Health Services
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January 19, 2010

TO: Each Supervisor

FROM: John F. Schunhoff, Ph.D.
Interim Director

SUBJECT: **COMMUNITY CLINIC EXPANSION PROJECT (CCEP) AGREEMENTS WITH TARZANA TREATMENT CENTERS (Agenda Item #63, January 19, 2010)**

On January 12, 2010, your Board approved recommendations authorizing the Interim Director of Health Services to execute agreements with new and existing Public-Private-Partnership (PPP) provider agencies, effective upon execution, to expand clinic capacity for the PPP Program to new and existing sites at a cost not to exceed $46 million, consisting of $43.3 million for the period of January 1, 2010 through December 31, 2012, and $2.7 million for Service Provision Area (SPA) 2 agencies for the period January 1, 2010 through December 31, 2010.

Your Board authorized the Department of Health Services (DHS) to proceed with all recommended agreements except proposed agreements with Tarzana Treatment Centers (TTC). DHS was instructed to report back to your Board on January 19, 2010 with recommendations on these agreements after review of Auditor-Controller (A-C) findings related to TTC contracts with the Department of Public Health (DPH), and discussion of those findings and any relevant contract issues with all relevant County departments.

STATUS OF TTC REVIEW

The A-C has completed a draft report of findings related to TTC contracts with various departments. The entire issue concerns the allocation formula and calculations for certain indirect costs related to leased facilities.

On January 14, 2010, the A-C discussed its draft report with TTC management. Tarzana management stated that it has begun adjusting its County cost reports to address the excess rent charges identified in the A-C's draft report. Tarzana management provided information to support its adjustments and expressed a willingness to work with the A-C to fully resolve this matter expeditiously. A-C staff is currently reviewing Tarzana's additional information to determine the amount of excess rents reimbursed to the County and the dollar amount of any outstanding excess rent reimbursements.

Over the past 15 days, County Counsel has worked with the A-C to review the draft report to assess the County's ability to recover possible overpayment funds. However, in the wake of the A-C's meeting with Tarzana that review is ongoing. County Counsel and the A-C will continue to collaborate to refine details and to enable both departments to present a full analysis to your Board. The A-C and County Counsel will report back to your Board under separate cover with this analysis of the County's legal rights within the next sixty days.

INDICATIONS FOR CCEP CONTRACTS

DHS has conferred with the A-C, DPH, County Counsel and the Chief Executive Office on this matter, and clarified that the proposed CCEP agreements with TTC for primary care services are paid based on a flat per-visit fee which is the same for all PPP providers, as established by DHS, and therefore, is not directly related to TTC costs. In addition, the PPP capital project agreement with TTC does not include reimbursement of indirect cost allocations, and therefore, would not include the costs which are being discussed by the A-C and TTC for recovery by the County. Execution of the CCEP agreements with TTC does not prevent the County from recovering costs determined as overpayment on other contracts.

RECOMMENDATION

DHS recommends that your Board approve and authorize the Interim Director of DHS to execute the contracts with TTC as originally recommended in the January 12, 2010 Board Letter on this subject.

Please contact me if you have any further questions on this matter.

JFS:ws

c: Chief Executive Office
Acting County Counsel
Executive Office, Board of Supervisors
Auditor-Controller
Director of Public Health