Health Services
LOS ANGELES COUNTY

August 4, 2009

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

30 AUGUST 4, 2009

SACHI A. HAMAI
EXECUTIVE OFFICER

Los Angeles County Board of Supervisors

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

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 TWO REVENUE RECOVERY SERVICES AGREEMENT AMENDMENTS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)

John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: 213-240-8101
Fax:213-481-0503

www.dhs.lacounty.gov

To improve health through leadership, service and education

SUBJECT

Request approval to extend the term of two revenue recovery services agreements for Department of Health Services (DHS) facilities.

IT IS RECOMMENDED THAT YOUR BOARD:

Authorize the Interim Director of Health Services, or his designee, to execute Amendment No. 2 to Agreement No. H-700690 with CompSpec, Inc. (CompSpec) and Amendment No. 3 to Agreement No. H-700691 with Health Advocates, LLC, (Health Advocates) to extend the term of the Agreements effective September 1, 2009 through November 30, 2009 for the continued provision of Medi-Cal Resource Development and Recovery Services (MRDRS).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommendation will allow the continued provision of MRDRS to DHS upon the execution of the amendments, substantially similar to Exhibits I and II. CompSpec and Health Advocates act as a safety-net to DHS' financial screening and Medi-Cal application processing in order to help ensure that potential third-party revenues (primarily Medi-Cal) are maximized. The current Agreements expire on August 31, 2009. The extension is needed to obtain Board approval of new Agreement(s) recommended as a result of a Request for Proposals (RFP).

www.dhs.lacounty.gov

DHS released an RFP to identify the most qualified proposers for MRDRS on May 27, 2009. Two proposals were received as of the due date of June 30, 2009. Currently, DHS is completing the evaluation process in anticipation of recommending one or more firms for MRDRS contract(s) to your Board, prior to November 30, 2009.

Implementation of Strategic Plan Goals

The recommended action supports Goal 4, Health and Mental Health, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The two contractors generated approximately $12.1 million in gross revenue during Fiscal Year (FY) 2007-08, of which approximately $2.18 million were paid to the contractors in contingency fees. The current contingency fee rates for each contractor will remain the same. Current contingency fee rates for both contractors are $188 per paid day for Medi-Cal Contract Inpatient Day Collection and 19% for all other Third-Party collections including Outpatient Medi-Cal, Medicare, Worker's Compensation and Third Party Liability accounts.

Contractor	Revenue Generated	Contingency Fees Paid	Percentage of Revenue Collected
CompSpec	$7,100,000	$1,300,000	18%
Health Advocates	5,000,000	880,000	18%
Total	$12,100,000	$2,180,000	18%

The estimated cost over the term of these amendments is approximately $545,000 based on the pro-ration of the information above.

Funding is included in the DHS FY 2009-10 Adopted Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On August 17, 2004, your Board approved Agreements with CompSpec and Health Advocates to provide MRDRS to DHS facilities as a result of an RFP process. The agreements were effective from August 17, 2004 through August 31, 2009. MRDRS provide a back-up function to the DHS' financial screening and Medi-Cal application processes to help ensure that potential third-party revenues (primarily Medi-Cal) are maximized. Accounts are referred to the MRDRS contractors only after the efforts of DHS staff have been exhausted.

On July 18, 2006, your Board approved Amendment No. 1 to the Agreements to pursue third party liability payments for which the County has subrogation or reimbursement rights, and include provisions to the Agreements for submitting compromise offers. Amendment No. 2 to the Agreement with Health Advocates was to assign and delegate the rights and responsibilities of the agreement from Health Advocates, LLP to Health Advocates, LLC.

DHS has determined that the provisions for the Living Wage Program (County Code Chapter 2.201) do not apply to these Agreements, since the services are provided on an as needed basis. Account referrals made to each Contractor fluctuate, and there is no referral guarantees made by the County.

County Counsel has approved Exhibits I and II as to use and form.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendation will ensure that MRDRS will continue to maximize DHS' revenue recovery.

Respectfully submitted,

R Sprawn for

John F. Schunhoff, Ph.D.
Interim Director

JFS: skd

Attachments (2)

c: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors

Medical Recovery BL

EXHIBIT I

Contract No. H-700690

MEDI-CAL RESOURCE DEVELOPMENT AND RECOVERY SERVICES AGREEMENT

AMENDMENT NO. 2

THIS AMENDMENT is made and entered into this _____ day of _____, 2009,

by and between COUNTY OF LOS ANGELES (hereafter "County"),

and COMPSPEC, INC. (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "MEDI-CAL RESOURCE DEVELOPMENT AND RECOVERY SERVICES AGREEMENT", dated August 17, 2004, and further identified as County Agreement No. H-700690, and any amendments thereto (all hereafter "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend Agreement to extend its term, and make other hereafter described changes; and

WHEREAS, said Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by the parties.

NOW, THEREFORE, the parties hereto agree as follows:

1. This Amendment shall be effective September 1, 2009.

2. Paragraph 1, TERM, shall be replaced in its entirety to read as follows:

"1. TERM: The term of this Agreement shall be effective August 17, 2004 and shall continue, unless sooner terminated or canceled, in full force and effect to and including midnight November 30, 2009. This Agreement, and the particular services specified within the Agreement, may be canceled or terminated at any time by County with or without cause upon the giving of thirty (30) calendar days prior written notice to Contractor.

Notwithstanding any other provision of this Paragraph, the failure of Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time."

3. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services, 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 _____
John F. Schunhoff, Ph.D.
Interim Director

COMPSPEC, INC.
Contractor

By _____
Signature

_____
Print Name

Title_____

APPROVED AS TO FORM
Acting County Counsel, Robert Kalunian
County Counsel

EXHIBIT II

Contract No. H-700691

MEDI-CAL RESOURCE DEVELOPMENT AND RECOVERY SERVICES AGREEMENT

AMENDMENT NO. 3

THIS AMENDMENT is made and entered into this _____ day of _____, 2009,

by and between COUNTY OF LOS ANGELES (hereafter "County"),

and HEALTH ADVOCATES, LLC (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "MEDI-CAL RESOURCE DEVELOPMENT AND RECOVERY SERVICES AGREEMENT", dated August 17, 2004, and further identified as County Agreement No. H-700691, and any amendments thereto (all hereafter "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend Agreement to extend its term, and make other hereafter described changes; and

WHEREAS, said Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by the parties.

NOW, THEREFORE, the parties hereto agree as follows:

1. This Amendment shall be effective September 1, 2009.

2. Paragraph 1, TERM, shall be replaced in its entirety to read as follows:

"1. TERM: The term of this Agreement shall be effective August 17, 2004 and shall continue, unless sooner terminated or canceled, in full force and effect to and including midnight November 30, 2009. This Agreement, and the particular services specified within the Agreement, may be canceled or terminated at any time by County with or without cause upon the giving of thirty (30) calendar days prior written notice to Contractor.

Notwithstanding any other provision of this Paragraph, the failure of Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time."

3. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services, 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 _____
John F. Schunhoff, Ph.D.
Interim Director

HEALTH ADVOCATES, LLC
Contractor

By _____
Signature

AL LEIBOVIC
Print Name

Title PRESIDENT

APPROVED AS TO FORM
Acting County Counsel, Robert Kalunian
County Counsel