COUNTY OF LOS ANGELES

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DEPARTMENT OF MENTAL HEALTH

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Reply To: Phone: (213) 738-4601
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March 18, 2004

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 REQUEST TO DISBURSE PROVISIONAL PAYMENTS TO FEE-FOR-SERVICE PROVIDERS OF SPECIALTY MENTAL HEALTH SERVICES FOR FISCAL YEAR 2003-2004
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)

IT IS RECOMMENDED THAT THE BOARD:

Approve and instruct the Director of Mental Heath or his designee to prepare, sign, and execute amendments, substantially similar to the Attachment, to provide for the disbursement of provisional payments to the Department of Mental Health (DMH) Fee-For-Service Providers of Specialty Mental Health Services (FFS Providers) to Medi-Cal eligible beneficiaries of Los Angeles County. Provisional payments to the providers will ensure that they receive adequate cash flow while DMH continues its efforts to implement a Health Insurance and Portability Accountability Act (HIPAA) compliant Integrated System (IS) in which claims can be accepted and approved by the State. The amendment will be effective October 16, 2003 until the IS is fully functional.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

On February 17, 2004, the Board approved a motion directing the Auditor-Controller, County Counsel, and DMH to report back with recommendations to develop a provisional payment schedule for FFS Providers until DMH's IS is fully functional. Provisional payments shall be based on claim line detail billed by the provider, as in the past. The claim information the provisional payments are based on is forwarded to the Fee-For-Service (FFS) System for tracking and auditing purposes. A report regarding our progress was submitted to your Board on March 9, 2004.

Your Board's approval of contract amendments with FFS Providers will allow DMH to make provisional payments to FFS Providers pending State adjudication of their claims from October 16, 2003 until the IS is fully functional.

As of October 16, 2003, when DMH's HIPAA compliant IS was to be implemented, FFS Providers were to be paid based upon the State's approval of their claims submitted both in electronic and manual formats. Due to delays in 1) the implementation of DMH's IS, and 2) the State's certification that (a) DMH has successfully transmitted HIPAA compliant claims to the State and (b) the State is able to accept HIPAA compliant claims for adjudication, the State has not approved FFS Providers' HIPAA compliant electronic and manual claims. Therefore, this lapse in State approvals and non-payment of claims to FFS Providers has created cash flow problems for FFS Providers.

As in the past, all FFS claims will be processed through DMH's FFS Claiming System by the Internal Services Division (ISD) for edits before a provisional payment will be issued.

Since the Specialty Mental Health Claiming system and Short-Doyle Rehab Option claiming procedures are not yet fully incorporated into the IS, payments made by the County to the providers may be greater than the final State-approved amount because State reimbursement is predicated on service function codes based on the Short-Doyle Rehab Option and the Department reimburses providers based on procedure codes. DMH will supplement the difference from State allocated dollars budgeted for FFS (specialty mental health services). The Department's Adjusted Budget for Fiscal Year 2003-2004 includes $67,456,000 in State allocation funds for this program and reflects the maximum amount to be paid to all service providers.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the County's Fourth Goal – "Fiscal Responsibility," within the Countywide Strategic Plan. Board approval of this request will authorize reimbursement to FFS Providers for services rendered, pending full implementation of the IS.

FISCAL IMPACT/FINANCING

Financing for the provisional payments will be accomplished by DMH using existing appropriation in the 2003-2004 Adopted Budget for FFS Providers. Since the Federal Financial Participation (FFP) Medi-Cal funds will not be received from the State until the State is able to approve HIPAA compliant claims, the appropriation used will be

financed with County General Funds (CGF). The CGF will be repaid to the County upon receipt of FFP Medi-Cal funds from the State for the services provided. State funds allocated via Contract No. 03-73029-00 between the State Department of Mental Health and DMH have been received from the State and have been recognized as revenue to mitigate the use of the CGF financing.

The recovery of provisional payments from FFS Providers due to denied claims would be initiated by DMH upon the receipt of State final denial claims data. Should any FFS Provider default on repayment to the County for denied claims, the amount would become a bad debt write-off. The cost of such bad debt write-off will be incurred with the State Allocated funds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Beginning June 1, 1998 upon Board approval of DMH serving as the Local Mental Health Plan (LMHP) of the Phase II Medi-Cal Mental Health Consolidation, DMH entered into contractual agreements with individual, group, and organizational FFS Providers who met State and LMHP credentialing standards. DMH also contracted with EDS (contract expires on March 31, 2004), to process all FFS Providers' claims with the State.

Until the HIPAA compliant IS is fully functional, DMH is unable to transmit and the State is unable to accept HIPAA compliant electronic and manual claims for payment. Therefore, approval of this request will allow for FFS Providers to be paid on a provisional basis for services rendered and entered into DMH's IS that have not been either transmitted to or accepted/approved by the State.

DMH has worked closely with Auditor-Controller and County Counsel in finalizing the recommended action. The amendment has been approved as to form by County Counsel. In addition, the proposed action has been reviewed by the Chief Administrative Office and DMH's Chief Information Office, Program and Financial Services Bureaus.

CONTRACTING PROCESS

DMH will amend all FFS Provider agreements to add the appropriate language to enable DMH to reimburse providers on a provisional payment basis for services rendered.

IMPACT ON CURRENT SERVICES

Board approval of this action will provide FFS Providers adequate cash flow in order to maintain current service levels pending the final implementation of DMH's IS.

CONCLUSION

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

Respectfully submitted,

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

MJS:RK:LQ:JN

Attachment

c: Chief Administrative Officer
County Counsel
Chairperson, Mental Health Commission
Auditor-Controller

Attachment

CONTRACT NO. _____

AMENDMENT NO._____

THIS AMENDMENT is made and entered into this _____day of _____, 200___, by and between the COUNTY OF LOS ANGELES (hereafter "County") and _____ (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated May 13, 2003 , identified as County Agreement No._____, and any subsequent Amendments (hereinafter collectively "Agreement"); and

WHEREAS, for Fiscal Year 2003-2004 and any subsequent fiscal years, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, for Fiscal Year 2003-2004 and 2004-2005, County and Contractor intend to amend Agreement to temporarily add provisional payment language for the period effective October 16, 2003 until the Integrated System is fully functional; and

WHEREAS; for Fiscal Year 2003-2004 and 2004-2005, County and Contractor intend to amend Agreement to add reimbursement language regarding State denied claims; and

WHEREAS, for Fiscal Year 2003-2004 and any subsequent fiscal years, County and Contractor intend to amend Agreement to also add contract language

in regard to "No Payment for Services Provided Following Expiration/Termination of Contract."

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

1. Provisional payment language shall be temporarily added to Paragraph 5 (PAYMENT), Subparagraph A, for the period effective October 16, 2003, or until the Integrated System is fully functional as follows:

   "A. (6) Provisional reimbursement shall be based on the submission of an actual service claim not yet adjudicated by the State under the State's Medi-Cal Claims Processing System and based on the rates shown on the Provisional Rate Schedule(s) as published and periodically revised as supplements to the Los Angeles Mental Health Plan Medi-Cal Specialty Mental Health Services Network Provider Manual by the Department of Mental Health Medi-Cal Professional Services Administration and distributed to Group and Individual providers and to the Los Angeles County Department of Mental Health Contracts Development and Administration Division.

   A. (7) Contractor shall reimburse County for any claims denied by the State paid by County to Contractor under the Provisional Payment reimbursement method."

2. Subparagraph H (No Payment for Services Provided Following Expiration/Termination of Contract) shall be added to Paragraph 5 (PAYMENT), as follows:

"H. 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."

3. The Payment language as presently written in current Agreement — Paragraph 5 (PAYMENT), Subparagraph A. (1) — shall prevail after June 30, 2004 or when the Integrated System is fully functional.

4. Nothing in this amendment shall be considered as an extension of the ending date of this Agreement.

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 _____
CONTRACTOR SIGNATURE

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

LLOYD W. PELLMAN
County Counsel

APPROVED AS TO CONTRACT
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development
and Administration Division

JN:Amend Pymntsec/FFS 3-18-04