COUNTY OF LOS ANGELES

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Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director

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DEPARTMENT OF MENTAL HEALTH

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550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601
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March 08, 2011

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 TO AMEND A SPECIALIZED INDIGENT ACUTE PSYCHIATRIC INPATIENT HOSPITAL SERVICES AGREEMENT WITH AURORA CHARTER OAK, LLC (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

SUBJECT

Request approval to implement a pilot project for Fiscal Year 2010-11 by amending the Specialized Indigent Acute Psychiatric Inpatient Hospital Services Agreement with Aurora Charter Oak, LLC, to establish new acute inpatient and administrative day rates for services for uninsured individuals in need of hospitalization.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and authorize the Director of Mental Health, or his designee, to prepare, sign, and execute Amendment No. 1, which shall be substantially similar to the Attachment, to the Specialized Indigent Acute Psychiatric Inpatient Hospital Services Agreement No. MH190077 (Agreement) with Aurora Charter Oak, LLC, for Fiscal Year (FY) 2010-11 to implement a pilot project establishing new acute inpatient and administrative day rates for services for uninsured individuals in need of hospitalization. There is no change to the Maximum Contract Amount (MCA).

2. Delegate authority to the Director of Mental Health, or his designee, to prepare, sign and execute future amendments to the Agreement, provided that: 1) any revision will reflect programmatic and/or policy changes; 2) your Board has appropriated sufficient funds for all changes; 3) approval of County Counsel, or designee, is obtained prior to any such amendments; 4) the Director of Mental Health notifies your Board and the Chief Executive Officer (CEO) of Agreement changes in writing

within 30 days after execution of each Amendment.

3. Delegate authority to the Director of Mental Health, or his designee, to continue to utilize the revised rate structure in the remaining fiscal years (FY 2011-12 and FY 2012-13) of the Agreement wherein Aurora Charter Oak, LLC, will request to: 1) continue the Agreement with a revised rate structure calculated by multiplying $560.00 by the approval rate of the previous year sample for acute inpatient rates for services for uninsured individuals in need of hospitalization and a new administrative day rate calculated by multiplying $389.13 by the approval rate of the previous year sample for administrative day rates for uninsured individuals in need of hospitalization, or 2) revert back to the terms of the Agreement prior to the pilot project's implementation.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Board approval of the recommended actions are required to implement a pilot project to establish new acute inpatient and administrative day rates based on existing rates and the hospital's prior year's Medi-Cal hospitalization approval rate for its Medi-Cal funded inpatient beds in order to reduce administrative costs for DMH and Aurora Charter Oak, LLC. For this pilot project, DMH will alter the current Treatment Authorization Request (TAR) process to reduce administrative costs for DMH and Aurora Charter Oak, LLC, by reducing the number of claims submitted to DMH for TAR reviews from 100 percent to a statistically valid sampling. Results of this sampling will not be a basis for disallowance or recoupment of funds during the contract period but may impact the next FYs' bed rate. The savings realized from implementation of this pilot project will be used to increase DMH system-wide inpatient bed capacity for uninsured adults by 182 bed days annually and will be tracked through the DMH Integrated System.

The claims submitted under the Agreement are for the treatment of clients who are uninsured and the only payer is Los Angeles County. Therefore, neither the procedures required by Medi-Cal for reimbursement or the use of the State's rate guidelines apply for these clients.

Implementation of Strategic Plan Goals

The recommended actions support the County's Strategic Plan Goal 4, Health and Mental Health.

FISCAL IMPACT/FINANCING

The proposed acute inpatient and administrative day rates for the Agreement with Aurora Charter Oak, LLC, will be based on the current day rate multiplied by Aurora Charter Oak, LLC's average Medi-Cal hospitalization approval rate for FY 2009-10 of 94 percent. The rates for FY 2010-11 will be as follows: the acute inpatient day rate will be reduced from $560.00 to $526.40, and the administrative day rate will be reduced from $389.13 to $365.78. DMH will pay these rates for all submitted claims for FY 2010-11 upon execution of this Amendment No. 1. The total cost of the Agreement is fully funded by County General Funds (CGF), which is in the Department's FY 2010-11 Final Budget.

For subsequent fiscal years, DMH may elect to continue the Agreement with the revised rate structure, in which case Aurora Charter Oak, LLC, will have the choice of: 1) DMH will create a new acute inpatient rate calculated as $560.00 multiplied by the approval rate for the previous year

sample and a new administrative day rate calculated as $389.13 multiplied by the approval rate for previous year sample or 2) DMH and Aurora Charter Oak, LLC, may revert to the terms of the pre-pilot Agreement.

There is no net County cost.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Since 1994, DMH has contracted with Aurora Charter Oak, LLC, a private, free-standing acute care psychiatric inpatient facility in the San Gabriel Valley for inpatient mental health services for children, adolescents, and adults. DMH purchases acute inpatient services for uninsured individuals including a maximum of six adults referred to the hospital by law enforcement and three children/youth in need of hospitalization at any given time.

In FY 2010-11, Aurora Charter Oak, LLC, approached DMH with a proposal for a pilot project to amend the terms of the Agreement to implement the pilot project described above for FY 2010-11. The current level of Departmental and Aurora Charter Oak, LLC, resources devoted to the Agreement are not justified by the marginal advantage conferred by the current review procedures over the proposed procedures. The purpose of the pilot project is to determine whether review of a statistically valid sampling of medical records is sufficient to maintain quality of care while reducing administrative costs for Aurora Charter Oak, LLC, and DMH. If successful, this revised methodology could be applied to the larger DMH system, enhancing efficiencies and allowing DMH to re-allocate resources that had previously been directed to the TAR Unit.

Aurora Charter Oak, LLC, will be required to maintain quality clinical care services at the same level required for all DMH hospital providers including maintaining accreditation with the Joint Commission and compliance with California Department of Public Health Services licensing requirements and the DMH Agreement.

As part of the revised rate structure, the DMH TAR Unit will review a statistically valid sampling of medical records of admissions during the year. Records shall be selected randomly. At the conclusion of the year, DMH will calculate the approval rate for the reviewed records and determine the pilot's success as measured by maintenance of quality of care standards as described follows: 90 percent cost savings in administrative overhead for DMH and Aurora Charter Oak, LLC; and no unforeseen difficulties in medical record selection. In subsequent fiscal years, DMH and Aurora Charter Oak, LLC, may elect to continue the Agreement with the revised rate structure, or revert to the terms of the pre-pilot Agreement.

The Amendment format has been approved as to form by County Counsel. The CEO has been advised of the proposed actions.

Clinical and administrative staff of DMH will continue to administer and monitor the contractor's adherence to the Agreement and evaluate the program to ensure that the quality of services provided to clients remains acceptable. As mandated by your Board, the performance of all contractors is evaluated by DMH on an annual basis to ensure contractor's compliance with all contract terms and performance standards.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Board approval of the proposed actions will enhance DMH's ability to alleviate overcrowding in the County's hospital's Psychiatric Emergency Services and enable the Department to utilize administrative cost savings to serve additional uninsured Los Angeles County residents who are in need of hospitalization.

Respectfully submitted,

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

MJS:RS:MM:RK:mm

Enclosures

c: Chief Executive Officer
County Counsel
Chairperson, Mental Health Commission
Executive Officer, Board of Supervisors

ATTACHMENT

CONTRACT NO. MH190077

AMENDMENT NO. 1

THIS AMENDMENT is made and entered into this _____ day of _____, 2010, by and between the COUNTY OF LOS ANGELES (hereafter "County") and Aurora Charter Oak Hospital, LLC (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated June 1, 2010, identified as County Agreement No. MH190077, "Agreement"); and

WHEREAS, for Fiscal Year (FY) 2010-11, County and Contractor intend to amend Agreement as only described hereunder; and

WHEREAS, for FY 2010-11, County and Contractor intend to amend the Negotiated Rate(s) for the following Short-Doyle/Medi-Cal Services to implement a pilot program that will reduce administrative costs for County and Contractor related to Treatment Authorization Review (TAR) by reducing the number of submitted claims County reviews from 100% to a statistically valid sampling. Results of this sampling will not be a basis for disallowance or recoupment of funds during the contract period but may impact the next fiscal year's bed rate; and

WHEREAS, County inpatient bed capacity will be increased as a result of the reduction in Contractor's acute and administrative day rates. The new rates will be based on the current acute and administrative day rates multiplied by the Contractor's average Medi-Cal hospitalization approval rate for FY 2009-10 of 94%. The rates for FY 2010-11 will be as follows: Mode 05, SFC 10-18, Hospital Inpatient from $560.00 to

$526.40 and Mode 05, SFC 19, Hospital Administrative Day, from $389.13 to $365.78; and

WHEREAS, for FY 2010-11, County unit will review medical records for a statistically valid sampling of admissions during the year. Records will be selected randomly. Contractor may appeal any results through the County appeals procedures; and

WHEREAS, at the conclusion of the FY, County will calculate the approval rate for Contractor's reviewed charts and may elect to renew the Agreement in the pilot program form for FY 2011-12. Under these circumstances, Contractor may request that County either: 1) create a new acute inpatient day rate calculated as $560.00 multiplied by the approval rate for previous year sample and administrative day rate as calculated as $389.13 multiplied by the approval rate for the previous year sample and continue the pilot as described above, or 2) revert to the terms of the pre-pilot Agreement; and

WHEREAS, this change in Negotiated Rate(s) is based on the State Department of Mental Health's (SDMH) and the Department of Mental Health's (DMH) criteria for establishing Negotiated Rate(s) and is reflective of SDMH's and DMH's analysis of Cost Report rates for previous fiscal years. For FY 2010-11, the rate(s) shall be modified as reflected in Schedule A. The Maximum Contract Amount remains the same.

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

1. Paragraph 4 (Financial Provisions), Subparagraphs D (No Payment for Services Provided Following Expiration/Termination of Contract) and H (Payment) shall be deleted for in their entirely and the following substituted therefore:

"(D) No Payment for Services Provided Following Expiration/Termination of Contract: Contractor shall have no claim against County for payment of any money or reimbursement, of any kind whatsoever, for any service provided by Contractor after the expiration or other termination of this Contract. Should Contractor receive any such payment it shall immediately notify County and shall immediately repay all such funds to County. Payment by County for services rendered after expiration/termination of this Contract shall not constitute a waiver of County's right to recover such payment from Contractor. This provision shall survive the expiration or other termination of this Contract.

Notwithstanding any other provision of this Agreement, Contractor shall be entitled to reimbursement for Psychiatric Inpatient Hospital Services in accordance with a pilot project agreed upon by the County and Contractor for FY 2010-11 with the following provisions: (1) establishment of a new acute inpatient and administrative day rate based on the current acute day rate of $560.00 multiplied by the Contractor's average Medi-Cal hospitalization approval rate for the previous FY (94%) for an acute day rate of $526.40 and the current administrative rate $389.13 multiplied by the average approval rate for the previous FY (94%) for an administrative day rate of $365.78. (2) County will pay these rates for all submitted claims during FY 2010-11 effective upon execution of the amendment. (3) County TAR unit will review a statistically valid sampling of medical records of admissions during the year to ensure records are consistent with the County-approved TAR and are appropriate for clinical reimbursement as determined by Director. Records shall be selected randomly. (4) Contractor may appeal any results through the DMH appeals procedures. At the

conclusion of the FY, County TAR unit will calculate the Contractor's approval rate for the reviewed charts. For FY 2011-12 and FY 2012-13, County may elect to renew the Agreement in the pilot program form. If County does so, Contractor may request that County either: (1) create a new acute inpatient day rate calculated as $560.00 multiplied by the approval rate for previous year sample and $389.13 multiplied by the approval rate for the previous year sample and continue the pilot as described above, or (2) revert to the terms of the pre-pilot Agreement.

(H) Payment: Contractor shall submit to County, claims in the form and content specified by County. Each claim shall be submitted within 30 days of the Client's discharge date. Contractor's claims to County shall be separately itemized by Client and authorized by DMH Countywide Resource Management.

On the basis of the claims and after Director's review and approval of the claims, Contractor shall receive from County payment less all revenues equal to the claims submitted and approved for that month in accordance with County policies and procedures.

If a claim is not submitted as required by County, then payment may be withheld by County."

2. Schedule A, Revised Negotiated Rate(s), shall be attached hereto and incorporated herein by reference.

3. Contractor shall provide services in accordance with the Contractor's Fiscal Year 2010-11 Negotiation Package for this Agreement and any addenda thereto approved in writing by Director.

4. 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

Aurora Charter Oak Hospital, LLC
CONTRACTOR

By Todd A. Smith

Name CEO

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

FY10-11 rates\Amendment #1 Rate Change

Amendment No. 1

Schedule A

Revised Rates for Fiscal Year 2010-2011

Service	Mode	SFC Range	Existing 2010-2011 Rates	Revised 2010-2011 Rates
A. 24 - Hour Services:				
Hospital Inpatient	05	10-18	$560.00	$526.40
Hospital Administrative day	05	19	$389.13	$365.78