COUNTY OF LOS ANGELES

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DEPARTMENT OF MENTAL HEALTH

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Reply To: (213) 738-4601
Fax No.: (213) 386-1297

June 3, 2004

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 OF NEW MENTAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION AGREEMENT WITH VALUEOPTIONS, INC. FOR COORDINATION AND MANAGEMENT OF MENTAL HEALTH SERVICES FOR MEDI-CAL ELIGIBLE CHILDREN AND YOUTH PLACED OUTSIDE OF LOS ANGELES COUNTY FOR FISCAL YEAR 2004-2005 (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and authorize the Director of Mental Health or his designee to prepare, sign, and execute a new Mental Health Administrative Services Organization Agreement, which is a uniform format used statewide and substantially similar to the Attachment, with ValueOptions, Inc. (ValueOptions). This Agreement is for the coordination and management of specialty mental health services rendered by providers in the Administrative Services Organization's (ASO) network to Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Medi-Cal eligible children and youth placed outside of Los Angeles County.

   The term of the new Agreement is July 1, 2004 through June 30, 2005, with four optional one-year renewal periods, not to exceed a five-year contract term. The Maximum Contract Amount (MCA) will be $1.5 million, funded by $680,400 in EPSDT-State General Funds (SGF), $699,800 in EPSDT-Federal Financial Participation (FFP) Medi-Cal funds, $84,800 in Realignment funds, and $35,000 in STOP funds, which are included in the Department of Mental Health's (DMH) Fiscal Year (FY) 2004-2005 Proposed Budget.

2. Approve the waiver of the following required contract language--Budget Reductions, Consideration of Hiring Greater Avenues For Independence (GAIN) Participants/General Relief Opportunities For Work (GROW) Program, Contractor's Notification within Six Months from Expiration, Subcontracting, and Safely Surrendered Baby Law--based upon a sole source justification for contracting with this specialized provider and due to the critical necessity to execute a new contract with uniform and standardized terms for California counties with ValueOptions, the existing ASO serving the County of Los Angeles, within an extremely compressed time period. Additional details regarding the waived language request are included under the Facts and Provisions section.

3. Delegate authority to the Director of Mental Health or his designee to prepare, sign, and execute future amendments to the Administrative Services Agreement with ValueOptions, provided that: 1) the County's total payments to the Contractor under the Agreement for each fiscal year shall not exceed a change of 20 percent from the applicable MCA; 2) any such increase shall be used to provide additional services or to reflect program and/or policy changes; 3) the Board of Supervisors has appropriated sufficient funds for all changes; 4) approval of County Counsel and the Chief Administrative Officer (CAO) or his designee is obtained prior to any such Amendment; 5) the parties may, by written Amendment, mutually agree to reduce programs or services without reference to the 20 percent limitation; and 6) the Director of Mental Health shall notify the Board of Supervisors of Agreement changes in writing within 30 days after execution of each Amendment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Board approval is required for the execution of this new, standardized Administrative Services Agreement between the County of Los Angeles and ValueOptions, an existing ASO provider which coordinates and manages the statewide mental health care and treatment of Medi-Cal eligible children and youth placed out of their county of residence. ValueOptions developed the standardized Agreement format, substantially similar to the Attachment, through negotiations with 34 participating counties and required the use of this uniform contract for all 34 counties contracting with ValueOptions for the statewide implementation of ASO services. This new Agreement is necessitated to ensure the continual and uninterrupted access to medically necessary specialty mental health services due to the recent and unanticipated decision made by the California Mental Health Directors' Association (CMHDA) on February 20, 2004 to discontinue the statewide management of ASO services and to terminate contracts with participating counties as of June 30, 2004.

Implementation of Strategic Plan Goals

The recommended Board actions are consistent with the County's Programmatic Goals 5, Children and Families' Well-Being, and 7, Health and Mental Health, within the Countywide Strategic Plan. Services will be accessible and integrated into a comprehensive service delivery system through the collaboration of government and private agencies.

FISCAL IMPACT/FINANCING

There is no increase in net County cost. The MCA of $1.5 million will be funded by $680,400 in EPSDT-SGF, $699,800 in EPSDT-FFP Medi-Cal funds, $84,800 in Realignment funds, of which $19,300 and $15,000 is for the EPSDT growth match and STOP local match, respectively, and STOP funds of $35,000 previously allocated to DMH from the Department of Children and Family Services for payment of mental health services provided to non-Medi-Cal foster children. The total MCA of $1.5 million is included in DMH's FY 2004-2005 Proposed Budget.

The payment provisions of this new Agreement follow the method previously established for these out-of-county services. DMH will provide advance payments to ValueOptions every six months. ValueOptions will pay providers immediately upon the submission of appropriate invoices. The County, as payer, shall bear ultimate risk of loss for claims paid for specialty mental health services.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

ValueOptions is a private managed care corporation with its main headquarters located in Norfolk, Virginia, and a local administration office located in Long Beach, California. Since FY 1999-2000, ValueOptions has been subcontracting with CMHDA after being selected from a "Request for Proposals: Administrative Services Organization for Mental Health Services" issued by CMHDA in December 1998. Under that subcontract and on behalf of participating counties that contracted with CMHDA, ValueOptions administered a statewide program with outpatient specialty mental health services provided to full-scope Medi-Cal eligible out-of-county children and youth, ages 0 through 18, placed out of their county of residence. Services include credentialing licensed network providers, determining service needs, authorizing claims, reimbursing out-of-county providers, and handling complaints and grievances.

CMHDA's contracts with participating counties, including Los Angeles County, were the culmination of a statewide effort to resolve problems experienced by County-operated

managed care plans in obtaining timely and accessible mental health services for eligible Medi-Cal children and youth, ages 0 through 18, placed out of their county of residence.

On October 26, 1999, your Board initially approved and delegated authority to the Director of Mental Health to enter into an Agreement with CMHDA for the coordination of mental health services by an ASO for Title XIX Medi-Cal eligible children and youth placed outside of Los Angeles County.

On June 18, 2002, your Board renewed the Agreement with CMHDA for a three-year term, effective FY 2002-2003, to act as its agent to monitor and pay the ASO. The subcontract between CMHDA and ValueOptions was renewed, effective FY 2002-2003, for a three-year term.

On February 20, 2004, CMHDA unexpectedly notified County mental health directors of its intent to discontinue the management of the ASO, effective June 30, 2004, due to overriding administrative issues with demonstrating compliance with all of the Medi-Cal and the Health Insurance Portability and Accountability Act (HIPAA) regulations following a consultant's report on risk assessment of the ASO and the conclusion that CMHDA was deemed a Medi-Cal provider and, therefore, subject to all of the Federal compliance rules and regulations. CMHDA addressed serious concerns raised in the risk assessment report and determined that with these new and unanticipated external and extenuating circumstances beyond CMHDA's control, limited staffing, and the lack of resources to implement the new mandate, CMHDA could not continue to manage the ASO statewide after June 30, 2004.

In anticipation of the expiration of its contracts with counties, CMHDA formed a transition team to find an alternative that could assume management of the ASO to continue to meet the statewide mental health needs of out-of-county foster care youth. On behalf of Los Angeles County, DMH assumed a pivotal leadership role in working closely with 34 other participating counties in developing a contract directly with ValueOptions to ensure the continual provision of ASO services, without disruption, as of July 1, 2004.

Among the issues and concerns raised by ValueOptions was responsibility for denied claims. Due to the inability of ValueOptions to access the statewide Medi-Cal eligibility database during the entirety of its subcontract with CMHDA, ValueOptions required in its new contracts with all participating counties that counties assume full financial responsibility for denied claims. Additionally, due to the extremely compressed timeframe in which a new contract between the County of Los Angeles and

ValueOptions was negotiated and developed, it was not possible to include a provision in the standardized contract format for FY 2004-2005 to enable DMH as an authorized agent of ValueOptions and all of its network of providers to modify and resubmit claims in the event of billing errors and, subsequently, to receive funds from the state.

The attached new Agreement, which has been approved as to form by County Counsel, is a uniform format required by ValueOptions for all participating counties that agree to contract with the agency. ValueOptions negotiated with Los Angeles County and all participating counties statewide on programmatic, fiscal, and contractual issues but was unable to completely comply with the needs of all parties in order to finalize the uniform Agreement format to ensure the timely execution of new contracts statewide by July 1, 2004, and the continual, uninterrupted access to and provision of mental health services statewide within an extremely compressed timeframe. Thus, the standardized Agreement format includes mutual indemnification and mandated provisions (in some cases in abbreviated form or in a different form from Los Angeles County's language, but in accord with the intent of such), with the exception of Budget Reductions, Consideration of Hiring GAIN/GROW Program Participants for Employment, Contractor's Notification within Six Months from Contract Expiration, Subcontracting, and Safely Surrendered Baby Law. ValueOptions attested to compliance with all applicable laws and, therefore, has included in its Agreement format such compliance language. Additionally, this new Agreement will require ValueOptions to minimize audit risks with Medi-Cal compliance. The parties agree that, during the term of the Agreement, there will be no subcontracting of ValueOptions' obligations, and that the providers of specialty mental health services are independent contractors.

Like all other participating counties, Los Angeles County was confronted with the sudden and critical negotiations and implementation of a new contract with the existing ASO, ValueOptions, as of July 1, 2004, for the continual, uninterrupted provision of specialty mental health services to Medi-Cal beneficiaries who are minors and who reside out-of-home and/or out of their county of residence. Upon Board approval of this new contract, DMH and ValueOptions have agreed to continue negotiations on mandated contract provisions and the rebilling issue before the renewal period. CAO, County Counsel, and DMH's Fiscal and Program Administrations have reviewed the proposed actions.

CONTRACTING PROCESS

Upon Board approval, DMH will initiate a contractual arrangement directly with ValueOptions, an existing ASO, for the uninterrupted access and provision of specialty

mental health services to Medi-Cal eligible children and youth placed outside of Los Angeles County.

This sole source contract has been necessitated by the recent and unanticipated decision of CMHDA to discontinue its contract with Los Angeles and other counties, thus requiring these counties to contract directly with ValueOptions.

It is anticipated that contracting directly with ValueOptions will reduce the administrative expenses for the services rendered. Under the current contract with participating counties, CMHDA charged an administrative fee of $25 per claim line. ValueOptions will be charging counties only $28.08 per child per month.

IMPACT ON CURRENT SERVICES

The new Agreement with the ASO contractor, ValueOptions, will allow Los Angeles County to provide continuous and timely statewide access to mental health services for Medi-Cal eligible children and youth placed out-of-county, consistent with your Board's priorities for efficient government operations and children and families' well-being. Additionally, Los Angeles County will be able to comply with Medi-Cal and HIPAA regulations and the California Department of Mental Health's policy for providing mental health services to Title XIX Medi-Cal eligible children and youth placed out of their home county.

With the dissolution of the existing contract with CMHDA and without a new Agreement in place with ValueOptions by July 1, 2004, Los Angeles County would be confronted with a serious disruption and problems with timely access to mental health services to children and youth placed out-of-county statewide and would require individual contracts with over 1,000 network providers to serve the target population.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board's 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 this document is available.

Respectfully submitted,

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

MJS:SK:JH:MY

Attachment

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

MENTAL HEALTH
ADMINISTRATIVE SERVICES ORGANIZATION AGREEMENT
BETWEEN
VALUEOPTIONS, INC.
AND
COUNTY OF LOS ANGELES

This Agreement is by and between VALUEOPTIONS, INC., a Virginia corporation located at 240 Corporate Blvd., Norfolk, VA 23502 ("VALUEOPTIONS" or "ASO") on the one hand, and the County of Los Angeles ("COUNTY") on the other hand for administrative services related to the California Counties Medi-Cal Out-of-County Care Program (see below).

PREAMBLE

COUNTY has collaborated with its community partners to enhance the capacity of the health and human services system to improve the lives of children and families. These efforts require, as a fundamental expectation, that COUNTY's contracting partners share the COUNTY's and community's commitment to provide health and human services that support achievement of COUNTY's vision, goals, values, and adopted outcomes. Key to these efforts is the integration of service delivery systems and the adoption of customer service and satisfaction standards. COUNTY's vision is to improve the quality of life in the COUNTY by providing responsive, efficient, and high quality public services that promote the self-sufficiency, well-being and prosperity of individuals, families, businesses and communities.

W I T N E S S E T H

WHEREAS, COUNTY manages a State-authorized Mental Health Plan for the provision of Specialty Mental Health Services for Medi-Cal beneficiaries;

WHEREAS, one component of care provided by County includes Specialty Mental Health services for Medi-Cal beneficiaries who are minors and who reside out-of-home and/or out of their county of residence ("California Counties Medi-Cal Out-of-County Care Program", "California Counties" or "the Program");

WHEREAS, VALUEOPTIONS has established panels of health care providers who are qualified and appropriately licensed to provide Mental Health Services and other administrative services as an Administrative Services Organization ("ASO"); and

WHEREAS, County desires to engage VALUEOPTIONS as an Administrative Services Organization for management of a network of providers and provision of administrative services for that component of care provided by the County which includes Specialty Mental Health services for Medi-Cal beneficiaries who are minors and who reside out-of-home and out of their county of residence;

NOW THEREFORE, in consideration of the premises and the mutual promises herein contained, it is agreed as follows:

I. DEFINITIONS

1.1 **"Covered Services"** means Specialty Mental Health Services that are medically necessary and are covered for benefits by the Program.

1.2 **"Eligible Beneficiary"** means a minor who is an eligible Medi-Cal beneficiary and who resides out-of-home and/or outside their county of residence.

1.3 **"Specialty Mental Health Services"** means outpatient psychiatric and other outpatient mental health services for the treatment of mental health conditions to include the following specific services evaluation and assessment (CPT Code 90801), individual therapy (CPT Code 90806), individual therapy with medication management (CPT Code 90807), family therapy (CPT Code 90847), group therapy (CPT Code 90853), medication management (CPT Code 90862), case conference (CPT Code X9546) and psychological testing (CPT Code 96100).

1.4 **"Preferred Provider"** means a Provider who has: (i) met VALUEOPTIONS credentialing and recredentialing standards; (ii) contracted as an independent contractor with VALUEOPTIONS; (iii) agreed to accept the rate or fee agreed to with VALUEOPTIONS as payment in full for Covered Services provided to Eligible Beneficiaries; and (iv) agreed to cooperate with VALUEOPTIONS regarding procedures incident to VALUEOPTIONS's administration of the Program.

II. RESPONSIBILITIES OF VALUEOPTIONS

2.1 **Scope of Services.** VALUEOPTIONS shall provide to COUNTY the services required of the administrative service organization of the Program in accordance with the attached Exhibit A "Scope of Services" which is attached hereto and incorporated herein by reference.

2.2 **Preferred Providers Network & Referrals for Specialty Mental Health Services.** VALUEOPTIONS will establish, maintain and administer a network of Preferred Providers ("the Network") for the delivery of Specialty Mental Health Services. The Network of Preferred Providers shall be composed of Providers of reasonably sufficient diversity to meet the cultural, linguistic and specialty needs of Eligible Beneficiaries. Preferred Providers shall be contractually required to continually meet VALUEOPTIONS credentialing standards including, but not limited to maintenance of licensure and applicable malpractice insurance, confirmation of status of provider as being eligible to provide services under federal programs, including Medicaid. A copy of the credentialing policies of VALUEOPTIONS shall be provided to COUNTY upon request. VALUEOPTIONS will contract with additional Preferred Providers as necessary to accommodate all Eligible Beneficiaries for whom services are required under this Agreement. This panel of Preferred Providers will be maintained throughout the term of this Agreement. Where VALUEOPTIONS does not have a Preferred Provider available, it will refer an Eligible Beneficiary to an appropriate Provider with whom appropriate arrangements shall be made for provision of all necessary Specialty Mental Health Services required by the Eligible Beneficiary. Such arrangements

by VALUEOPTIONS shall include a single case agreement and verification of provider's licensure and eligibility to participate as a provider in federal health programs, including, but not limited to, Medicaid.

VALUEOPTIONS shall maintain a Provider Handbook containing sections which detail policies and procedures for Preferred Providers and the delivery of Specialty Mental Health Services to Eligible Beneficiaries. This handbook shall include, but not be limited to, the following subject areas: Authorizations for Services, Claims Processing & Payment, Covered Services, Complaints & Grievances, and Psychological Testing.

2.3 **Psychological Testing Services.** VALUEOPTIONS, acting through its specialty clinical staff, including peer advisors, shall provide its clinical review services for Eligible Beneficiaries for whom psychological testing is requested. Any such request shall require completion of the Psychological Testing Request Form in Exhibit B which is attached hereto and incorporated herein by reference. VALUEOPTIONS shall review all requests for psychological testing and coordinate referral for such services to a qualified Participating Provider. The parties acknowledge that VALUEOPTIONS will not provide treatment to Eligible Beneficiaries, and that the final responsibility for all decisions concerning the provision of treatment will rest with the treating Provider and the Eligible Beneficiary.

2.4 **Claims.** VALUEOPTIONS shall provide the claims processing services set forth below in Article III of this Agreement.

2.5 **Toll-Free Telephone Number.** VALUEOPTIONS will maintain and make available to County, Eligible Beneficiaries and Providers a toll-free number seven days per week, twenty-four hours per day for the purposes of making requests for referrals, making requests for psychological testing and other inquiries, complaints or grievances. VALUEOPTIONS will refer Eligible Beneficiaries needing treatment to appropriate Preferred Providers or, where clinically appropriate and necessary, to other Providers.

Calls for referrals will require VALUEOPTIONS to verify the Eligible Beneficiary's eligibility status through the Medi-Cal website. VALUEOPTIONS shall bear no responsibility for erroneous or inaccurate information regarding eligibility obtained from Medi-Cal.

2.6 **Complaints & Grievances.** VALUEOPTIONS will maintain a system by which Eligible Beneficiaries and Providers may file a complaint or grievance with VALUEOPTIONS related to any issue arising out of VALUEOPTIONS role as ASO under this Agreement including, but not limited to, complaints regarding Preferred Providers. This system shall comport with the Complaints & Grievances Process document in Exhibit C which is attached hereto and incorporated herein by reference. VALUEOPTIONS will provide to Eligible Beneficiaries and Providers who file a complaint or grievance the contact information for COUNTY.

2.7 **Reports**. VALUEOPTIONS will make semi-annual Trend Reports available to COUNTY regarding the utilization and claims processing activities of VALUEOPTIONS for the

COUNTY in the form set forth in Exhibit D, which is attached hereto and incorporated herein by reference. Within sixty (60) days after the end of each semi-annual reporting period, VALUEOPTIONS will make available an annual report to COUNTY that provides composite data for the preceding year regarding the utilization and claims processing activities of VALUEOPTIONS on behalf of the COUNTY.

All reports shall be accessed by COUNTY through a secure website, established and maintained by VALUEOPTIONS solely for use of the Program and the counties participating in the Program with VALUEOPTIONS as ASO.

2.8 **Compliance with Laws.** VALUEOPTIONS shall comply with all applicable federal, state, and local laws applicable to the services provided under this Agreement.

III. CLAIMS PAYMENT; RESPONSIBILITIES OF VALUEOPTIONS

3.1 **Claims Payment Services.** VALUEOPTIONS will provide the following claims payment services:

(a) Receive and process claims with respect to Eligible Beneficiaries and determine the amount due and payable.

(b) Prepare checks drawn on a designated checking account in payment of valid claims to Preferred Provider or to such other person or assignee entitled thereto.

(c) Provide COUNTY with a copy of the check register or fund account statement itemizing the checks prepared in accordance with subsection (b).

(d) Mail checks prepared in accordance with subsection (b) to the appropriate payee upon receipt from COUNTY of sufficient funds.

(e) Maintain current and complete records and files of claim payments for each Eligible Beneficiary.

(f) Investigate and process any written requests or inquiries received for a review of denied claims and, where applicable, forward the information to COUNTY for review and decision on whether to pay or deny the claim.

(g) Maintain as confidential all claims, reports and other information and material furnished, obtained or developed in regard to its services under this Agreement.

(h) Furnish Form 1099 statements to health care providers and prepare reports regarding such statements as required by the regulations of the Internal Revenue Service.

3.2 **Errors in Claims Payment**. If any claim payment made by VALUEOPTIONS is not for the correct amount, VALUEOPTIONS will adjust any underpayment and attempt to recover any overpayment (other than through litigation). Except where the mistake or other action was the direct consequence of a lack of ordinary care or reasonable diligence on the part of VALUEOPTIONS or any if its directors, officers, or employees, VALUEOPTIONS and/or its directors, officers and employees will have no liability to COUNTY. The COUNTY, as payor, shall bear ultimate risk of loss for claims paid for Specialty Mental Health Services.

3.3 **Lack of Claims Funding Due to Eligibility**. VALUEOPTIONS shall not be responsible for any error or inaccuracy in eligibility information obtained through Medi-Cal. COUNTY shall not deny funding of claims payment or attempt to recover overpayments based on errors or inaccuracies in eligibility information from Medi-Cal. COUNTY bears ultimate responsibility as the payor for Specialty Mental Health Services.

3.4 **Benefit Payments.** Benefit payments for Specialty Mental Health Services furnished by Preferred Providers shall be calculated on the basis of the rates charged by a Preferred Provider in accordance with its agreement with VALUEOPTIONS. Schedules of these rates are included in Exhibit E, which is attached hereto and incorporated herein by reference. In all other respects, benefit payments shall be calculated in accordance with and governed by the relevant Services provided, with COUNTY having final claim determination authority. COUNTY bears ultimate responsibility as the payor for Specialty Mental Health Services.

3.5 **A. Wire Transfer of Funds**. Upon receipt of a copy of the check register or fund account statement from VALUEOPTIONS, in accordance with section 3.1(c), COUNTY shall wire transfer sufficient funds or provide a check payable with sufficient funds to the designated checking account to pay the checks included in such check register or fund account statement within ten (10) days. Such funding requests shall be made by VALUEOPTIONS to COUNTY twice a month. It is COUNTY's responsibility to transfer funds to the designated checking account in an amount adequate to cover all checks validly issued by VALUEOPTIONS according to this Agreement. VALUEOPTIONS will not mail the checks prepared in accordance with section 3.1(b) unless and until COUNTY transfers sufficient funds with which to pay such checks. COUNTY bears ultimate responsibility for payment of claims as the payor, VALUEOPTIONS shall not be liable for claims payment as a payor.

B. Pre-Payment of Funds. In lieu of Section 3.5 A above, COUNTY may elect to make a pre-payment of funds. If COUNTY elects to prepay, COUNTY shall make available sufficient funds in a designated bank. VALUEOPTIONS shall initiate a funds transfer via the Automated Clearing House (ACH) system, debiting the designated COUNTY bank account and crediting VALUEOPTIONS' bank account designated for the purpose of such claims payments. It shall be VALUEOPTIONS' responsibility to initiate the funds transfer. It shall be COUNTY's responsibility to adequately fund the bank account designated for this ACH debit and to permit VALUEOPTIONS to initiate such ACH debit transfers.

C. Pre-Payment of Funds. In lieu of Section 3.5 A and B above, COUNTY may elect to make a pre-payment of funds. If COUNTY elects to prepay, COUNTY shall forward a

warrant/check to VALUEOPTIONS on a semi-annual basis. VALUEOPTIONS shall deposit the funds in a bank account designated for purposes of payment of claims to providers of service. It shall be COUNTY's responsibility to reconcile the account balance to the check register or fund account statement with the advance. It shall be the COUNTY's responsibility to ensure that there are adequate funds to pay providers.

3.6 **Prior Claims Run-Out.** VALUEOPTIONS shall provide the above-referenced services related to processing and payment of claims for claims rendered prior to the effective date of this Agreement provided such claims are for dates of service on or after April 1, 2004. COUNTY agrees to meet all obligations of COUNTY specified in this Agreement for funding and payment of such claims.

IV. RESPONSIBILITIES OF COUNTY

4.1 **Grant of Authority to VALUEOPTIONS.** COUNTY hereby appoints VALUEOPTIONS as its agent for the sole and limited purpose of entering into agreements with Preferred Providers with regard to payment for Covered Services to Eligible Beneficiaries in accordance with the program set forth in this Agreement. COUNTY's responsibility shall extend only to an obligation for payment and COUNTY shall not be responsible for any action taken by VALUEOPTIONS in the selection of Providers, the administration (including termination) of such agreements or any other dealings with the Provider. Nothing contained in such agreements shall expand or increase COUNTY's obligation beyond that set forth in this Agreement or obligate COUNTY to make payment for any services that are not Covered Services.

4.2 **Delay in Furnishing Information**. VALUEOPTIONS will not be responsible for delay in the performance or nonperformance of services caused by or contributed to in whole or in part by the failure of COUNTY to furnish any required information promptly.

V. COMPENSATION

5.1 **Compensation**.

(a) Commencing July 1, 2004, on the last day of each month ("Due Date") thereafter during the term of this Agreement, COUNTY shall pay to VALUEOPTIONS a sum equal to $28.08 per month per Eligible Beneficiary for whom claims were paid in the preceding month as compensation for providing the VALUEOPTIONS ASO services described herein.

Notwithstanding the foregoing, if the underwriting assumptions change then VALUEOPTIONS' fees shall be subject to good faith renegotiation at the request of either party. A party may make a request for renegotiation on the basis of such change in the underwriting assumptions, only once per year.

(b) The compensation described in Section 5.1(a) shall not exceed the Contract Maximum that is listed in Exhibit G, which is incorporated by reference as if set forth fully herein. In the event COUNTY exceeds the Contract Maximum, VALUEOPTIONS shall be under no obligation to perform any further services to COUNTY. VALUEOPTIONS shall provide written notification to COUNTY when expenditures under this Agreement total seventy-five percent (75%) of the Contract Maximum.

(c) If COUNTY elects to prepay, COUNTY shall make a prepayment of the compensation described in Section 5.1(a) on or before July 9, 2004. COUNTY shall make a second payment on January 7, 2005.

VI. INDEMNIFICATION AND INSURANCE

6.1 **Indemnification**.

(a) In the event that COUNTY, its officers, directors, employees or agents are made parties to any judicial or administrative proceeding arising in whole or in part out of the negligent performance by VALUEOPTIONS of any of its obligations under this Agreement, then VALUEOPTIONS shall indemnify and hold COUNTY harmless for any and all judgments, settlements, and costs (including reasonable attorneys' fees) which COUNTY incurs or pays in connection therewith except that VALUEOPTIONS shall not be required to reimburse for such amounts to the extent that the court rendering the judgment or the agency making the award determines that the liability underlying the judgment or award (or attorneys' fees with respect thereto) was caused by the gross negligence, fraud or criminal conduct of COUNTY, its agents, employees, officers or directors. This provision is not intended to obligate VALUEOPTIONS to compensate COUNTY for claims for Covered Services or attorneys' fees that COUNTY may pay as a result of judicial or administrative proceedings contesting a denial of benefits based on VALUEOPTIONS good faith recommendation that payment be denied because services were not Medically Necessary.

(b) In the event that VALUEOPTIONS, its officers, directors, employees or agents are made parties to any judicial or administrative proceeding arising in whole or in part out of the negligent performance by COUNTY of any of its obligations under this Agreement, then COUNTY, shall indemnify and hold VALUEOPTIONS harmless for any and all judgments, settlements and costs (including reasonable attorneys' fees) which VALUEOPTIONS incurs or pays in connection therewith except that COUNTY shall not be required to reimburse for such amounts to the extent that the court rendering the judgment or the agency making the award determines that the liability underlying the judgment or award (or attorneys' fees with respect thereto) was caused by the gross negligence, fraud or criminal conduct of VALUEOPTIONS, its agents, employees, officers or directors.

(c) The indemnifications provided for by this Section shall survive the termination of this Agreement.

6.2 **Notice**. VALUEOPTIONS and COUNTY will promptly notify one another of any complaint or litigation of which each becomes aware in connection with any transaction covered by this Agreement. Within forty-eight (48) hours of receipt, each will forward to the other any notice of litigation or document referencing litigation or any complaint letter from any state insurance department or other governmental body.

6.3 **Defense of Litigation**. Except as provided in this Section VI, each party shall be responsible at its own expense for defending itself in any litigation brought against it, whether or not the other party hereto is also a defendant, arising out of any aspect of activities engaged in connection with this Agreement. Each party agrees to provide to the other party information in its possession, which is essential to the other party's defense in such litigation, to the extent allowed by law.

6.4 **Insurance**. VALUEOPTIONS shall maintain professional liability insurance coverage to insure it against any claim for damages arising out of any acts or omissions in connection with VALUEOPTIONS establishment or operation of the VALUEOPTIONS services specified herein. Such coverage shall not be less than five million dollars ($5,000,000) per occurrence and ten million dollars ($10,000,000) aggregate. VALUEOPTIONS shall maintain Comprehensive General Liability Insurance, Directors', Trustees' and Officers' Liability Insurance Policy and Automobile Liability Insurance that shall provide a minimum of one million dollars ($1,000,000) aggregate liability coverage for each policy year. VALUEOPTIONS shall also maintain Workers' Compensation Insurance at limits as may be required under the California Labor Code. County shall be named as an additional insured on the Commercial General Liability insurance policy. ValueOptions shall furnish County with evidence that foregoing insurance policies are in force and that the County is endorsed as an additional insured on the Commercial General Liability Insurance policy.

VII. TERM; TERMINATION

7.1 **Term.** Unless terminated as provided herein, this Agreement shall be for a term of one (1) year beginning on July 1, 2004 and ending on June 30, 2005. At least ninety (90) days prior to the expiration of this Agreement, upon mutual written agreement, the parties may extend the term of this Agreement for additional one-year periods, not to exceed five (5) years in total. The parties agree to negotiate in good faith the compensation listed in Section 5.1 prior to the commencement of any additional one year period.

7.2 **Termination For Breach.** COUNTY shall have the right to immediately terminate this Agreement upon written notice to VALUEOPTIONS in the event of a breach of the Agreement by VALUEOPTIONS. VALUEOPTIONS shall have the right to terminate this Agreement for cause at any time by giving the COUNTY thirty (30) days prior written notice

of a breach hereunder, provided that VALUEOPTIONS shall allow the COUNTY thirty (30) days in which to cure such breach. Should the COUNTY cure such breach to the reasonable satisfaction of VALUEOPTIONS on or before the effective date of termination, then this Agreement shall remain in full force and effect.

7.3 **Termination Without Cause.** Either party shall have the right to terminate this Agreement without cause by giving the other party sixty (60) days prior written notice. VALUEOPTIONS shall continue to make the Specialty Mental Health Services available to Eligible Beneficiaries during the sixty (60) day period following notice of termination without cause and COUNTY shall continue to pay VALUEOPTIONS during such sixty (60) days in accordance with the compensation set forth herein.

7.4 **Following Termination.** Following termination of this Agreement, VALUEOPTIONS will provide reasonable cooperation in the transition of its responsibilities to the entity selected by COUNTY to assume administration of the Specialty Mental Health Services. VALUEOPTIONS shall accept no new Eligible Beneficiary referrals from COUNTY after the effective date of such termination.

VIII. MISCELLANEOUS PROVISIONS

8.1 **Record Maintenance and Inspection**.

(a) VALUEOPTIONS shall prepare and maintain all appropriate records on Eligible Beneficiaries receiving Specialty Mental Health Services from Providers. The records shall be maintained in accordance with prudent record-keeping procedures and as required by law.

(b) VALUEOPTIONS agrees to allow COUNTY reasonable review of any data and other records it maintains on Eligible Beneficiaries that relate to this Agreement. COUNTY shall have full access to records relating to billing, payment and assignment, and access to medical records to the limited extent necessary to enable COUNTY to audit VALUEOPTIONS performance of its obligations under this Agreement. Such review shall be allowed upon reasonable notice during regular business hours and shall be subject to all applicable laws and regulations concerning the confidentiality of such data or records.

8.2 **Confidentiality of Clinical Records & HIPAA**. COUNTY and VALUEOPTIONS agree to maintain the confidentiality of any clinical records of Eligible Beneficiaries as required by State and Federal law, and COUNTY's and VALUEOPTIONS' confidentiality guidelines. In particular, VALUEOPTIONS and COUNTY agree to abide by the requirements of the Health Insurance Portability and Accountability Act ("HIPAA") and its implementing regulations. Pursuant to HIPAA, VALUEOPTIONS and COUNTY hereby enter into a Business Associate Agreement as set forth in the attached Exhibit F, which is incorporated by reference as if set forth fully herein.

8.3 **Right of Audit.** COUNTY shall have the right upon reasonable notice at all reasonable times to audit and examine the records of VALUEOPTIONS which relate to this Agreement and the services provided hereunder insofar as such examination relates to, and is limited by, the transactions involving the services and compensation rendered under the terms of this Agreement. VALUEOPTIONS further agrees to cooperate and assist COUNTY in performance of an audit of a Preferred Provider, such audits being contemplated by the terms of the Preferred Providers contract with VALUEOPTIONS. Such audits may involve the reconciliation of eligibility, claims funding, compensation and fees as applicable. This right of audit may be exercised by the party, or by its duly authorized employee or agent or by an independent consultant designated by such party. The party requesting and conducting the audit shall bear all expenses of the audit which are not expenses incurred in the ordinary course of business.

8.4 **Operations of Parties**. All parties shall, throughout the term of this Agreement, use their best efforts to be in continuous compliance with all applicable laws and regulations.

8.5 **Proprietary Rights**.

(a) COUNTY acknowledges that VALUEOPTIONS and its subcontractor(s) and affiliate(s) have developed manuals, procedures, processes and information related to its services which are proprietary in nature and which constitute trade secrets of such party. COUNTY shall not use any such information or materials that may come into its possession other than as contemplated by this Agreement and in furtherance of its objectives.

(b) Neither party shall use the name, logos, trademarks or service marks of the other without the other's prior written consent, except that VALUEOPTIONS and its subcontractor(s) or affiliate(s) may include COUNTY in its listing of clients and COUNTY may use VALUEOPTIONS and VALUEOPTIONS' subcontractor(s) or affiliate(s) in its Plan materials.

8.6 **Disputes**. Any controversies or claims between COUNTY and VALUEOPTIONS arising out of or relating to this Agreement shall be submitted to non-binding mediation before a single mediator chosen by designated corporate officers of VALUEOPTIONS and officials of the COUNTY. The parties shall bear their own costs of mediation. Nothing contained in this provision shall be construed to give any Eligible Beneficiary any rights to mediate any dispute with COUNTY or VALUEOPTIONS regarding benefits payment or any other matter related to administration of the Program.

8.7 **Relationship of Parties**. The relationship of the parties under this Agreement shall be that of independent contractors. Neither shall have any claim under this Agreement or otherwise against the other party as a joint venturer or partner.

8.8 **Designated Representatives**. Each party shall designate in writing a representative who shall represent it in the day-to-day administration of this Agreement. Such designation may be changed by either party by written notice to the other party as provided for below.

8.9 **Entire Agreement**. This Agreement represents the entire Agreement between the parties and supersedes any and all previous written or oral agreements or understandings.

8.10 **Assignment**. Neither party may assign this Agreement, in whole or in part, without the prior written consent of the other party (which will not be unreasonably withheld), except that no such written consent will be required in connection with a change of control, merger or reorganization of a party, or a sale of all, or substantially all, of such party's assets. The parties agree that during the term of this Agreement, VALUEOPTIONS shall not subcontract any of its responsibilities under this Agreement. This section shall not be deemed to preclude VALUEOPTIONS, or its affiliates, from contracting with Affiliated Providers. Any attempted assignment of this Agreement, other than as permitted above, will be null and void, and will establish cause for termination of this Agreement as set forth in Section 7 hereof. This Agreement shall be binding on any successor in interest of either party.

8.11 **Waiver**. Waiver of a breach of any provision of this Agreement shall not be deemed a waiver of any other breach of the same or different provision.

8.12 **Notices**. Any notice required by this Agreement shall be given in writing to the liaison person designated by a party, sent by United States mail, return receipt requested, or by Federal Express, UPS, or other overnight mail service, with postage prepaid and addressed to each party at the addresses set forth on the signature page, or at any other address of which a party has given notice in accordance with this Section. Notice shall be deemed given on the date of delivery or refusal as shown on the return receipt if delivered by mail or the date upon which such notice is personally delivered in writing to the following designated liaison person:

for COUNTY:

County of Los Angeles – Department of Mental Health
Contracts Development and Administration Division
550 S. Vermont Avenue, 5th Floor
Los Angeles, CA 90020
Attention: Chief of Contracts

for VALUEOPTIONS:

Julie Larson
ValueOptions, Inc.
340 Golden Shore
Long Beach, CA 90802

Copy to VALUEOPTIONS designated Account Executive

8.13 **Administrative Procedures**. The parties shall mutually agree upon administrative procedures necessary to implement this Agreement.

8.14 **Governing Law**. With respect to the contractual rights between VALUEOPTIONS and COUNTY, this Agreement shall be governed by, and construed in accordance with, the laws of California, excluding any conflicts of law, rules or principles that might otherwise refer the same to the law of another jurisdiction. This Agreement has been entered into

and is to be performed in the County of Los Angeles. Accordingly, the parties agree that the venue of any action relating to this Agreement shall be in the County of Los Angeles.

8.15 **News Release.** Upon the execution of this Agreement by both parties, VALUEOPTIONS may write and distribute to the media and the general public a news release ("News Release") announcing the Agreement between VALUEOPTIONS and COUNTY. The News Release may be in any format. COUNTY shall have the opportunity to review and provide comments to VALUEOPTIONS on the News Release prior to its distribution provided that VALUEOPTIONS receives such comments with three (3) business days of providing the release to COUNTY. The COUNTY may appoint a spokesperson to provide a quote for the News Release. Unless otherwise agreed upon by VALUEOPTIONS and COUNTY, VALUEOPTIONS shall have final approval of the News Release content.

8.16 **Extraordinary Circumstances**. Neither party nor their subcontractor(s) or affiliate(s) hereto shall be held responsible for delay or failure to perform hereunder when such delay or failure is due to fire, flood, epidemic, strikes, acts of God or the public enemy, acts of terrorism, acts of war, unusually severe weather, legal acts of public authorities, or delays or defaults caused by public carriers, or other circumstances which cannot reasonably be forecast or provided against (collectively "Extraordinary Circumstances").

Notwithstanding anything to the contrary in this Agreement, in the event that an Extraordinary Circumstance occurs and VALUEOPTIONS is required to perform its obligations under the conditions caused by the Extraordinary Circumstance or to perform services not originally contemplated under the Agreement, then VALUEOPTIONS shall have the right to increase its compensation rate by an amount or percentage mutually agreed to by the parties in writing. Failure by the parties to mutually agree to an increased compensation rate within 30 days after initiation of renegotiation by VALUEOPTIONS, as set forth herein, may result in termination of the Agreement at the election of either party.

8.17 **Nuclear Ordinance**. If applicable, the Nuclear Free Ordinance of COUNTY prohibits COUNTY from entering into any contracts with any contractor who is knowingly or intentionally engaged in the research, weapons systems, or nuclear weapon components, as defined in the ordinance. Any contracts or agreements resulting from this agreement will contain a provision requiring the Contractor to certify that it is not a Nuclear Weapons Contractor, as defined by the Nuclear Free County Ordinance.

8.18 **Compliance with child, family, and spousal support reporting obligations.** VALUEOPTIONS' failure to comply with state and federal child, family and spousal support reporting requirements regarding a VALUEOPTIONS' employees or failure to implement lawfully served wage and earnings assignment orders or notices of assignment relating to child, family and spousal support obligations shall constitute a default under this Agreement. VALUEOPTIONS' failure to cure such default within 90 days of notice by COUNTY shall be grounds for termination of this Agreement.

8.19 **Exclusion from participation in federally funded programs.** VALUEOPTIONS warrants that neither it nor any of its employees is restricted or excluded from providing services under any health care program funded by the federal government, directly or indirectly, in whole or in part, and that VALUEOPTIONS will notify COUNTY within thirty days of any event that would require its or an employee's mandatory exclusion from participation in a federally funded health care program.

8.20 **Nondiscrimination and affirmative action.** VALUEOPTIONS certifies and agrees that all persons employed by it, its affiliates, and subsidiaries are and shall be treated equally without regard to or because of race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or political affiliation, and that it is in compliance with all applicable federal and state anti-discrimination laws and regulations.

8.21 **COUNTY Lobbyist Ordinance.** VALUEOPTIONS shall fully comply with COUNTY's Lobbyist Ordinance. Failure on VALUEOPTIONS' part to fully comply with such ordinance shall constitute a material breach of this Agreement, upon which COUNTY may, in its sole discretion, immediately terminate this Agreement.

8.22 **Debarment.** In the event COUNTY acquires information concerning the performance of VALUEOPTIONS on this or other contracts which indicates that VALUEOPTIONS is not trustworthy and has not demonstrated the fitness, capacity, and experience to satisfactorily perform its services under this Agreement, COUNTY may, in addition to other remedies provided in this Agreement, debar VALUEOPTIONS from bidding or proposing on, or being awarded, and/or performing work on COUNTY contracts for a specified period of time not to exceed three years, and may terminate any or all existing contracts VALUEOPTIONS may have with COUNTY.

8.23 **Termination for Improper Consideration.** COUNTY may immediately terminate this Agreement if it is found that consideration, in any form, was offered or given by VALUEOPTIONS, either directly or through an intermediary, to any COUNTY officer, employee, or agent with the intent of securing this Agreement, or securing favorable treatment with respect to the Agreement, or the making of any determinations with respect to VALUEOPTIONS' performance pursuant to the Agreement.

8.24 **Hiring County Employees.** In the event VALUEOPTIONS requires additional or replacement personnel after the effective date of this Agreement, during the term of this Agreement, VALUEOPTIONS shall give first consideration for such employment openings to qualified permanent COUNTY employees who are targeted for layoff or are on a reemployment list.

8.25 **Recycled Paper.** In providing its services under this Agreement, VALUEOPTIONS agrees to use recycled paper to the maximum extent possible.

8.26 **Quality Assurance Plan.** COUNTY or its agent will evaluate VALUEOPTIONS' performance under this Agreement on not less than an annual basis. Such evaluation will include assessing VALUEOPTIONS' compliance with all contract terms and

performance standards. Deficiencies which COUNTY determines to be severe or continuing and that place performance of the Agreement in jeopardy if not corrected will be reported to the Board of Supervisors. The report will include improvement/corrective action measures taken by COUNTY and VALUEOPTIONS. If improvement does not occur consistent with the corrective action measures, COUNTY may terminate this Agreement.

8.27 **Conflict of Interest.** No COUNTY employee whose position in COUNTY enables such employee to influence the award or administration of this Agreement, and no spouse or economic dependent of such employee, shall be employed in any capacity by VALUEOPTIONS or have any direct or indirect financial interest in this Agreement. No officer or employee of VALUEOPTIONS who may financially benefit from the provision of services hereunder shall in any way participate in COUNTY's approval, or ongoing evaluation, of such services, or in any way attempt to unlawfully influence COUNTY's approval or ongoing evaluation of such services.

VALUEOPTIONS shall comply with all conflict of interest laws, ordinances and regulations now in effect or hereafter to be enacted during the term of this Agreement. VALUEOPTIONS warrants that it is not now aware of any facts which create a conflict of interest. If VALUEOPTIONS hereafter becomes aware of any facts which might reasonably be expected to create a conflict of interest, it shall immediately make full written disclosure of such facts to COUNTY. Full written disclosure shall include, without limitation, identification of all persons implicated and complete description of all relevant circumstances.

8.28 **Jury Service.** In compliance with the Jury Service Program of the Los Angeles County Code (Sections 2.203.010 through 2.203.090), VALUEOPTIONS shall have and adhere to a written policy that provides that its employees shall receive from VALUEOPTIONS, on an annual basis, no less than five days of regular pay for actual jury service. Full-time employees providing short-term, temporary services of ninety days or less within a twelve month period are not considered full-time for purposes of the Jury Service Program. VALUEOPTIONS' violation of this section of the Agreement may constitute a material breach of the Agreement. In the event of such material breach, COUNTY may, in its sole discretion, terminate the Agreement and/or bar VALUEOPTIONS from the award of future COUNTY agreements for a period of time consistent with the seriousness of the breach.

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

ValueOptions, Inc.
CONTRACTOR

By _____

Name _____

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development
And Administration Division

EXHIBIT A

California Counties/The ASO Scope of Services

ASO Program Benefit Administration:

- ValueOptions will administer (routine) outpatient specialty mental health services for full scope out-of-county youth, ages 0 through 18, in California.
- Customer service 800 phone number
- 24 hours a day/365 days a year service
- Dedicated Full-Time Account Manager
- Dedicated IT and Eligibility Analysts
- Peer Advisor/Psychologist for Psychological Testing Pre-authorization
- Customized ValueOptions Website (standard format across all counties)
- Semi-Annual and Annual Reporting (standard format across all counties)
- ASO Provider Network (credentialing/recredentialing)
- Quality Review and Management Program (standard across all counties)
- Bi-monthly provider claims payment (county funding within 10 business days of check run)
- Telephone abandonment rate of less than 3%
- Telephone average speed of answer of 20 seconds or less
- Routine appointments within 7 calendar days

Operational Functions:

- The ASO will be responsible for providing the following services functions to caregivers, and providers:

    - Claims payment information, and problem resolution
    - Routine outpatient mental health authorizations
    - Authorization Status
    - Ongoing procedural education

Contract:

- The ASO and the California Counties will adhere to the terms in the contract from July 1, 2004 through June 30, 2005.

Provider Network:

- The ASO will maintain a network of providers that meets the cultural, linguistic and specialty needs of the population.

- The ASO will assist California Counties in obtaining medical records from providers to the extent of the attached workflow (see attachment A-1 at end of Exhibit).

Claims:

- Claims will be processed and paid from the ASO to the providers. California Counties will provide the ASO with funds for bi-monthly check runs.

- The ASO will provide California Counties with standard invoices documenting the request for claims funding accompanied by a Paid Claims Report

- The ASO will submit invoices to California Counties on a bi-monthly basis.

Authorizations:

- Authorizations time span for professional therapy services will be 13 units over 3-month period.
- Authorizations time span for pharmacological management will be 7 units over 6-month period.

Internet Usage:

- ValueOptions recognizes the need for the careful handling of member information, particularly as it relates to behavioral health treatment. ValueOptions is deploying an Internet based solution for the transmission of data between ValueOptions and California Counties. It is ValueOptions full intent to implement adequate Internet security including encryption, authentication and a management scheme that incorporates password/key management systems.

Proposed Workflow for CA Counties Medical Records Request

Last Updated by Jill Craig, Monday, May 17, 2004

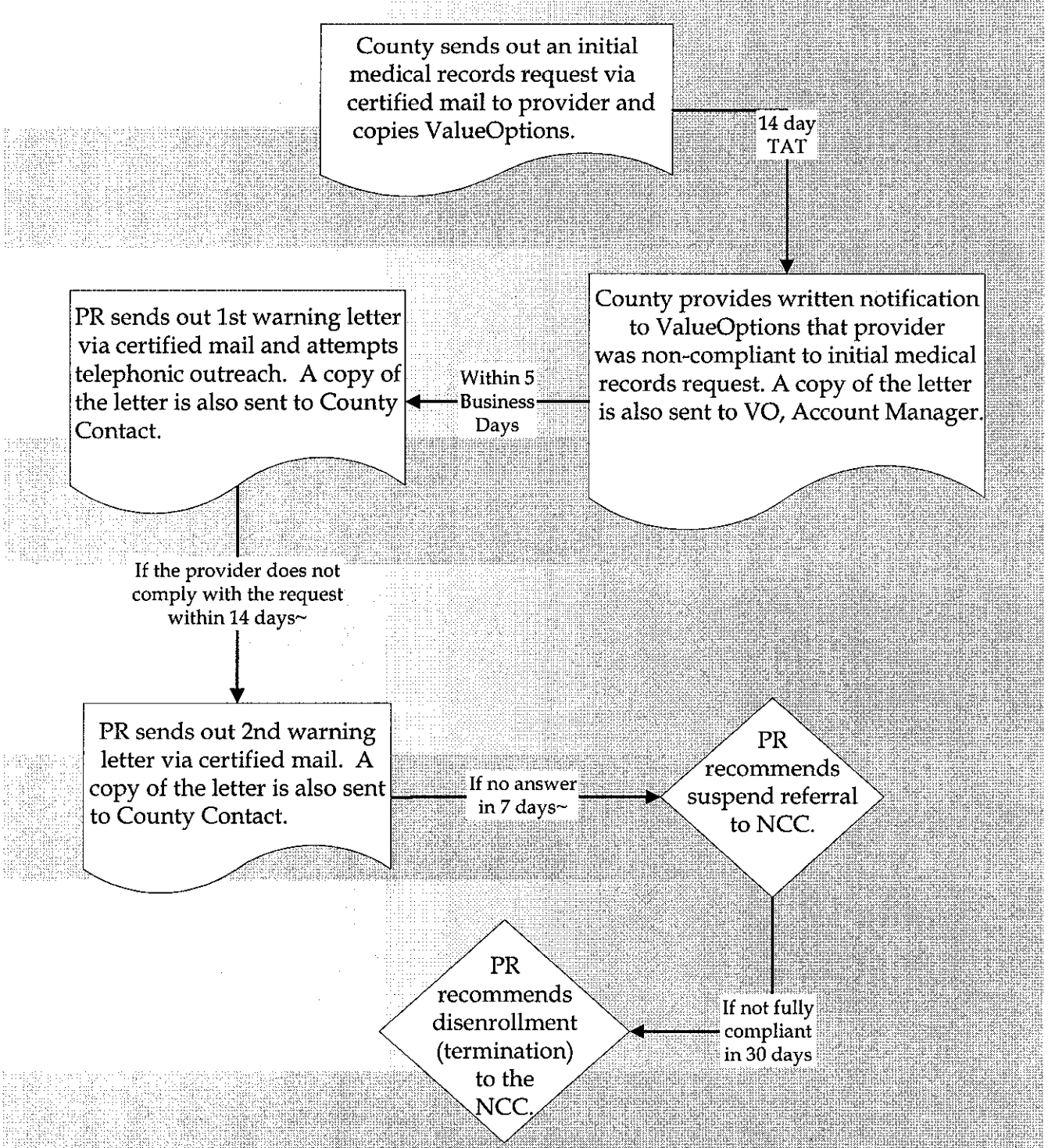


EXHIBIT B

See attached Psychological Testing Request Form

ValueOptions

Request For Medical Necessity Determination For Psychological Testing

Patient Name

Date of Birth

Employee's Name

Employer

Employee's Address

Employee SSN

Patient's Relationship to Employee

Name of Psychological Tester Network Non-Network

Discipline & State License and Number

Are you independently licensed? Yes No

Address

Telephone Number

City/State/Zip

Tax I.D. Number

Name of Therapist (if different from above)

Network Non-Network

Discipline & State License and Number

Are you independently licensed? Yes No

Address

Telephone Number

City/State/Zip

Tax I.D. Number

A. (I.) Who initiated referral? (If MD, what is MD's specialty?) _____

(Ii.) What are the referral questions? _____

B. Current possible DSM-IV Diagnosis under evaluation:

Diagnosis: Axis I: _____ Axis II: _____ Axis III: _____

Axis IV: _____ Axis V (*current*): _____ (*highest in 12 months*): _____

C. History of patient (*Summary of psychosocial/medical info. and past treatment; include any past psychological testing, date and results*):

_____

_____

_____

_____

D. Describe how proposed testing will impact future psychological treatment:

_____

_____

_____

_____

E. List test(s) planned and time required. *(Note: time required for each test should include administration, scoring and interpretation and brief write-up. ValueOptions does not reimburse for lengthy reports; see Provider Manual for "Sample Psychological Testing Evaluation Form")*

Specific Test Planned	**Hours required**

Total Time Required: _____

Note: See *ValueOptions* Provider Manual for complete testing guidelines/criteria. Following are two guidelines that have frequent relevance:

1. Testing that is primarily for educational purposes is not a covered benefit. (This disqualifier may be subject to account specific arrangements.)
2. Extended testing for ADHD is not authorized prior to a thorough evaluation with rating scales. (Providers should usually first seek approval for a 90801 and a 90806 for rating scale review and feedback before requesting further ADHD testing. Provide clear explanation in Section C above why initial evaluation was insufficient to answer the ADHD referral questions.)

_____ _____

Signature of Psychologist/Tester Date

EXHIBIT C

COMPLAINTS & GRIEVANCES PROCESS

ValueOptions offers a complaint and grievance resolution process, which includes a two-level grievance appeal process. The complaint process is initiated by using the following procedure:

1) You or your representative will communicate your complaint in writing or telephonically to a *ValueOptions* representative by calling *ValueOptions* at **800-236-0756**.

2) A *ValueOptions* representative will attempt to resolve your complaint at the time of your call. In the event that a complaint cannot be answered at the first point of contact, and needs to be forwarded to another individual for follow up, the status of your complaint remains open until a final determination is made. An acknowledgement letter will be sent to you or your representative acknowledging your written/telephonic complaint within five (5) business days of *ValueOptions* receiving it. *ValueOptions* makes every effort to provide an outcome of determination or resolution of your complaint in a timely matter and is in accordance with the claim filing limitations.

3) Once a determination regarding your written/telephonic complaint has been made, a resolution letter is sent to you or your representative. You will be advised of the right to appeal or grieve *ValueOptions'* determination and will be provided with the necessary information for completing your grievance of the determination.

The appeal process is initiated by using the following procedure:

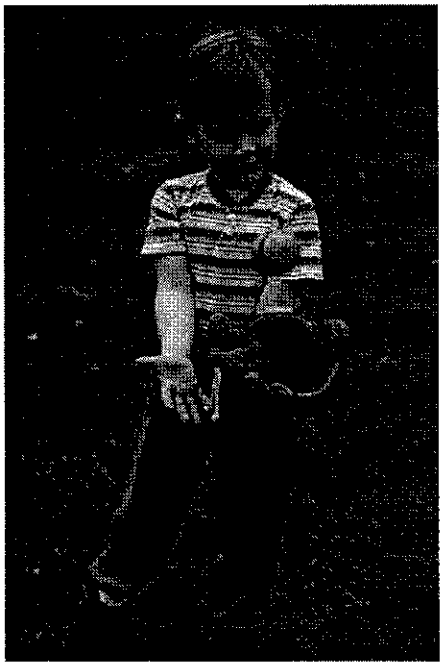
4) If you are not satisfied with the outcome of the determination or resolution of your complaint, you may request an Appeal of the determination within 60 days of the date of *ValueOptions'* determination. You may file this appeal of your grievance in writing and send to the **home county** of the beneficiary (child).

EXHIBIT D

See attached Trend Report Example

ASO Trend Information

7-1-03 through 12-31-03

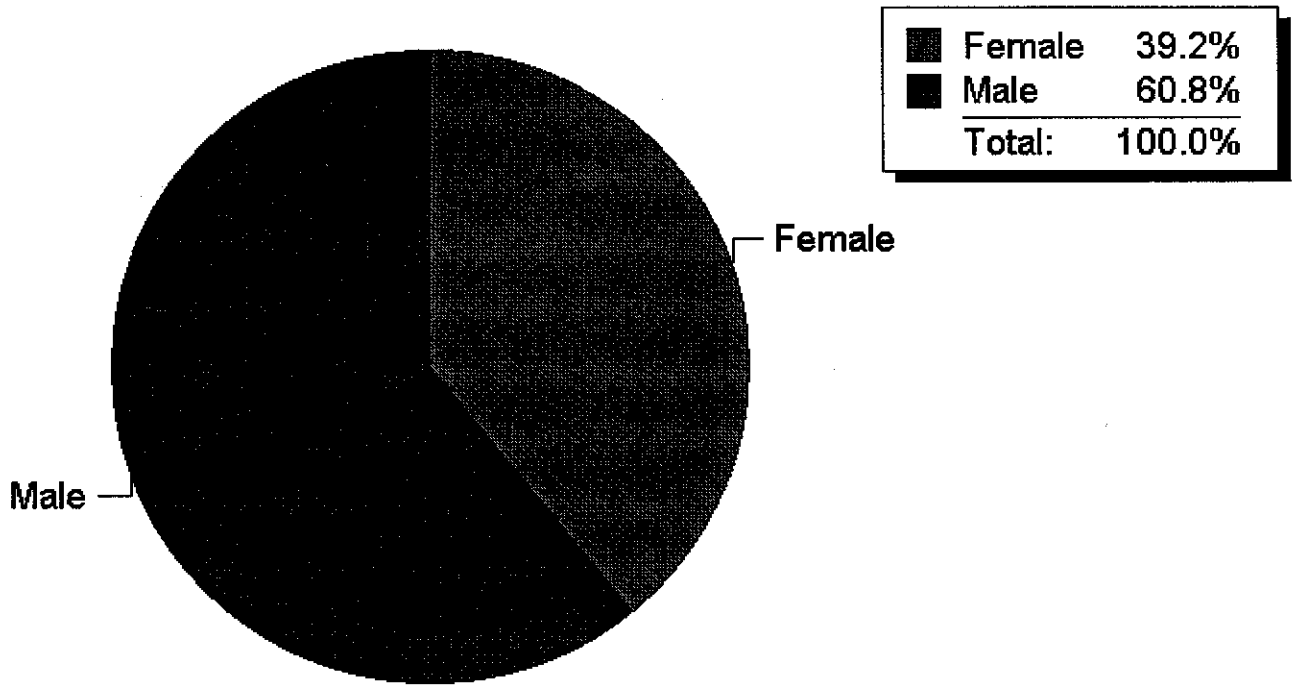


- Total # of Services
  - 24,066
- Number of Children Served
  - 3,235
- Average Number of Services per Child
  - 7.44
- # of Kids Receiving Meds
  - 844/26%

Report Title	**CMHDA ASO Child Characteristics: Gender Distribution**				
Client Name	**CMHDA**				
Report Period	**From**	07/01/03	**to**	12/31/03	

Report Description/Data Source

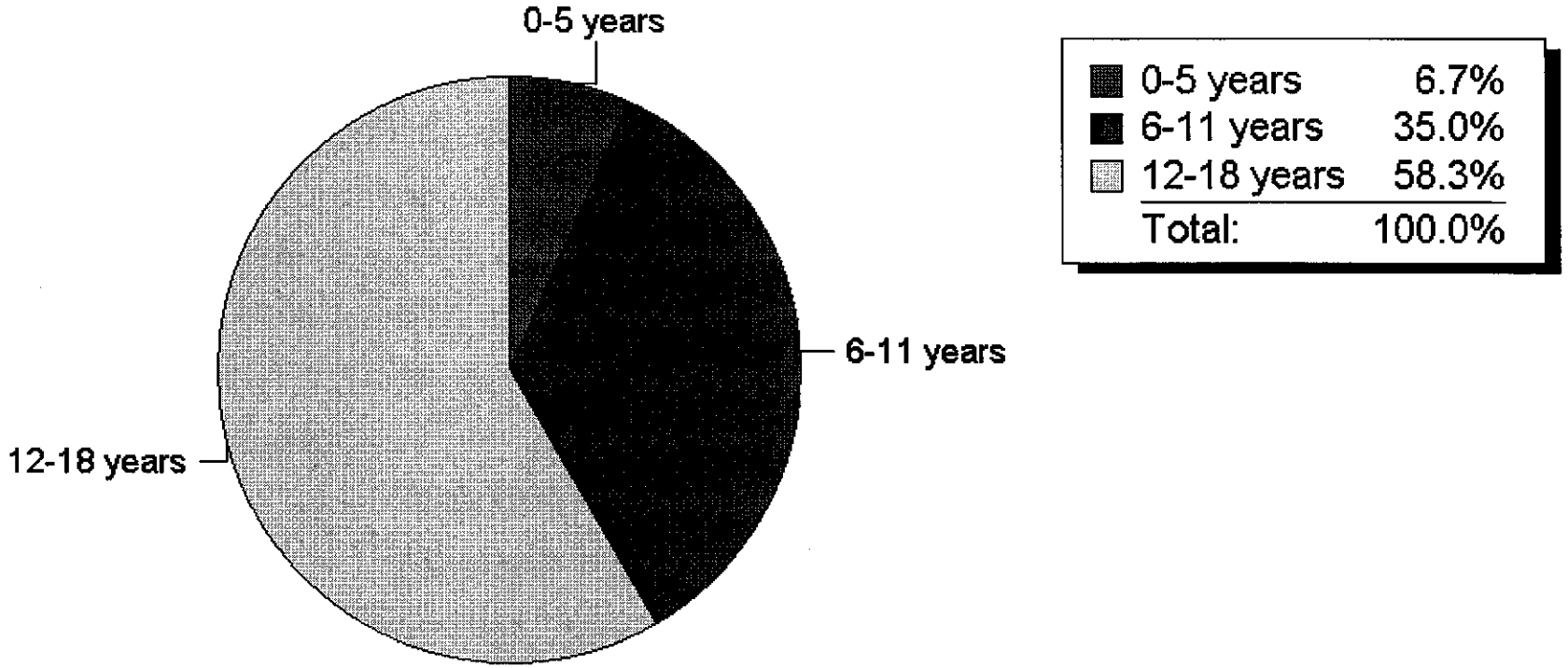
A Chart that summerizes utilization by Gender.
Tables: rpt_claim_lb



Report Title	**CMHDA ASO Child Characteristics: Age Distribution**			
Client Name	**CMHDA**			
Report Period	**From** 07/01/03	**to**	12/31/03	

Report Description/Data Source

A Chart that summerizes utilization by Age.
Tables: rpt_claim_lb



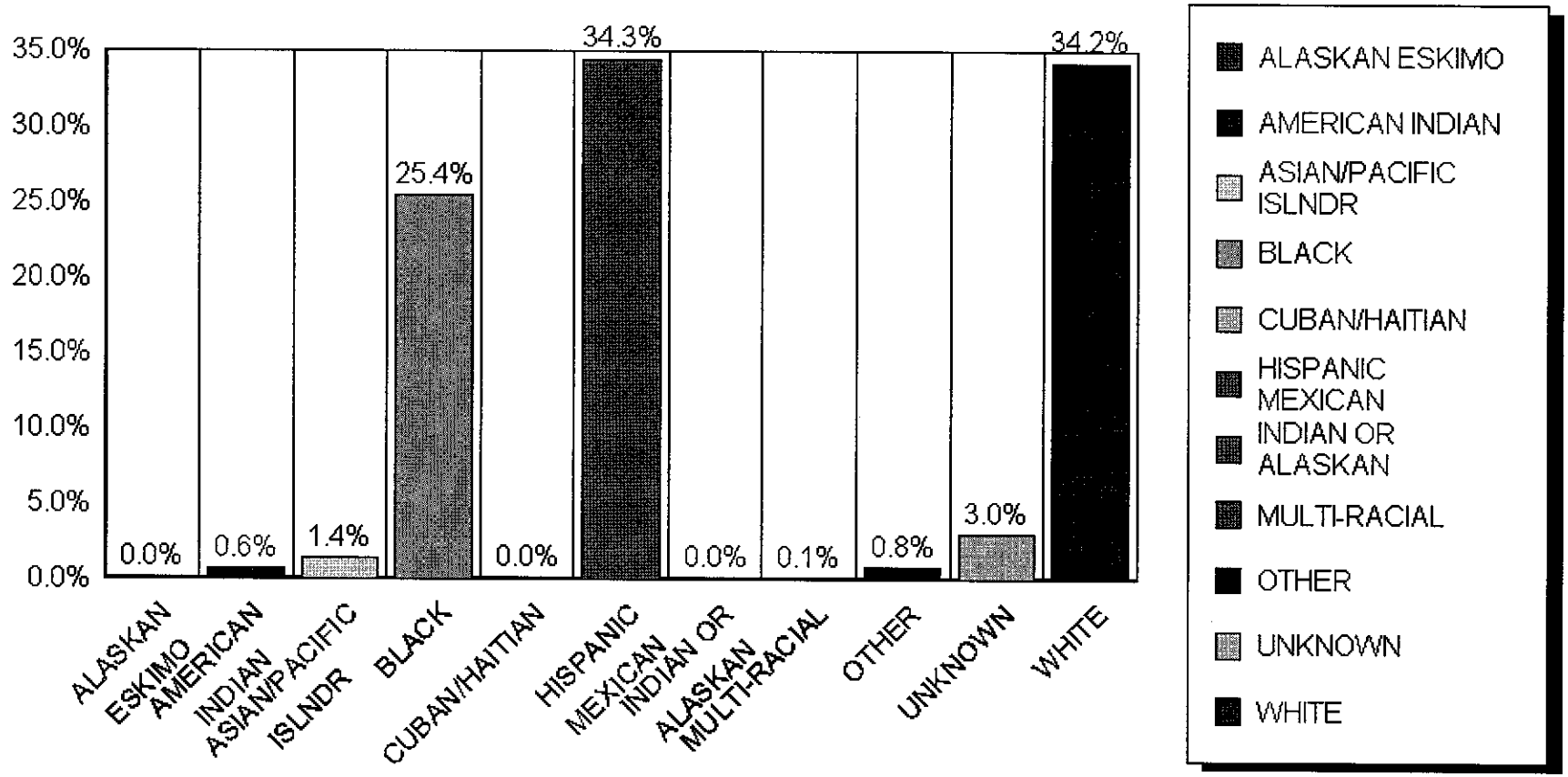
Report Title **ASO Ethnicity Mix (Based on claims data)**

Client Name CMHD

Report Period **From** 07/01/03 **to** 12/31/03

Report Description/Data Source

A Chart that summarizes utilization by Ethnicity.
Tables: rpt_claim_lb



Report Title **ASO Living Arrangements**

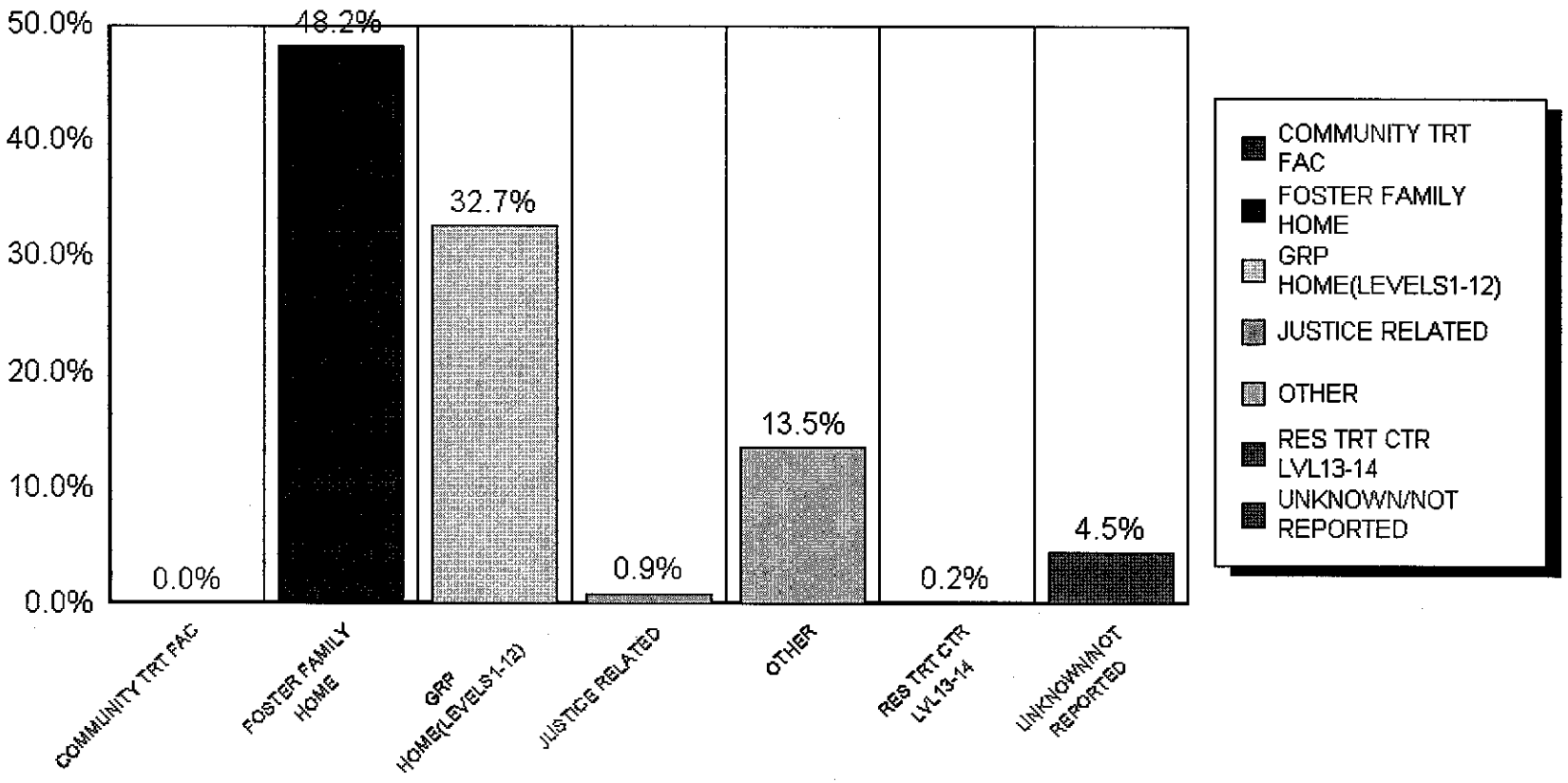
Client Name **CMHDA**

Report Period **From** 07/01/03 **to** 12/31/03

Report Description/Data Source

This report shows the living arrangement of members

Data source: CMHD_livarr



Report Title **ASO Diagnoses Trend Data**

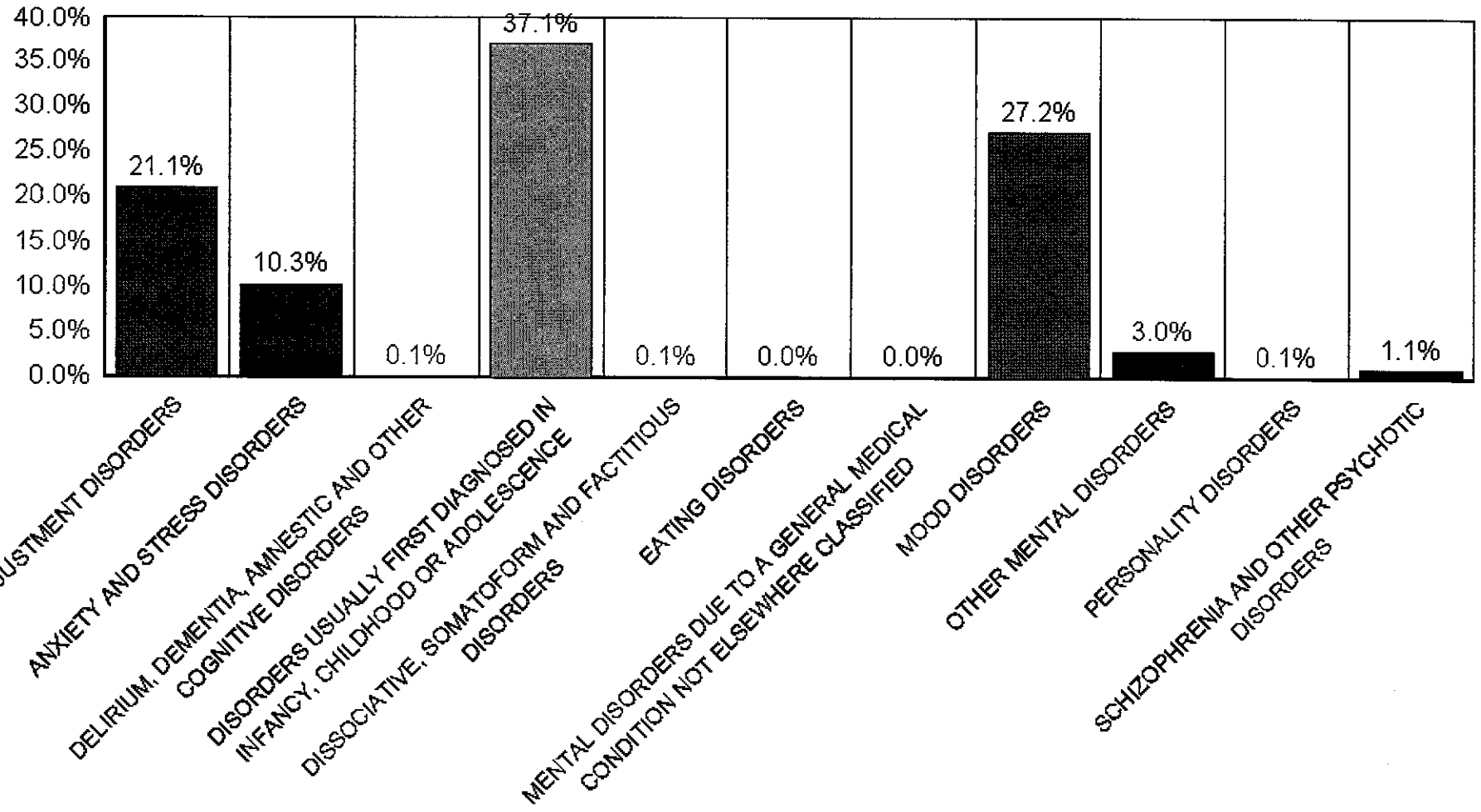
Client Name **CMHDA**

Report Period **From** 07/01/03 **to** 12/31/03

Report Description/Data Source

A graph that summarizes diagnoses trend.

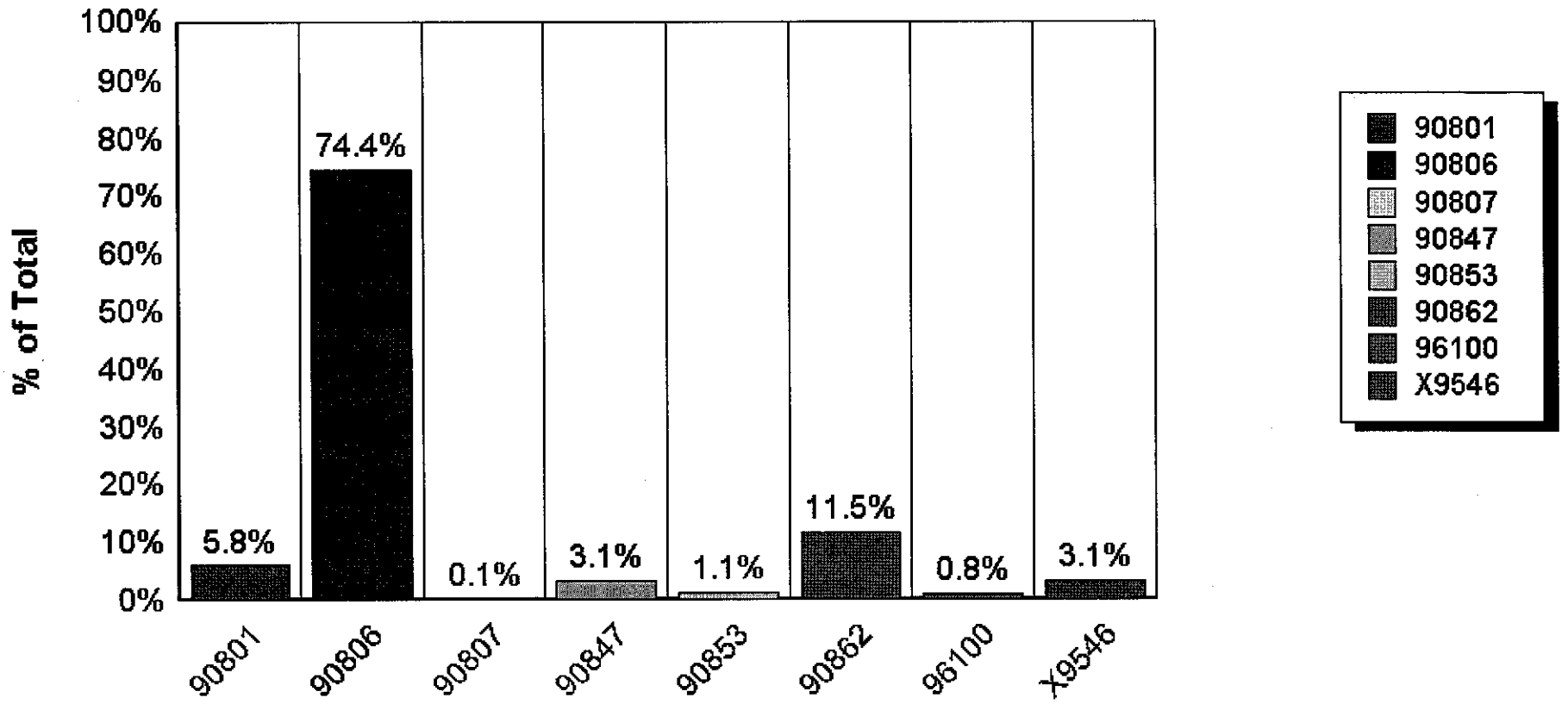
Tables: CMHD_diag_trend



Report Title	**CPT Code (based on services)**				
Client Name	**CMHDA**				
Report Period	**From**	07/01/03	**to**	12/31/03	

Report Description/Data Source

A Chart that summerizes utilization by CPT Code.
Tables: rpt_claim_lb



Report Title ASO Cost Data Per Transaction Per Child

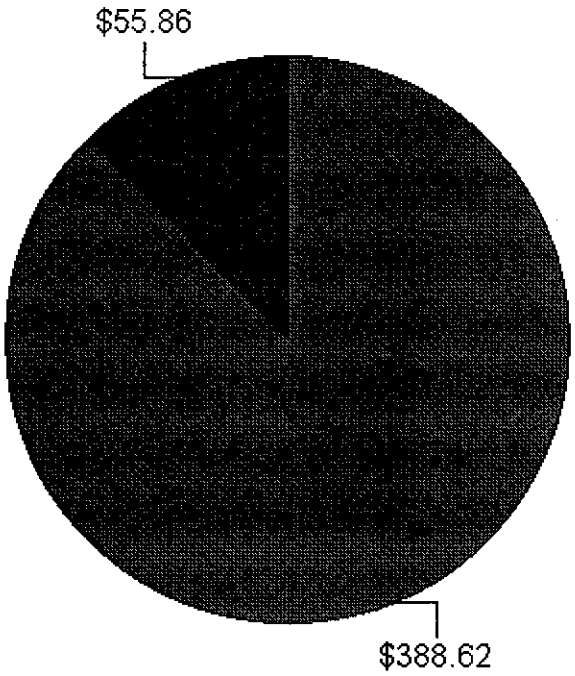
Client Name CMHDA

Report Period From 07/01/03 to 12/31/03

Report Description/Data Source

A table which compares Cost per Service and Cost per Member.

Source: CMHD_trans_cost



Pay Per Member	87.4%
Pay per Service	12.6%
Total:	100.0%

EXHIBIT E

Tier 1

ValueOptions Medi-Cal Reimbursement Schedule

Maximum Allowable for Professional Services; Effective: 12/1/01

CPT	Description	Licensed Psychiatrist	Licensed Professional Therapist
90801	Psychiatric diagnostic interview examination	$85.00	$45.00
90806 **90807**	Individual psychotherapy, in an office or outpatient facility, approx. 45-50 minutes	$35.00	$35.00
90847	Family psychotherapy (conjoint)	$35.00	$35.00
90853	Group psychotherapy	$12.00	$12.00
90862	Pharmacologic management	$45.00	n/a*
X9546	Case Conference	$35.00	$35.00
96100	Psychological testing, with interpretation and report, per hour	$35.00	$35.00

Tier 1 Counties

Sonoma County
Marin County
Tuolumne County
Butte County
Plumas County
Del Norte County
Kings County
Contra Costa County
Sutter-Yuba County
Imperial County
Lassen County
Siskiyou County
Napa County

Tier 2

ValueOptions Medi-Cal Reimbursement Schedule

Maximum Allowable for Professional Services; Effective: 12/1/01

CPT	Description	Licensed Psychiatrist	Licensed Professional Therapist
90801	Psychiatric diagnostic interview examination	$85.00	$55.00
90806 **90807**	Individual psychotherapy, in an office or outpatient facility, approx. 45-50 minutes	$45.00	$45.00
90847	Family psychotherapy (conjoint)	$45.00	$45.00
90853	Group psychotherapy	$15.00	$15.00
90862	Pharmacologic management	$45.00	n/a*
X9546	Case Conference	$45.00	$45.00
96100	Psychological testing, with interpretation and report, per hour	$45.00	$45.00

Tier 2 Counties

Santa Clara County
Amador County
Mariposa County
Stanislaus County
Yolo County
Merced County
San Joaquin County
Los Angeles County
Orange County
Glenn County
Mendocino County
Nevada County
Tehama County
Calaveras County
El Dorado County
Humboldt County
San Mateo County
Fresno County
Sacramento County
Madera County
Inyo County
Placer County
Kern County
Santa Barbara County
Alameda County
Lake County
Modoc County
Shasta County
Colusa County
Trinity County
Santa Cruz County
Sierra

Tier 3

ValueOptions Medi-Cal Reimbursement Schedule

Maximum Allowable for Professional Services; Effective: 12/1/01

CPT	Description	Licensed Psychiatrist	Licensed Professional Therapist
90801	Psychiatric diagnostic interview examination	$85.00	$65.00
90806 **90807**	Individual psychotherapy, in an office or outpatient facility, approx. 45-50 minutes	$55.00	$55.00
90847	Family psychotherapy (conjoint)	$55.00	$55.00
90853	Group psychotherapy	$20.00	$20.00
90862	Pharmacology management	$45.00	n/a*
X9546	Case Conference	$55.00	$55.00
96100	Psychological testing, with interpretation and report, per hour	$55.00	$55.00

Tier 3 Counties

Monterey County
Solano County
Mono County
Tulare County
San Bernardino County
Ventura County
San Benito County
San Francisco County
Alpine County
Riverside County
San Luis Obispo County

Tier 4

ValueOptions Medi-Cal Reimbursement Schedule

Maximum Allowable for Professional Services; Effective: 12/1/01

CPT	Description	Licensed Psychiatrist	Licensed Professional Therapist
90801	Psychiatric diagnostic interview examination	$85.00	$75.00
90806 **90807**	Individual psychotherapy, in an office or outpatient facility, approx. 45-50 minutes	$65.00	$65.00
90847	Family psychotherapy (conjoint)	$65.00	$65.00
90853	Group psychotherapy	$30.00	$30.00
90862	Pharmacologic management	$45.00	n/a*
X9546	Case Conference	$65.00	$65.00
96100	Psychological testing, with interpretation and report, per hour	$65.00	$65.00

Tier 4 Counties

San Diego County

EXHIBIT F

HIPAA BUSINESS ASSOCIATE AGREEMENT

This Health Insurance Portability & Accountability Act Business Associate Agreement ("HIPAA Agreement") by and between the California Counties Medi-Cal Out-of-County Care Program for the County of Los Angeles ("County") and Value Options, Inc. ("Business Associate"), is effective as of the compliance date of the Privacy Rule (defined below) (the "Agreement Effective Date").

RECITALS

A. The parties have entered into a services agreement ("Services Agreement") setting forth the duties and responsibilities of the parties relating to administration of various health plans. That Services Agreement contains certain commitments by the parties to safeguard the confidentiality of data. The parties wish to supplement those commitments to satisfy the requirements of current law.

B. The parties wish to disclose certain information to each other pursuant to the terms of this HIPAA Agreement and the Services Agreement, some of which may constitute Protected Health Information ("PHI") (defined below).

C. County and Business Associate intend to protect the privacy and provide for the security of PHI disclosed to the other pursuant to this HIPAA Agreement and the Services Agreement, and to comply with applicable transaction and code requirements in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 and regulations promulgated thereunder by the U.S. Department of Health and Human Services ("HHS") (collectively "HIPAA") and other applicable federal and state laws.

D. The parties acknowledge that certain federal or state laws may take precedence over HIPAA. The parties agree that this HIPAA Agreement, the operational requirements hereunder, and the Services Agreement shall be interpreted to enable the parties to comply with any or all of HIPAA, the Privacy Rule (defined below), federal or applicable state laws.

In consideration of the mutual promises below and the exchange of information pursuant to this HIPAA Agreement and the Services Agreement, the parties agree as follows:

1. Definitions.

a. "Covered Entity" means (1) a health plan; (2) a health care clearinghouse; (3) a health care provider who transmits any health information in electronic form in connection with a transaction covered by HIPAA.

b. "Designated Record Set" or "DRS" shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR Section 164.501.

c. "HHS Transaction Standards Regulation" shall mean 45 CFR Sections 160 and 162.

d. "Information" shall mean any "health information" as defined in 45 CFR Section 160.102.

e. "Individual" shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR Section 164.501 and shall include a person who qualifies as a personal representative in accordance with 45 CFR Section 164.502(g).

f. "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, Subparts A and E.

g. "Protected Health Information" or "PHI" shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR Section 164.501, and is the information created or received by Business Associate from or on behalf of County.

h. "Required by Law" shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR Section 164.501.

i. "Secretary" shall mean the Secretary of the U.S. Department of Health and Human Services or designee.

2. Permitted Uses and Disclosures of PHI. Except as otherwise limited in this HIPAA Agreement or by law, Business Associate may: (i) use or disclose Protected Health Information to perform functions, activities or services for, or on behalf of, County as specified in the Services Agreement between the parties and this HIPAA Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by a Covered Entity; (ii) use Protected Health Information to carry out the legal responsibilities of Business Associate; (iii) conduct any other use or disclosure permitted or required by HIPAA or applicable federal or state law; and (iv) use Protected Health Information for the proper management and administration of Business Associate.

3. Obligations of Business Associate.

a. Appropriate Safeguards. Business Associate shall use appropriate safeguards to prevent use or disclosure of Protected Health Information other than as provided for by this HIPAA Agreement or Required by Law.

b. Reporting of Improper Use or Disclosure. Business Associate shall report to

County any use or disclosure of Protected Health Information not provided for by this HIPAA Agreement promptly upon becoming aware of such use or disclosure. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate or its agents or subcontractors in violation of the requirements of HIPAA or this HIPAA Agreement.

c. Business Associate's Agents. Business Associate shall ensure that any agent, including a subcontractor, to whom it provides Protected Health Information agrees to the same restrictions and conditions that apply through this HIPAA Agreement to Business Associate with respect to such Protected Health Information.

d. Access to PHI. Business Associate shall provide access, at the request of the Individual, and in the time and manner Required by Law, to Protected Health Information in a Designated Record Set in order to meet the requirements under 45 CFR Section 164.524.

Any denial of access to Protected Health Information determined by Business Associate shall be the responsibility of Business Associate, including, but not limited to, resolution or reporting of all appeals and/or complaints arising therefrom.

e. Amendment of PHI. Business Associate shall make a determination on any authorized request by an Individual for amendment(s) to Protected Health Information in a Designated Record Set in the time and manner Required by Law and in accordance with the requirements under 45 CFR Section 164.526.

Any denial of amendment of Protected Health Information determined by Business Associate shall be the responsibility of Business Associate, including, but not limited to, resolution or reporting of all appeals and/or complaints arising therefrom.

Business Associate shall report all approved amendments or statements of disagreement/rebuttals in accordance with 45 CFR Section 164.526.

Within ten (10) business days of receipt of a request from County to amend an Individual's PHI in the DRS, Business Associate shall incorporate any such approved amendment, statements of disagreement and/or rebuttals into its DRS as required by 45 CFR Section 164.526.

f. Documentation of Disclosures. Business Associate agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for a Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR Section 164.528. At a minimum, such documentation shall include: (i) the date of disclosure; (ii) the name of the entity or person who received Protected Health Information and, if known, the address of the entity or person; (iii) a brief description of the Protected Health Information disclosed; and

(iv) a brief statement of the purpose of the disclosure that reasonably informs the Individual of the basis for the disclosure, or a copy of the Individual's authorization, or a copy of the written request for disclosure.

g. Accounting of Disclosures. Business Associate agrees to provide to an Individual, in the time and manner Required by Law, information collected in accordance with Section 3(f) of this HIPAA Agreement, to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR Section 164.528.

h. Governmental Access to Records. Business Associate shall make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of County, available to County or, at the request of County, to the Secretary for purposes of the Secretary determining County's compliance with the Privacy Rule.

i. HHS Transaction Standards Regulation. If Business Associate conducts in whole or part standard transactions for or on behalf of County, Business Associate will comply, and will require any subcontractor or agent involved with the conduct of such standard transactions to comply, with the HHS Standard Transaction Regulation. Business Associate will not enter into, or permit its subcontractors or agents to enter into, any agreement in connection with the conduct of standard transactions for or on behalf of County that:

(i) Changes the definition, data condition, or use of a data element or segment in a standard transaction;
(ii) Adds any data elements or segments to the maximum defined data set;
(iii) Uses any code or data element that is marked "not used" in the standard transaction's implementation specification or is not in the standard transaction's implementation specification; or
(iv) Changes the meaning or intent of the standard transaction's implementation specification.

j. Business Associate agrees to conduct electronically the HIPAA standard transactions, as well as any non-standard transactions, with or on behalf of County as set out in Exhibit X.

4. Obligations of County

a. Delegation to Business Associate. As set forth in Sections 3(d), 3(e) and 3(g) of this HIPAA Agreement, County hereby delegates to Business Associate the County's responsibility to provide access, amendment, and accounting rights to Individuals with respect to Protected Health Information in the DRS in Business Associate's possession. It is understood that Business Associate will interact with the Individual

directly, up to and including resolution of any appeals or reporting of complaints under HIPAA or applicable federal or state law.

b. Responsibility for Further Disclosures. County shall be responsible for ensuring that any further disclosure by County of Protected Health Information (including, but not limited to, disclosures to employers, plan sponsors, agents, vendors, and group health plans) complies with the requirements of HIPAA and applicable federal and state law.

c. Notice of Privacy Practices. County shall provide Business Associate with the notice of privacy practices that County produces in accordance with 45 CFR Section 164.520, as well as any changes to such notice. Business Associate shall not distribute its own notice to Individuals. Business Associate will provide input to County as to the accuracy and completeness of its Notice with regard to Specialty Mental Health provisions. Business Associate shall not be responsible for the content of the Notice nor any errors or omissions from the Notice.

d. Changes in Permission by Individual. County shall provide Business Associate with any changes in, or revocation of, permission by an Individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses and disclosures.

e. Restrictions on PHI. County shall notify Business Associate of any restriction upon the use or disclosure of Protected Health Information that County has agreed to in accordance with 45 CFR Section 164.522 if such changes affect Business Associate's permitted or required uses and disclosures.

f. Permissible Requests by County. County shall not request Business Associate to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by County, except for Business Associate's use of PHI for its proper management and administration in accordance with Section 2 of this HIPAA Agreement.

g. Disclosure to Third Parties. County may request that Business Associate disclose PHI directly to another party. County agrees that all such disclosures requested by County shall be for purposes of County's treatment, payment or health care operations.

5. Indemnification

County and Business Associate agree to indemnify and hold each other harmless from any and all liability, damages, costs (including reasonable attorneys' fees and costs) and expenses

imposed upon or asserted against the non-indemnifying party arising out of any claims, demands, awards, settlements or judgments relating to the indemnifying party's, or its director's, officer's, employee's, contractor's, business associate's, trading partner's, client employer's, client plan sponsor's, and/or client employer health plan's use or disclosure of PHI contrary to the provisions of this HIPAA Agreement or applicable law.

6. Term and Termination.

a. Term. The term of this HIPAA Agreement shall commence as of the Agreement Effective Date, and shall terminate when all of the Protected Health Information provided by either party to the other, or created or received by Business Associate on behalf of County, is destroyed or returned to County or, if it is infeasible to return or destroy Protected Health Information, protections are extended to such information, in accordance with Subsection c. of this Section.

b. Termination for Cause. Upon either party's knowledge of a pattern of activity or a practice that constitutes a material breach of this HIPAA Agreement, the non-breaching party shall provide a written notice of the breach and an opportunity to the other party to cure the breach or end the violation within the time specified in the notice, in accordance with the for-cause termination provisions of the Services Agreement. If termination is not feasible, the non-breaching party may report the problem to the Secretary.

c. Effect of Termination.

(i) Except as provided in paragraph (ii) of this Section 6(c), upon termination of this HIPAA Agreement and the Services Agreement for any reason, Business Associate shall return or destroy all Protected Health Information received from County, or created or received by Business Associate on behalf of County. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information.

(ii) The parties recognize that Business Associate may be required to retain PHI to fulfill certain contractual or regulatory requirements, making return or destruction infeasible. Business Associate shall extend the protections of this HIPAA Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information.

7. References. A reference in this HIPAA Agreement to HIPAA means the law or regulation as in effect on the Agreement Effective Date or as subsequently amended, and for which compliance is required.

8. Amendment. The parties agree to take such action as is necessary to amend this HIPAA Agreement from time to time as is required for County to comply with the requirements of HIPAA.

9. Survival. The respective rights and obligations of Business Associate under Sections 5 and 6(c) of this HIPAA Agreement shall survive the termination of this HIPAA Agreement and the underlying Services Agreement.

10. No Third Party Beneficiaries. Nothing express or implied in this HIPAA Agreement is intended to confer, nor shall anything herein confer upon any person, other than County, Business Associate and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

11. Effect on Agreement. Except as specifically required to implement the purposes of this HIPAA Agreement, or to the extent inconsistent with this HIPAA Agreement, all other terms of the underlying Services Agreement shall remain in force and effect.

12. Interpretation. The provisions of this HIPAA Agreement shall prevail over any provisions in the underlying Services Agreement, or any operational activities under the Services Agreement, which conflicts or is inconsistent with any provision in this HIPAA Agreement. Any ambiguity in this HIPAA Agreement, the Services Agreement or in operations shall be resolved in favor of a meaning that permits County or Business Associate to comply with the Privacy Rule or the applicable federal or state rule.

IN WITNESS WHEREOF, the parties hereto have duly executed this HIPAA Agreement as of the Agreement Effective Date.

COUNTY OF LOS ANGELES	**VALUEOPTIONS, INC.**
By: _____	By: _____
Print Name: Marvin J. Southard, D.S.W.	Print Name: _____
Title: Director of Mental Health	Title: _____
Date: _____	Date: _____

EXHIBIT G

COUNTY CONTRACT MAXIMUM

$1,500,000