# County of Los Angeles
# Health and Mental Health Services

FESIA A. DAVENPORT
Chief Executive Officer

**DATE:** Wednesday, June 9, 2021
**TIME:** 10:00 a.m.

**DUE TO CLOSURE OF ALL COUNTY BUILDINGS,**
**MEETING WILL BE HELD BY PHONE.**
**TO PARTICIPATE IN THE MEETING, PLEASE CALL AS FOLLOWS:**
**DIAL-IN NUMBER: 1 (323) 776-6996**
**CONFERENCE ID: 479494149#**
**MS Teams link (Ctrl+Click to Follow Link)**
**THIS TELECONFERENCE WILL BE MUTED FOR ALL CALLERS. PLEASE DIAL *6 TO UNMUTE YOUR PHONE WHEN IT IS YOUR TIME TO SPEAK.**

## AGENDA

Members of the Public may address the Health and Mental Health Services Meeting on any agenda item. Two (2) minutes are allowed for each item.

I. Call to order

II. **Presentation Item(s):**

a. **DHS:** DHS Fiscal Outlook

b. **DMH:** Request Delegated Authority to Amend an Existing Legal Entity Contract with The People Concern to Increase the Maximum Contract Amount due to the Post Annual Cost Report Adjustment for Fiscal Year 2019-20

III. Items Continued from a Previous Meeting of the Board of Supervisors or from the Previous Agenda Review Meeting

IV. Items not on the posted agenda for matters requiring immediate action because of an emergency situation, or where the need to take immediate action came to the attention of the Department subsequent to the posting of the agenda

V. Public Comment

VI. Adjournment

DRAFT

Health Services
LOS ANGELES COUNTY

June 22, 2021



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

Tel: (213) 288-8050
Fax: (213) 481-0503

www.dhs.lacounty.gov

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TO: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: Christina R. Ghaly, M.D.
Director

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' (DHS) FISCAL OUTLOOK**

This is to provide an update to DHS' fiscal forecast for Fiscal Years (FY) 2020-21 through 2023-24 (Attachment I). The Department is forecasting a small surplus of $2.7 million in FY 2020-21. For each of the following fiscal years through FY 2023-24, we are projecting shortfalls. Due to the ongoing structural deficit, use of the Department's fund balance will be necessary to cover the anticipated shortfalls. We expect that by FY 2023-24, the estimated fund balance will be $56.4 million.

The forecast does not include the fiscal impacts that may result from a renewed five-year 1115 Waiver and/or the implementation of the "California Advancing and Innovating Medi-Cal" (CalAIM) program, discussed below.

## Significant Updates Since Last Fiscal Outlook

### *1115 Waiver One-Year Extension*

The Centers for Medicare and Medicaid Services (CMS) approved a one-year extension through December 31, 2021, including Whole Person Care (WPC) and the Global Payment Program (GPP). Under the prior Waiver, GPP was a combination of Disproportionate Share Hospital (DSH) and Safety Net Care Pool (SNCP) funds; however, the SNCP portion of GPP was discontinued effective June 30, 2020. The Department of Health Care Services (DHCS) has submitted proposed amendments to the Waiver's Special Terms and Conditions to reinstate SNCP effective July 1, 2020, and to continue SNCP funding throughout the one-year Waiver extension. A response from CMS is pending.

*CalAIM*

DHCS has been developing a multi-year plan called "CalAIM" under a 1915(b) waiver that would implement broad delivery system and program changes in the Medi-Cal program. In general, CalAIM services are patterned on a WPC approach that addresses the clinical and non-clinical circumstances of high-need patients whose health outcomes are, in part, driven by unmet social need, such as homelessness, food insecurity, etc. CalAIM incorporates some WPC services into Medi-Cal managed care with the aim of addressing some of the social determinants of health as well as reducing health disparities and inequities.

The CalAIM plan would provide "enhanced care management" (ECM), which is an interdisciplinary and comprehensive coordination of services, and "in lieu of services" (ILOS), which are alternative non-medical types of assistance, e.g., recuperative care, short-term post-hospitalization housing, sobering centers, and others. It is expected that CalAIM will become effective January 1, 2022, concurrent with the requested effective date of a renewed five-year 1115 Waiver. The Alliance for Health Integration is convening regular cross-departmental meetings between the Departments of Mental Health (DMH), Public Health, and DHS, including others where needed, to facilitate collaboration throughout the CalAIM planning process.

*1115 Waiver Five-Year Renewal*

DHCS is currently developing a five-year renewal of the 1115 Waiver which would be effective through December 31, 2026. The proposal includes full funding for SNCP and a redesigned GPP with two funding pools: 1) DSH/SNCP, and 2) an "equity" pool to fund expanded WPC-type services for the uninsured. The services for the uninsured would mirror those provided to Medi-Cal beneficiaries under CalAIM, e.g., ILOS. The five-year Waiver proposal must be submitted to CMS by June 30, 2021.

DHCS is also pursuing federal funding to support delivery system reform through an initiative called "Providing Access and Transforming Health (PATH). The PATH program will include payments to WPC providers for capacity building, infrastructure, and information technology system supports to help transform WPC services to community-based ECM and ILOS. DHCS is planning to ask for $450.0 million in Year One, $300.0 million in Year Two, $250.0 million in Year Three, and $125.0 million for Years Four and Five, respectively.

In addition, the Waiver proposal includes Medi-Cal coverage for services, e.g., for medication, telehealth visits, and mental health services, that are provided to County jail inmates 30 days prior to their release, effective January 2023. DHCS is estimating the annual pre-release funding would amount to approximately $200.0 million statewide. Approval of the pre-release proposal would provide additional reimbursement to DHS

and enhance the county's ability to expand the scope of services needed by individuals in the Los Angeles County jail with acute medical, mental, and social challenges.

### *Disproportionate Share Hospital (DSH)*

Under the ACA, reductions in DSH allotments were slated to begin in 2014. Since then, Congress has approved multiple delays and no reductions in DSH funding have occurred. Passed by Congress in December last year, the Consolidated Appropriations Act, 2021, eliminates Medicaid DSH reductions in federal fiscal year (FFY) 2021, and delays the remaining four years of cuts from taking effect until FFY 2024. At the appropriate time, as the expiration of the current delay period approaches, the Department will work with other California counties and our legislative advocates to ensure future DSH cuts are forestalled.

### *Medicaid Fiscal Accountability Regulation (MFAR)*

We previously reported that CMS' Proposed Rule, MFAR, was expected to negatively affect Medicaid fee-for-service payments, supplemental payments, DSH payments, and health care-related taxes and provider-related donations. In a notice published in the January 19, 2021 Federal Registry, CMS officially withdrew the proposed regulation effective January 21, 2021.

## **Pending Issues**

### *Medi-Cal Managed Care*

Medi-Cal rules require that eligibility for beneficiaries must be redetermined on an annual basis. Many beneficiaries fall off the Medi-Cal rolls each year because they fail to comply with the redetermination requirements. In response to the COVID-19 pandemic, Governor Newsom issued an executive order on March 17, 2020 suspending the Medi-Cal redetermination requirement during the "State of Emergency" he declared on March 4, 2020. This action resulted in many more Medi-Cal beneficiaries retaining their eligible status.

Since the redetermination moratorium was put into place, there has been a consistent and significant increase in Medi-Cal managed care patients assigned to DHS. To illustrate, in March 2020, DHS' assigned members were 259,188; as of April 2021, the numbers have risen to 317,437, an increase of 58,249 members. This increase has had a major impact on Medi-Cal managed care capitation revenues during this period. While the State of Emergency order continues, it is expected that these numbers will continue to steadily increase. Once the order is lifted, the redetermination requirement will be reinstated. This is expected to result in a steady decline in members along with the associated capitation revenues. DHS will continue to process new Medi-Cal applications for eligible DHS patients and assist them with responding to a redetermination notice

and/or reapplying for Medi-Cal if their coverage has been discontinued. We will update the Board as new developments in this regard occur.

We are currently in discussions with the health plans regarding rates for Calendar Year 2021. Also, in preparation for the start of CalAIM in January 2022, DHS has begun working with the health plans on outlining the specifics of the CalAIM program in Los Angeles County. Multiple issues must be agreed upon, e.g., which specific ILOS and ECM services will be included, which services will be fee-for-service or part of the capitation rate, which services will be provided by the health plans and which will be provided by the County, etc. We have also begun discussing the potential structure of incentive payments that will be part of the CalAIM program for health plans, and how they will use the incentives to invest with their providers to maintain and expand the necessary delivery and systems infrastructure, build appropriate ECM and ILOS capacity and achieve improvements in quality performance to ensure the successful achievement of CalAIM goals.

*Affordable Care Act (ACA) Case Before Supreme Court*

The U.S. Supreme Court is expected to render a decision on whether the ACA, or parts of it, are unconstitutional before its term ends in June 2021. The pending decision could materially impact DHS, depending on the specifics of the ruling. If, for example, the ruling strikes down the Medicaid Covered Expansion part of the ACA, the impact would be immediate and materially negative. At this time DHS' forecast does not include any potential adverse effect.

*Other*

As previously reported, DHS received approximately $315.0 million from the U.S. Department of Health and Human Services' (HHS) Provider Relief Fund to cover increased expenditures and lost revenues related to COVID-19. Pending further guidance from CMS on the required methodology for determining increased expenditures and lost revenues, this revenue has been placed in a trust fund. We have submitted questions to HHS requesting clarification on these issues and are expecting answers in the next release of HHS' "Frequently Asked Questions". We will keep the Board updated on any changes.

**California FY 2021-22 Budget — May Revise**

PATH — This program is part of DHCS' proposed 1115 Waiver renewal described above. The May Revise proposes to use $200.0 million statewide of Year One's $450.0 million funding amount, on a one-time basis, to build capacity for pre-release care for justice-involved populations to enable coordination with justice agencies and Medi-Cal coverage of services 30 days prior to release.

Incompetent to Stand Trial (IST) Facility Infrastructure — One-time $250.0 million to provide competitive grants for increased infrastructure targeted to justice-involved individuals with a serious mental illness who are deemed IST. This provision is intended to provide community-based alternatives to incarceration or unnecessary state hospitalization. This funding covers capital costs only; housing and service-related operating costs are not included and would need to be funded separately.

Expanded Medi-Cal coverage — An ongoing $1.0 billion statewide to provide coverage to all income-eligible persons aged 60 and older, regardless of immigration status, starting no sooner than May 1, 2022.

Coronavirus Fiscal Recovery Fund for FY 2021-22 — $300.0 million statewide in one-time funding to help public health care systems cover costs associated with critical care delivery needs provided during and beyond the pandemic.

Five-Year Medi-Cal Eligibility Extension for Postpartum Women — The American Rescue Plan Act of 2021 allows states to receive federal funding if they extend Medi-Cal eligibility from 60 days to 12 months for most postpartum women, effective April 1, 2022 for up to five years. The May Revise includes statewide funding of $90.5 million in FY 2021-22 and $362.2 million annually between FYs 2022-23 and 2027-28 to implement the eligibility extension.

DHS will evaluate all of these budget proposals to determine what would be needed to implement them and determine the resulting net benefit to DHS if they are implemented.

**Harbor-UCLA Medical Center Replacement Program (H-UCLA MC Replacement Program)**

The H-UCLA MC Replacement Program includes an acute care inpatient tower, an outpatient treatment building, a support building, and other facilities, with a total cost of $1.7 billion, including construction and soft costs. The new outpatient building is scheduled to become operational in FY 2025-26 and the inpatient tower will begin operations in FY 2027-28. The fiscal outlook includes the construction financing and debt service costs that DHS will incur during construction and after construction is complete. The long-term debt service is shared between DHS, whose portion is 90%, and DMH whose share is 10% for the construction of psychiatric emergency services and psychiatric inpatient beds. The estimated annual debt service payment for DHS upon completion of the project will be approximately $102.3 million annually for 30 years. DHS will include its portion of the debt service costs annually in future budgets, as needed.

The construction of a new inpatient hospital will create a more efficient layout of inpatient beds, streamlining the provision of care and improving the management of patient supplies and equipment. The consolidation of outpatient clinics from their current multiple locations across the H-UCLA campus into a single outpatient building

will also result in staffing efficiencies. Additionally, supply chain management and delivery costs are expected to decrease due to an improved hospital layout, co-location of outpatient clinics, and fewer storage locations. Net savings will assist in funding the debt service. DHS does not project the need for any additional staff or resources to operate the replacement facilities.

In order to fund the equipment needed for the H-UCLA Replacement, DHS will set up an Accumulative Capital Outlay (ACO) fund in the amount of $145.0 million in FY 2021-22. (DHS also used an ACO to set aside funds for equipment during the construction of the new LAC+USC Medical Center.)

**Critical Care Unit (CCU) Nurse Staffing Plan**

The Department is in the process of developing a standardized critical care nurse staffing model which it anticipates bringing forward for consideration in the Supplemental budget phase. Currently, in order to maintain the state-mandated minimum staffing ratios and staff by acuity in the CCUs, overtime is necessary and registry nurses are also brought in to supplement the CCU staff; beds are also often closed. Based on a preliminary assessment, the Department estimates that 274 full-time equivalents (FTEs) critical care registered nurses will be needed at a projected annual net cost of $37.8 million.

**DHS' Key Imperatives for Calendar Year 2021**

*Initial Implementation of New Cost Accounting System*

The Department expects initial implementation of the new cost accounting system to occur around the beginning of calendar year 2022. Leading up to that, multiple efforts related to data capture, and data quality and accuracy, are underway. These activities are labor-intensive and include multi-level review and analysis of innumerable data details that reside in various systems. We need to ensure that all critical data elements are identified and included and that the data feeding the new system is internally consistent, of high quality, and accurate. An ongoing review of data will be necessary as the initial steps of the implementation begin and will continue as the new system progresses. DHS will provide necessary updates.

*Implementation of Workforce Acuity, Scheduling and Time (AST) System*

Implementation of the new AST system will provide enterprise-wide staff scheduling, tools to monitor patient progress against established benchmarks, ability to make appropriate patient assignments, and determine patient acuity levels from clinical documentation in ORCHID. Implementation of this system will provide accurate and timely data to the cost accounting system as well. This gives DHS the opportunity to better assess clinical service lines, manage and assign staffing appropriately, e.g.,

during a surge in patient admissions, and enhance revenue opportunities related to managed care contracts, billing, and cost reports.

Phase One of the AST system is being implemented at five Intensive Care Units at LAC+USC Medical Center (LAC+USC). LAC+USC was selected because the facility had the largest number of COVID-19 patients during the surge. In the current environment, identifying nurses with specific skills to care for complex COVID-19 patients and redeploying them from other DHS sites to LAC+USC is a time-consuming manual process.

The AST system will support agile scheduling, accurately capture staff time and attendance (via web clocks), reconcile attendance against staff schedules (interface between web clocks and scheduling system), and adjust staffing levels in real-time. The new AST will also enable DHS to predict nursing care requirements and determine how to effectively allocate staff resources at LAC+USC to replace the 12-24 hour acuity data delay currently in place. Phase One is on an accelerated timeline with a go-live date of August 8, 2021.

**Concluding Statement**

DHS will continue working closely with DHCS on the development of the 1115 five-year Waiver renewal to ensure the proposed programs are aligned with county goals and adequately funded. DHS continues to focus on addressing COVID-19 issues, community health needs, improving service delivery, strengthening core clinical services, and supporting our role as a safety net provider, in keeping with our mission.

If you have any questions or need additional information, please let me know.

CRG:aw
Fisc Outlk BL June 2021
609:005

Attachment

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

**ATTACHMENT I**

# COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

# FORECAST *

## FISCAL YEARS 2020-21 THROUGH 2023-24

**DRAFT**

($ in Millions)

| | | Year 1 | | Year 2 | | Year 3 | | Year 4 | |
|---|---|---|---|---|---|---|---|---|---|
| | | A | B | C | D | E | F | G | |
| | | FY 2020-21 Forecast | Adjustments | FY 2021-22 Forecast | Adjustments | FY 2022-23 Forecast | Adjustments | FY 2023-24 Forecast | |
| (1) | **Expenses** | | | | | | | | (1) |
| (2) | Salaries & Employee Benefits | $ 3,401.205 | $ 178.795 | $ 3,580.000 | $ 181.123 | $ 3,761.123 | $ 146.757 | $ 3,907.880 | (2) |
| (3) | Net Services & Supplies | 3,025.136 | (438.247) | 2,586.889 | 13.506 | 2,600.395 | 27.795 | 2,628.190 | (3) |
| (4) | Debt Service - Harbor Master Plan | 1.504 | 4.908 | 6.412 | 9.607 | 16.019 | 38.163 | 54.182 | (4) |
| (5) | Debt Service - Other | 67.646 | 4.974 | 72.620 | 2.228 | 74.848 | 0.337 | 75.185 | (5) |
| (6) | Other Charges - Other (Net of IGTs) | 115.430 | 20.226 | 135.656 | (32.600) | 103.056 | (1.589) | 101.467 | (6) |
| (7) | Capital Assets | 73.749 | (33.413) | 40.336 | (0.731) | 39.605 | (8.528) | 31.077 | (7) |
| (8) | Capital Projects & Deferred Maintenance | 45.169 | 53.771 | 98.940 | (57.592) | 41.348 | (8.140) | 33.208 | (8) |
| (9) | Operating Transfers Out | 27.121 | 4.968 | 32.089 | 1.118 | 33.207 | 1.157 | 34.364 | (9) |
| (10) | Intrafund Transfer | (482.843) | 120.572 | (362.271) | 13.058 | (349.213) | (4.987) | (354.200) | (10) |
| (11) | **Total Expenses** | $ 6,274.117 | $ (83.446) | $ 6,190.671 | $ 129.717 | $ 6,320.388 | $ 190.965 | $ 6,511.353 | (11) |
| (12) | **Revenues** | | | | | | | | (12) |
| (13) | Medi-Cal Inpatient | 403.964 | 14.940 | 418.904 | 2.494 | 421.398 | 6.220 | 427.618 | (13) |
| (14) | Global Payment Program (GPP) | 442.141 | 40.198 | 482.339 | 4.234 | 486.573 | 19.512 | 506.085 | (14) |
| (15) | Enhanced Payment Program (EPP) | 620.623 | 35.377 | 656.000 | 22.072 | 678.072 | 27.203 | 705.275 | (15) |
| (16) | Quality Incentive Program (QIP) ** | 347.299 | (55.652) | 291.647 | 23.716 | 315.363 | 5.418 | 320.781 | (16) |
| (17) | Managed Care *** | 926.356 | 70.332 | 996.688 | (81.938) | 914.750 | (59.869) | 854.881 | (17) |
| (18) | Mental Health | 52.139 | - | 52.139 | - | 52.139 | - | 52.139 | (18) |
| (19) | Whole-Person Care (WPC) *** | 147.513 | (73.882) | 73.631 | (73.631) | - | - | - | (19) |
| (20) | Medi-Cal Outpatient - E/R | 71.429 | 11.804 | 83.233 | 1.117 | 84.350 | 1.077 | 85.427 | (20) |
| (21) | Medi-Cal CBRC | 201.600 | 9.878 | 211.478 | 1.154 | 212.632 | 5.741 | 218.373 | (21) |
| (22) | Medi-Cal SB 1732 | 11.131 | - | 11.131 | - | 11.131 | - | 11.131 | (22) |
| (23) | Hospital Provider Fee | 26.759 | 0.537 | 27.296 | 0.537 | 27.833 | - | 27.833 | (23) |
| (24) | Federal & State - Other | 81.347 | (5.115) | 76.232 | (14.791) | 61.441 | 1.203 | 62.644 | (24) |
| (25) | OCD | 427.850 | 42.663 | 470.513 | - | 470.513 | - | 470.513 | (25) |
| (26) | Other | 92.912 | 1.074 | 93.986 | 0.144 | 94.130 | 0.149 | 94.279 | (26) |
| (27) | Measure H | 122.894 | - | 122.894 | - | 122.894 | - | 122.894 | (27) |
| (28) | Self-Pay | 4.682 | 1.688 | 6.370 | - | 6.370 | - | 6.370 | (28) |
| (29) | Medi-Cal Managed Care GME | 66.919 | - | 66.919 | - | 66.919 | - | 66.919 | (29) |
| (30) | Medicare | 266.041 | 2.489 | 268.530 | - | 268.530 | - | 268.530 | (30) |
| (31) | Hospital Insurance Collection | 95.832 | 15.903 | 111.735 | - | 111.735 | - | 111.735 | (31) |
| (32) | In-Home-Supportive-Services (IHSS) | 113.941 | (1.603) | 112.338 | 23.303 | 135.641 | 5.736 | 141.377 | (32) |
| (33) | Grant Funded COVID | 79.890 | (79.890) | - | - | - | - | - | (33) |
| (34) | **Total Revenues** | $ 4,603.262 | $ 30.741 | $ 4,634.003 | $ (91.589) | $ 4,542.414 | $ 12.390 | $ 4,554.804 | (34) |
| (35) | **Net Cost - Before PY** | $ 1,670.855 | $ (114.187) | $ 1,556.668 | $ 221.306 | $ 1,777.974 | $ 178.575 | $ 1,956.549 | (35) |
| (36) | AB 85 Redirection | (84.241) | 84.241 | - | - | - | - | - | (36) |
| (37) | Prior-Year Surplus / (Deficit) | 363.039 | (363.039) | - | - | - | - | - | (37) |
| (38) | **Net Cost - After PY & AB 85 Redirection** | $ 1,392.057 | $ 164.611 | $ 1,556.668 | $ 221.306 | $ 1,777.974 | $ 178.575 | $ 1,956.549 | (38) |
| (39) | **Operating Subsidies** | | | | | | | | (39) |
| (40) | Sales Tax & VLF | 365.973 | 13.128 | 379.101 | - | 379.101 | - | 379.101 | (40) |
| (41) | County Contribution | 743.651 | (13.875) | 729.776 | 2.970 | 732.746 | 10.194 | 742.940 | (41) |
| (42) | Measure B | 211.626 | (0.272) | 211.354 | - | 211.354 | - | 211.354 | (42) |
| (43) | Tobacco Settlement | 73.500 | - | 73.500 | - | 73.500 | - | 73.500 | (43) |
| (44) | **Total Operating Subsidies** | $ 1,394.750 | $ (1.019) | $ 1,393.731 | $ 2.970 | $ 1,396.701 | $ 10.194 | $ 1,406.895 | (44) |
| (45) | **Surplus / (Deficit) = (44) - (38)** | **$ 2.693** | $ (165.630) | **$ (162.937)** | $ (218.336) | **$ (381.273)** | $ (168.381) | **$ (549.654)** | (45) |
| (46) | **Beginning Fund Balance** | **$ 1,292.536** | $ 2.693 | **$ 1,295.229** | $ (307.937) | **$ 987.292** | $ (381.273) | **$ 606.019** | (46) |
| (47) | Surplus / (Deficit) | 2.693 | (165.630) | (162.937) | (218.336) | (381.273) | (168.381) | (549.654) | (47) |
| (48) | H-UCLA MC Master Plan Equipment | - | (145.000) | (145.000) | 145.000 | - | - | - | (48) |
| (49) | **Ending Fund Balance** | **$ 1,295.229** | $ (307.937) | **$ 987.292** | $ (381.273) | **$ 606.019** | $ (549.654) | **$ 56.365** | (49) |

* The forecast is net of IGTs and other double-counts such as internal transfers, and includes Correctional Health and Office of Diversion and Re-Entry.

** For FY 2020-21 forward, PRIME is incorporated into QIP.

*** For FY 2021-22, 6 months of WPC and the annual amount going forward are included in Managed Care.

# BOARD LETTER FACT SHEET

Agenda Review Date: June 9, 2021
Board Meeting Date: June 22, 2021
Sup. Dist. / SPA No.: All

DRAFT

BOS Approval

**DEPARTMENT:** ***Mental Health***

**SUBJECT:** Request delegated authority to amend the Legal Entity Contract for The People Concern for Fiscal Year 2019-20 by increasing its Maximum Contract Amount beyond the original delegated authority.

## I. PUBLIC BENEFIT (precise description, mandated or non-mandated)

The Department of Mental Health is able to compensate the Legal Entity Contractor, The People Concern for the provision of specialty mental health services.

## II. RECOMMENDED ACTIONS (summarized)

Approve Director of Mental Health to execute an amendment to the Department of Mental Health Legal Entity (LE) Contract for The People Concern. This Amendment increases the LE Contract's Maximum Contract Amount which exceeds the original 25 percent of the Board-approved MCA for Fiscal Year FY 2019-20, as the result of the post Annual Cost Report adjustment.

## III. COST AND FUNDING SOURCES

Cost: $237,823

Funding: federal and State revenues

## IV. BACKGROUND (critical and/or insightful)

Legal Entity Contractors (Contractors) are reimbursed through a provisional rate and at the end of each fiscal year, the Contractors may request a post Annual Cost Adjustment. After DMH has reviewed and approved their adjustment requests, the Contractors are able to shift Medi-Cal (MC) funds to align their actual costs with their contracts. In some cases, such as The People Concern, their adjustment results in an increase in the MCA beyond the 25 percent delegated authority granted by the Board for the fiscal year for which the adjustment is being made. This practice is consistent with the State Department of Health Care Services (DHCS) methodology for cost reimbursement and allows DMH and the Contractors the flexibility to maximize the use of federal and State funding for MCI services and minimize State DHCS disallowances.

## V. POTENTIAL ISSUE(S)

n/a

## VI. DEPARTMENT & COUNTY COUNSEL CONTACTS

Kimberly Nall, Departmental Finance Manager III, KNall@dmh.lacounty.gov, (213) 738-4625
Emily Issa, County Counsel, EIssa@counsel.lacounty.gov, (213) 974-1827

# DEPARTMENT OF MENTAL HEALTH

hope. recovery. wellbeing.

**JONATHAN E. SHERIN, M.D., Ph.D.**
Director

**Gregory C. Polk, M.P.A.**
Chief Deputy Director

**Curley L. Bonds, M.D.**
Chief Medical Officer

**Lisa H. Wong, Psy.D.**
Senior Deputy Director


June 22, 2021

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:

**REQUEST DELEGATED AUTHORITY TO AMEND AN EXISTING LEGAL ENTITY CONTRACT WITH THE PEOPLE CONCERN TO INCREASE THE MAXIMUM CONTRACT AMOUNT DUE TO THE POST ANNUAL COST REPORT ADJUSTMENT FOR FISCAL YEAR 2019-20**
**(ALL SUPERVISORIAL DISTRICTS)**
**(3 VOTES)**

## SUBJECT

Request delegated authority to amend the Department of Mental Health's Legal Entity Contract for The People Concern for Fiscal Year 2019-20 by increasing its Maximum Contract Amount beyond the original delegated authority, due to the post Annual Cost Report adjustment and realigning of the funded programs with their actual costs.

## IT IS RECOMMENDED THAT YOUR BOARD:

Approve and authorize the Director of Mental Health (Director), or his designee, to prepare, sign, and execute an amendment to the Department of Mental Health (DMH) Legal Entity (LE) Contract for The People Concern. This Amendment increases the LE Contract's Maximum Contract Amount (MCA) which exceeds the original 25 percent of the Board-approved MCA for Fiscal Year (FY) 2019-20, as the result of the post Annual Cost Report adjustment. The amendment will increase The People Concern's LE Contract MCA for FY 2019-20 in the amount of $237,823, fully funded by federal and State revenues.

## PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Board approval of the recommended action will allow DMH to amend The People Concern's LE Contract for FY 2019-20 by making an adjustment after the submission of the post Annual Cost Report and increasing its MCA beyond the original 25 percent delegated authority granted by the Board for FY 2019-20. Each LE contractor is required to submit an Annual Cost Report to DMH for the applicable fiscal year two months after the fiscal year end, if the due date is not extended by the State. Additionally, under the LE Contract Financial Exhibit A, LE Contractors are allowed to shift funds within contracted funded programs in the applicable fiscal year to align contracted funded program amounts to actual and allowable costs based on their submitted Annual Cost Report. This adjustment gives DMH and the LE Contractors the flexibility to maximize the use of federal and State funding for Medi-Cal services and minimize State disallowances at the time of the State reconciliation process.

In this instance, such post Annual Cost Report adjustment made by The People Concern caused the MCA to increase beyond the 25 percent delegated authority granted by the Board for FY 2019-20. In accordance with the LE Contract's Financial Exhibit A, DMH reviewed and analyzed The People Concern's request to determine the appropriateness of the adjustment. DMH determined that the adjustment was appropriate to reimburse The People Concern for the specialty mental health services (SMHS) already rendered and to ensure Medi-Cal reimbursement is received for allowable costs.

### Implementation of Strategic Plan Goals

The recommended action is consistent with the County's Strategic Plan Goal III, Realize Tomorrow's Government Today, specifically Strategy III.3 - Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

## FISCAL IMPACT/FINANCING

The cost associated with this recommended action was determined upon receipt of the post Annual Cost Report adjustment request submitted by The People Concern.

The total increase of the MCA for The People Concern's LE Contract for FY 2019-20 is $237,823, fully funded by federal and State revenues. DMH has sufficient FY 2020-21 budgeted appropriation for this recommended action.

There is no net County cost impact.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

LE Contractors are reimbursed for services based on their negotiated provisional rate during a given fiscal year and are subject to a cost report settlement process. This practice is consistent with the State Department of Health Care Services' reimbursement methodology for SMHS, as specified in Exhibit A of the LE Contracts. Therefore, in order for LE Contractors to have the flexibility to adjust their Medi-Cal funded amounts, within a given number of days after submission of their Annual Cost Report to DMH, LE Contractors may submit a written request to shift funds as specified in the Financial Exhibit A (Paragraph X titled "Survival: Amendments to Maximum Contract Amount and Financial Summary"). In some cases, the final DMH approved shift amounts may also require an increase to the corresponding gross contract amounts to allow for the flow of federal or State Medi-Cal funds, thus increasing the MCA. In some circumstances, the increase in the MCA goes beyond the Board-approved delegated authority for the fiscal year. Such amendment may need to be executed during the First and/or Second Optional Extension Period within the term of the LE Contract as described in the LE Contract, Paragraph 4 (Term) and/or after the LE Contract has expired or terminated. As a result, The People Concern's 2019-20 LE Contract would not be reconciled until well after the fiscal year in question.

According to the April 2020 Retroactive Contracts Review Committee Procedures, retroactive contracts are defined as contracts authorizing payment for services provided during a period when there was no valid contract in place or there was a valid contract in place and the vendor provided goods/services beyond the contract sum. The retroactive policy does not apply to this situation because The People Concern is within their term and the LE Contract allows the Contractor to submit a post Annual Cost Report adjustment for the applicable fiscal year due to the nature of Short-Doyle/Medi-Cal reimbursement methodology.

On June 6, 2018, your Board authorized the Director to enter into a contract with 133 LE Contractors for FYs 2018-19 through 2020-21. In June 2021, DMH will be seeking a separate Board authority to enter into new contracts with its LE Contractor network for FYs 2021-22 through 2023-24.

Under Board Policy No. 5.100 (Sole Source Contracts), DMH is required to notify your Board six months in advance of amendments to existing contracts when DMH does not have delegated authority to increase the maximum amount of the current contract. On July 14, 2020, DMH requested an exemption to Board Policy No. 5.100 (Sole Source Contracts) as attached, from your Board for the six month notification requirement for DMH LE Contracts for the same reason stated above, and in accordance with the Board Policy, DMH considers this request approved, as we did not hear otherwise.

As mandated by your Board, the The People Concern's performance is evaluated by DMH on an annual basis to ensure compliance with all Contract terms and performance standards.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Board approval of the recommended actions will allow The People Concern the flexibility to align their contracted funded programs with their actual costs and to maximize federal and State Medi-Cal funding.

Respectfully submitted,

JONATHAN E. SHERIN, M.D., Ph.D.
Director

JES:GCP:SK
RLR:JH:atm

c: Executive Office, Board of Supervisors
Chief Executive Office
County Counsel
Chairperson, Mental Health Commission