided as a result of these actions.

Currently the LE Agreement sets the date upon which DMH makes this determination as September 30 following the close of the fiscal year and the date of final collection by the County of any amounts determined to be due by the following March 31.

The proposed amendment would allow the Director, in his sole discretion, to delay the date of determination up to December 31, 2010, for FY 2009-10 if the Director

determines that such deferral is warranted because of circumstances created by the transition to SD//MC II and to correspondingly defer recovery of CFA balances, if any, to no later than June 30, 2011.

DMH will provide to your Board a periodic written status report of the CFAs disbursed for the SD/MC II implementation period beginning when the IS goes back online, and quarterly thereafter until the CFA balances are repaid.

Amendments for FFS Providers

Similar to the LE providers, FFS providers are paid based on information that is entered into and claimed through the IS. These providers also will be unable to claim services during the time that the IS claiming function is off-line. The proposed amendments would allow DMH, during the SD/MC II transition period, to pay FFS providers based on manual claims for services, which will later be entered into the IS.

Delegated Authority to Take Other Necessary Actions

DMH is requesting delegated authority to take any other additional actions, including preparing and executing further amendments to the LE Agreements, FFS Agreements, and any other service provider agreements, which may be necessary in order to accommodate the transition to SD/MC II. Such actions may include changes in billing requirements, submission requirements, and payment procedures. The requested delegated authority could only be utilized provided that: a) such actions do not result in an increase in the MCA; b) approval of County Counsel and the CEO, or their designees, is obtained prior to such actions; c) approval of the Auditor-Controller and CEO is obtained for any action that may impact the County's cash flow; and d) the Director of Mental Health notifies your Board of any Agreement changes in writing within 30 days of executing each amendment.

Implementation of Strategic Plan Goals

The recommended actions are consistent with County Strategic Plan Goal 4, Health and Mental Health.

FISCAL IMPACT/FINANCING

The recommended actions will have no impact on net County cost as the additional CFAs and interim payment would be funded through existing federal, State and County funds included in the DMH Adopted Budget for FY 2009-10.

However, the transition to SD/MC II will impact the County's cash flow on a short-term basis as no claims will be submitted to the State for adjudication for up to four months,

resulting in a delay of federal reimbursement estimated between $107 million to $152 million. Other revenue streams, including State General Fund and Mental Health Services Act funding, is not anticipated to be impacted by the transition.

Based on the approved MCAs for the LE Agreements, the maximum amount of CFA would be approximately $59.4 million per month if every LE contract provider received 1/12th of the MCA for a total maximum amount of $237.6 million if CFAs are required for the full four months. However, historically, not all LE contract providers request CFAs and so DMH estimates that the actual CFAs would be approximately $47 million per month, for a total of $188 million for four months. These amounts are similar to the amounts that are paid to providers based on services and will not appreciably affect the amounts paid by DMH each month.

On average, 54 percent of the services provided under the DMH LE Agreements are reimbursed by Federal Financial Participation (FFP) and other federal revenues. Therefore, the delay in submitting the LE providers' claims to the State will delay federal reimbursement on those claims in an amount of $101 million to $128 million over a four- or five-month period.

In addition, the temporary shutdown of the IS system will impact DMH directly operated programs' and Department of Health Services' claiming for federal reimbursement. The delay in federal reimbursement for County programs and the FFS provider network will result in an additional cash flow impact of approximately $6 million per month, or up to $24 million if a full four months of impact is realized.

If DMH determines a need to defer the date of determination and collection of outstanding CFA balances, this may also have an impact on the County's cash flow, the extent of which cannot be known at this time. However, it is anticipated that any such impact also would be short-term and of minimal amounts.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The State is implementing SD/MC II in order to be fully compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) by the March 1, 2010, deadline imposed by the Federal Centers for Medicare and Medicaid Services (CMS). The changes being implemented at the State require DMH to modify the IS system to conform to the new requirements of SD/MC II.

Under the terms of the LE Agreement, providers must request the CFA in writing each month and DMH may authorize such advance in an amount up to 1/12th of the MCA. Any additional CFAs resulting from these actions will be authorized only as needed to accommodate the programming and testing of the IS system and to provide a

reasonable period for providers to enter the backlog of claims. Therefore, if the programming and testing take less time to complete and providers are able to begin entering claims before April 1, 2010, the amount and availability of CFAs will be adjusted accordingly.

In accordance with the ordinance adopted by your Board in October 2009, the proposed amendments include the provisions related to the Defaulted Property Tax Reduction Program.

The amendment format has been approved as to form by County Counsel. The CEO and Auditor-Controller have reviewed the proposed actions. DMH clinical and administrative staff will administer and supervise the Agreements, evaluate programs to ensure that quality services are being provided to clients, and ensure the Agreements' provisions and DMH policies are being followed.

IMPACT ON CURRENT SERVICES

These actions will have no impact on any other services but are recommended to avoid any potential adverse impact on services that may result from contract providers foregoing payment for several months.

Respectfully submitted,

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

Attachments (3)

MJS:RK:kw

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

Attachment I

CONTRACT NO. _____

AMENDMENT NO. _____

THIS AMENDMENT is made and entered into this ____ day of _____, 2009, by and between the COUNTY OF LOS ANGELES (hereafter "County") and _____ _____ (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated _____, identified as County Agreement No._____, and any subsequent amendments, **(if applicable)** (hereafter collectively "Agreement"); and

WHEREAS, for Fiscal Year (FY) 2009-10 County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, **effective February 1, 2010**, the State of California Department of Mental Health (SDMH) anticipates implementing the transition of the SDMH Medi-Cal claiming system to comply with the Health Insurance Privacy and Portability Act of 1996 in Los Angeles County; and

WHEREAS, said implementation may impact Contractor's ability to submit claims to the County for a period of two to four months; and

WHEREAS, the County and Contractor wish to mitigate any potential impact of said interruption on Contractor's business operations, thereby County may, in its discretion, provide additional Cash Flow Advance to Contractor for up to four months; and

WHEREAS, **effective October 21, 2009,** County and Contractor intend to amend Agreement to add new provisions to the Agreement pursuant to the new

Ordinance No. 2009-0026 (Los Angeles County Code 2.206), Defaulted Property Tax Reduction Program; and

WHEREAS, County and Contractor intend to amend Agreement to modify Paragraph 3 (IMMEDIATE TERMINATION BY COUNTY), to include language in subparagraph (3) on "TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM."

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Financial Exhibit A (FINANCIAL PROVISIONS), Attachment II, Paragraph N (CASH FLOW ADVANCE IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED), subparagraph 2 shall be deleted in its entirety and the following substituted therefore:

"(2) For each month of each period of this Agreement, County will reimburse Contractor based upon Contractor's submitted claims for rendered services/activities subject to claim edits, and future settlement and audit processes. However, for each month of the first three (3) or five (5) months, of the Initial Term, the First Automatic Renewal Period, or the Second Automatic Renewal Period, Contractor may request in writing from County a monthly County General Fund Cash Flow Advance as herein described.

(a) In addition to the above, for Fiscal Year 2009-10 only, Contractor may request in writing from County a County General Fund Cash Flow Advance, as herein described, for up to four additional months beginning in February 2010 and ending no later than May 2010 if, due the transition of the SDMH Medi-Cal

claiming system, Contractor is unable to submit claims for payment to the County as described in Section F (3) of this Financial Exhibit A (Financial Provisions).

(i) Written requests for additional Cash Flow Advances provided for under this Paragraph (2)(a) must be accompanied by written verification, based on the Contractor's internal records, of the level of services performed in the prior month WHICH were unable to be entered into the County's claim processing system. Such verification shall be in a form, and containing the data, specified by the County. Requests for Cash Flow Advances that do not include this additional written verification will be denied.

(ii) Additional Cash Flow Advances authorized under this Paragraph (2)(a) shall be provided at the sole discretion of County and may only be authorized to the extent that County determines that the transition of the SDMH Medi-Cal claiming system is responsible for the inability of the Contractor to submit claims as otherwise required by this Agreement.

(iii) Cash Flow Advances authorized under this Paragraph (2)(a) are discretionary. County may suspend the provision of additional Cash Flow Advances authorized under this Paragraph (2)(a) at any time and without advance notice to Contractor."

2. Financial Exhibit A (FINANCIAL PROVISIONS), Attachment II, Paragraph N (CASH FLOW ADVANCE IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED), subparagraph (8) (BUSINESS RULES FOR THE DETERMINATION OF THE MAXIMUM AMOUNT OF THE CASH FLOW ADVANCE REQUEST) shall be amended to include the following after the existing (a) and (b):

"(8) Business Rules for the Determination of the Maximum Amount of the Cash Flow Advance Request:

(c) For each of the additional months in Fiscal Year 2009-10 for which Contractor may request in writing from County a monthly County General Fund Cash Flow Advance under Paragraph (2)(a) of this Financial Exhibit A (FINANCIAL PROVISIONS), Attachment II, Paragraph N (Cash Flow Advance in Expectation of Services/Activities to be Rendered), Contractor shall specify in its request the amount of the monthly CFA it is requesting, not to exceed 1/12TH of its current Maximum Contract Amount per month.

(i) Contractor is not guaranteed that it will be provided with the amount of CFA that it requests in any given month.

(ii) The maximum amount of Cash Flow Advance that will be provided under this Paragraph (8)(c) in any given month in no event will be greater than 1/12th of the Maximum Contract Amount at the time the CFA is provided.

(iii) County may limit the amount of Cash Flow Advance provided in any given month to Contractor under this Paragraph(2)(a) in its sole discretion. Limitations and considerations may include, but are not limited to, the amount of the Maximum Contract Amount that is not impacted by any disruption in the County's claim processing information system; the average monthly services claimed through the County's claim processing information system during the first four months of Fiscal Year 2009-10; contractors reported service levels; failure of the Contractor to provide County with required or requested

documentation; and failure of the Contractor to be in full compliance with this Agreement. "

3. Financial Exhibit A (FINANCIAL PROVISIONS), Attachment II, Paragraph N (CASH FLOW ADVANCE IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED), subparagraph (9) (RECOVERY OF CASH FLOW ADVANCES) is deleted in its entirety and the following substituted therefore:

(9) Recovery of Cash Flow Advances: If Contractor has received any CFA pursuant to this Paragraph N (Cash Flow Advances In Expectation of Services/Activities To Be Rendered), then recovery from Contractor's monthly claims shall be made through cash payment made by Contractor to County and/or County offsets to County payment(s) of Contractor's approved claim(s) as follows:

(a) Generally, when Contractor rendering services at a level that would indicate it will utilize all or a substantial portion of its Maximum Contract Amount, County initiates recovery of the CFA balance, if any, for a particular Fiscal Year in July following the close of such Fiscal Year or at such time as payments to Contractor, including the CFA, reach the Maximum Contract Amount. Such recovery is initiated through the Contractor's rendering and submitting of appropriate services and activities into the County's claims processing information system and/or the submission of invoices for direct charges. The determination to begin recovery of CFA balance in July of the following fiscal year, or at such time as payments to Contractor, including the CFA, reach the Maximum Contract Amount, is based on the presumption that when a contractor is meeting its contractual levels, then the Contractor will have

rendered sufficient services/activities and entered such services/activities into the County's claims processing information system by September 30 following the end of the fiscal year. September 30 is the date by which all or a substantial portion of the Contractor's prior Fiscal Year's claims should have been received from Contractor and processed by County.

(b) If at any time during the Fiscal Year, County determines that Contractor does not appear to be rendering services at a level that would utilize all or a substantial portion of its Maximum Contract Amount, County may initiate recovery of the CFA as specified in Subparagraph (a) above prior to July 1. If County intends to initiate recovery of the CFA prior to July 1, County will give Contractor 30 calendar days prior written notice, including the reason(s) for the intended actions, to ensure Contractor renders and submits sufficient services/activities to have repaid all, or a substantial portion of the CFA, by September 30 following the Fiscal Year close. Contractor may, within 15 calendar days of the receipt of County's written notice, request reconsideration of the County's decision.

(c) Should a Contractor have any remaining CFA balance for a particular Fiscal Year on September 30 following the close of such Fiscal Year, Contractor repayment of the remaining CFA balance shall be conducted as specified in this Financial Exhibit A (FINANCIAL PROVISIONS), Paragraph S (Method of Payments for Amounts Due to County) unless otherwise agreed to by County. County will recover all CFA balances, if any, for a particular Fiscal Year no later than March 31 following the close of such Fiscal Year.

(i) For CFA provided in Fiscal Year 2009-10, the Director, in his sole discretion, may defer the determination of any remaining CFA balance, provided that such determination shall be no later than December 31, 2010. Contractor repayment of the remaining CFA balance shall be conducted as specified in this Financial Exhibit A (FINANCIAL PROVISIONS), Paragraph S (Method of Payments for Amounts Due to County) unless otherwise agreed to by County. Should Director exercise his discretion under this provision, County will recover the CFA balances, if any, for Fiscal Year 2009-10 no later than June 30, 2011.

4. Department of Mental Health Legal Entity Agreement shall be modified and the following inserted therefore:

"63. CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM: Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through contract are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this contract will maintain compliance, with Los Angeles County Code Chapter 2.206.

64. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION

PROGRAM: Failure of Contractor to maintain compliance with the requirements set forth in Paragraph 63 (CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM) shall constitute default under this contract. Without limiting the rights and remedies available to County under any other provision of this contract, failure of Contractor to cure such default within 10 days of notice shall be grounds upon which County may terminate this contract and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206."

5. Department of Mental Health Legal Entity Agreement Paragraph 3 (IMMEDIATE TERMINATION BY COUNTY), subparagraph (3) shall be deleted in its entirety and the following inserted therefore:

"(3) In accordance with Paragraphs 35 (TERMINATION FOR INSOLVENCY), 36 (TERMINATION FOR DEFAULT), 37 (TERMINATION FOR IMPROPER CONSIDERATION), 49 (COUNTY LOBBYISTS), and/or 64 (TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM)."

6. Department of Mental Health Legal Entity Agreement Paragraph 63 (NOTICES) is being renumbered to Paragraph 65.

7. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment 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

_____
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

Attachment II

CONTRACT NO. _____

AMENDMENT NO. _____

THIS AMENDMENT is made and entered into this ____ day of _____, 2009, by and between the COUNTY OF LOS ANGELES (hereafter "County") and _____ _____ (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated _____, identified as County Agreement No._____, and any subsequent amendments, **(if applicable)** (hereafter collectively "Agreement"); and

WHEREAS, for Fiscal Year (FY) 2009-10 County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, **effective February 1, 2010**, the State of California Department of Mental Health (SDMH) anticipates implementing the transition of the SDMH Medi-Cal claiming system to comply with the Health Insurance Privacy and Portability Act of 1996 in Los Angeles County; and

WHEREAS, said implementation may impact Contractor's ability to submit claims to the County for a period of two to four months; and

WHEREAS, the County and Contractor wish to mitigate any potential impact of said interruption on Contractor's business operations, and therefore County has determined that it will provide an interim payment method; and

WHEREAS, **effective October 21, 2009,** County and Contractor intend to amend Agreement to add new provisions to the Agreement pursuant to the new

Ordinance No. 2009-0026 (Los Angeles County Code 2.206), Defaulted Property Tax Reduction Program; and

WHEREAS, County and Contractor intend to amend Agreement to modify Paragraph 2 (TERM), B (Termination) to include language in subparagraph (e) on "TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM."

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Section 6 (PAYMENT), Paragraph A (Reimbursement), Subparagraph (3) shall be deleted in its entirety and the following substituted therefore:

"(3) Reimbursement shall only be made for Medi-Cal services on a properly submitted electronic claim and which meets medical necessity as defined in the California Code of Regulations (CCR) Title 9, Chapter 11, Section 1820.205, 1830.205, 1830.210(a) (1)-(2)-(3) and only the extent that funds allocated by State for County are available specifically for Medi-Cal services. Reimbursement at rates listed in the LMHP Provider Manual or the LMHP Provider Bulletins shall be payment in full, subject to third party liability and beneficiary share of cost, for the specialty mental health services provided to a beneficiary.

a. Notwithstanding the above, should County need to modify the County's claims processing information system in order to comply with changes in, or interpretations of, State or Federal laws, rules, regulations, manual, guidelines and directives and such modifications create a delay in Contractor

being able to submit electronic claims as required under this Subparagraph (3), then Contractor may request reimbursement for Medi-Cal services by submitting manual claims in a form and format to be provided by the County.

b. If, upon implementation of the new claiming system, County determines that additional information is required to allow the County to process claims through the State's new Medi-Cal claiming system and provider has been paid for the claim through the manual claim process described in subparagraph (a) above, Contractor is required to provide County with such additional information within 30 days of County's request. Should Contractor not provide such information as may be requested by the County, County will consider those claims for which information is not provided to be denied and will consider payments for those claims as an overpayment to Contractor and County shall recover such overpayment in accordance with Paragraph E (Recovery of Overpayments) of this Section 6 (Payments).

2. Department of Mental Health Medi-Cal Professional Services Agreement Individual Provider shall be modified and the following inserted therefore:

"54. <u>CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM:</u> Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through contract are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this contract will maintain compliance, with Los Angeles County Code Chapter 2.206.

55. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM: Failure of Contractor to maintain compliance with the requirements set forth in Paragraph 54 (CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM) shall constitute default under this contract. Without limiting the rights and remedies available to County under any other provision of this contract, failure of Contractor to cure such default within 10 days of notice shall be grounds upon which County may terminate this contract and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206."

3. Department of Mental Health Medi-Cal Professional Services Agreement Individual Provider Paragraph 2 (TERM), B (Termination), subparagraph (e) shall be deleted in its entirety and the following inserted therefore:

"(e) Contractor has failed to comply with any of the provisions of Paragraphs 9 (Indemnification and Insurance), 11 (Delegation, Assignment and Subcontracting), 21 (Nondiscrimination in Services), 22 (Nondiscrimination in Employment), 25 (Conflict of Interest), 32 (Child Support Compliance Program), 33 (Licenses, Permits, Registrations, Accreditations, and Certificates), 37 (Certification of Drug-Free Workplace), 40 (County Lobbyists) and/or 55

(Termination for Breach of Warranty to Maintain Compliance with County's Defaulted Property Tax Reduction Program)."

4. Department of Mental Health Medi-Cal Professional Services Agreement Individual Provider Paragraph 63 (NOTICES) is being renumbered to Paragraph 56.

5. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment 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

_____
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

Attachment III

CONTRACT NO. _____

AMENDMENT NO. _____

THIS AMENDMENT is made and entered into this ____ day of _____, 2009, by and between the COUNTY OF LOS ANGELES (hereafter "County") and _____ _____ (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated _____, identified as County Agreement No._____, and any subsequent amendments, **(if applicable)** (hereafter collectively "Agreement"); and

WHEREAS, for Fiscal Year (FY) 2009-10 County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, **effective February 1, 2010**, the State of California Department of Mental Health (SDMH) anticipates implementing the transition of the SDMH Medi-Cal claiming system to comply with the Health Insurance Privacy and Portability Act of 1996 in Los Angeles County; and

WHEREAS, said implementation may impact Contractor's ability to submit claims to the County for a period of two to four months; and

WHEREAS, the County and Contractor wish to mitigate any potential impact of said interruption on Contractor's business operations, and therefore County has determined that it will provide an interim payment method; and

WHEREAS, **effective October 21, 2009,** County and Contractor intend to amend Agreement to add new provisions to the Agreement pursuant to the new

Ordinance No. 2009-0026 (Los Angeles County Code 2.206), Defaulted Property Tax Reduction Program; and

WHEREAS, County and Contractor intend to amend Agreement to modify Paragraph 3 (IMMEDIATE TERMINATION BY COUNTY), to include language in subparagraph (3) on "TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM."

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Financial Exhibit A (FINANCIAL PROVISIONS), Attachment II, Paragraph F (BILLING PROCEDURES), Subparagraph 3 (f) shall be deleted in its entirety and the following substituted therefore:

   "(f) County may modify the County's claims processing information system at any time in order to comply with changes in, or interpretations of, State or Federal laws, rules, regulations, manuals, guidelines, and directives. County shall notify Contractor in writing of any such modification and the reason, if known, for the modification and the planned implementation date of the modification. To the extent that such modifications create a delay in Contractor submitting claims into the County's claims processing information system for a period of time, the timelines under this Section F shall be extended by the number of calendar days that Contractor was unable to submit claims into the County's claims processing information system.

(i) During FY 2009-10, should modifications under this paragraph be required and Contractor is a Fee for Service Organizational Provider, said Contractor may request reimbursement for Medi-Cal services by submitting manual claims in a form and format to be provided by the County.

(ii) If, upon implementation of the new claiming system, County determines that additional information is required to allow the County to process claims through the State's new Medi-Cal claiming system and provider has been paid for the claim through the manual claim process described in subparagraph (i) above, Contractor is required to provide County with such additional information within 30 days of County's request. Should Contractor not provide such information as may be requested by the County, County will consider those claims for which information is not provided to be denied and will offset future payments to Contractor by the amount previously paid for any such claims determined to be denied because of the County's inability to submit said claims to the State's new Medi-cal claiming system."

2. Department of Mental Health Legal Entity Agreement shall be modified and the following inserted therefore:

"63. <u>CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM:</u> Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through contract are current in paying their property tax obligations (secured and unsecured roll)

in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this contract will maintain compliance, with Los Angeles County Code Chapter 2.206.

64. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM: Failure of Contractor to maintain compliance with the requirements set forth in Paragraph 63 (CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM) shall constitute default under this contract. Without limiting the rights and remedies available to County under any other provision of this contract, failure of Contractor to cure such default within 10 days of notice shall be grounds upon which County may terminate this contract and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206."

3. Department of Mental Health Legal Entity Agreement Paragraph 3 (IMMEDIATE TERMINATION BY COUNTY), subparagraph (3) shall be deleted in its entirety and the following inserted therefore:

"(3) In accordance with Paragraphs 35 (TERMINATION FOR INSOLVENCY), 36 (TERMINATION FOR DEFAULT), 37 (TERMINATION FOR IMPROPER CONSIDERATION), 49 (COUNTY LOBBYISTS), and/or 64

(TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM)."

4. Department of Mental Health Legal Entity Agreement Paragraph 63 (NOTICES) is being renumbered to Paragraph 65.

5. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment 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

_____
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