

COUNTY OF LOS ANGELES

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DEPARTMENT OF MENTAL HEALTH

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Reply To: (213) 738-4601
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July 31, 2012

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 ESTABLISH COUNTYWIDE MAXIMUM ALLOWANCES FOR SPECIALTY
MENTAL HEALTH SERVICES FOR LEGAL ENTITY MENTAL HEALTH SERVICE CONTRACT
PROVIDERS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval for the Department of Mental Health to establish Countywide Maximum Allowances for specialty mental health services delivered by Legal Entity mental health service contract providers to replace Statewide Maximum Allowances that have been eliminated by California Assembly Bill 1297.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Mental Health (Director), or his designee, to establish Countywide Maximum Allowances (CMAs) for specialty mental health services provided by the Los Angeles County Department of Mental Health (DMH) Legal Entity mental health service contract providers (LE providers) as shown on the Attachment. The CMAs will be effective July 1, 2012.
2. Approve and instruct the Director, or his designee, to establish these initial CMAs up to 7.5 percent above FY 2011-12 Statewide Maximum Allowances (SMAs).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Effective July 1, 2012, Assembly Bill 1297 (AB 1297) alters the manner in which the State Department of Mental Health (SDMH) reimburses county Mental Health Plans (MHPs), effectively

eliminating the SMAs which heretofore established a cap on the amount that counties and LE providers could be paid for specialty mental health services. The purpose of the recommended actions is to establish CMAs in absence of the SMAs to prevent LE providers from overbilling in certain claiming situations (i.e., claims involving other/prior payers) and to establish the County of Los Angeles (County) obligation for local match funding while maximizing available federal revenue for mental health services rendered to eligible Medi-Cal beneficiaries.

Implementation of Strategic Plan Goals

The recommended Board actions are consistent with County Strategic Plan Goal 3, Integrated Services Delivery.

FISCAL IMPACT/FINANCING

The recommended actions will have no impact on DMH's net County cost. Legal Entities' maximum contract amounts (MCAs) will not be altered when the CMAs are established; additional net County cost will not be required.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to the passage of AB1297, the State Department of Health Care Services (SDHCS) is required to reimburse county MHPs based on their certified public expenditures (CPE) that do not exceed the federal upper payment limit. Consequently, the SDHCS has eliminated the SMA which previously established a cap on rates for Medi-Cal specialty mental health services. Without SMAs, counties will be reimbursed for services provided by LE providers in an amount equal to the lower of (1) the amount the county paid the LE provider, i.e., CPE, (2) an estimate of the LE provider's reasonable and allowable cost, or (3) the LE provider's usual and customary charge for the service. Since AB 1297 eliminates the use of administratively established SMAs at the State level, the SDHCS has encouraged county MHPs to establish CMAs for the purpose of cost containment and/or to accommodate county's limitation on submitting the lower of CPE, actual cost, or charges due to various claiming rules imposed by the Health Insurance Portability and Accountability Act (HIPAA).

Historically, SMAs were established based on the statewide weighted average settled cost for mental health services and adjusted by applying the Home Health Agency Market Basket Index (HHAMBI) published by the federal Center for Medicare and Medicaid Services. The recommended action to establish FY 2012-13 CMAs at up to 7.5% above previous SMAs is consistent with SDMH's prior methodology. However, LE providers will only be allowed to request up to 2.5 percent rate increase per year based on the last approved cost report (FY 2009-10). The proposed 2.5 percent per year is based on a conservative, annual HHAMBI average of what the State formerly applied to SMAs when these adjustments were made.

For billing and reimbursement purposes during the course of a fiscal year, LE providers use provisional rates that are less than or equal to the CMAs.. Ultimately, at the time of cost report settlement, the LE providers will be reimbursed at the lower of actual cost or, CMAs, limited to the MCAs. It is recognized that subsequent to Fiscal Year 2006-2007, the SDMH did not increase the SMAs for the majority of specialty mental health services. As a result, some LE providers have received no increase in provisional rates or final settled fiscal year payments despite the increasing cost of delivering specialty mental health services. With the increase in the CMA, the Department will now be able to allow an increase in the provisional rates for providers that were previously capped at SMA. For these LE providers, provisional rate increase of up to 2.5 percent per year for three years would also be permissible. DMH will review, in consultation with the Auditor-Controller, all rate

requests to ensure contract rates closely approximate final actual cost, not to exceed CMAs. In the event that DMH chooses to consider any future annual increases of the CMA, consistent with the federal HHAMBI, DMH will request approval from your Board.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions are intended to address the County's obligation to establish rates for specialty mental health services in the absence of the SMAs. In addition, the recommended actions are intended to provide relief for LE providers whose cost of service delivery has increased, but who have been unable to adjust rates due to the lack of adjustment of the SMAs during the past several fiscal years. However, increasing rates, while maintaining the current MCAs, is likely to result in a lower level of mental health service delivery in some instances. DMH will work with LE providers to minimize impact on number of clients to be served and will monitor level of service delivery should these actions be approved.

Respectfully submitted,



MARVIN J. SOUTHARD, D.S.W.

Director of Mental Health

MJS:RK:MM:KN

Enclosures

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

**LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH
SPECIALTY MENTAL HEALTH SERVICES
MAXIMUM REIMBURSEMENT RATES
FISCAL YEAR 2012-2013**

SERVICE FUNCTION	MODE OF SERVICE CODE		SERVICE FUNCTION CODE	TIME BASE	FY12-13 COUNTY MAXIMUM ALLOWANCE
	CR/DC Code	SD/MC Claiming Code			
A. 24-HOUR SERVICES	05¹	07, 08, 09	10-18	Client Day	\$1,244.09
Hospital Inpatient			10-18	Client Day	\$419.72
HospitalAdministrative Day					
Psychiatric Health Facility (PHF)		05	20-29	Client Day	\$627.78
Adult Crisis Residential		05	40-49	Client Day	\$354.01
Adult Residential		05	65-79	Client Day	\$172.67
B. DAY SERVICES	10²	12, 18			
Crisis Stabilization			20-24	Client Hour	\$101.63
Emergency Room			25-29	Client Hour	\$101.63
Urgent Care					
Day Treatment Intensive					
Hall Day			81-84	Client 1/2 Day	\$154.94
Full Day			85-89	Client Full Day	\$217.61
Day Rehabilitation					
Half Day	91-94	Client 1/2 Day	\$90.39		
Full Day	95-99	Client Full Day	\$141.08		
C. OUTPATIENT SERVICES	15²	12, 18			
Case Management, Brokerage			01-09	Staff Minute	\$2.17
Mental Health Services			10-19	Staff Minute	\$2.81
			30-59	Staff Minute	\$2.81
Medication Support			60-69	Staff Minute	\$5.18
Crisis Intervention			70-79	Staff Minute	\$4.17

1 = A constant increase adjustment in HHAMBI has been applied to the service code over the last ten fiscal years, so a CMA for FY 12-13 will be established at 2.5% above FY 11-12 SMA.

2 = No constant increase adjustment in HHAMBI has been applied to the service code after Fiscal Year 2006-2007, so a CMA for FY 12-13 will be established at 7.5% above FY 11-12 SMA.