

COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.
Director

ROBIN KAY, Ph.D.
Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director



BOARD OF SUPERVISORS

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DEPARTMENT OF MENTAL HEALTH

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550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601
Fax: (213) 386-1297

July 03, 2012

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:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

22 July 3, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

**APPROVAL OF PARTIAL DEFERMENT OF REPAYMENT OF CASH FLOW ADVANCES FOR
LEGAL ENTITY CONTRACTORS AND AUTHORIZATION TO EXTEND THE DATE FOR
INITIATING RECOVERY OF CASH FLOW ADVANCE FUNDS FOR FISCAL YEARS 2009-10,
2010-11 AND 2011-12
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval for the Department of Mental Health to extend the date upon which it will initiate the recovery of certain Cash Flow Advance funds owed by Legal Entity Contractors for Fiscal Years 2009-10, 2010-11 and 2011-12 and defer collection of remaining balances until the completion of the State Short-Doyle/Medi-Cal Cost Report Reconciliation and Settlement for the applicable fiscal year.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director of Mental Health (Director), or his designee, to initiate Cash Flow Advance (CFA) recovery from Legal Entity (LE) Contractors for Fiscal Year (FY) 2009-10 based on unearned CFA determined from the analysis of their FY 2009-10 Short-Doyle/Medi-Cal (SD/MC) Cost Reports, and to defer recouping a portion of such CFA funds determined to have been likely earned by LE providers until the State's completion of the FY 2009-10 State SD/MC Cost Report Reconciliation and Settlement, which is anticipated to be in FY 2012-13.

2. Authorize the Director, or his designee, to delay the initiation of recovery of FY 2010-11 and FY 2011-12 CFA from LE Contractors and if necessary, defer recouping a portion of such CFA funds in amounts to be determined after said LE Contractors submit their FY 2010-11 and FY 2011-12 SD/MC Cost Reports or after the State's completion of the FY 2010-11 and FY 2011-12 State

SD/MC Cost Report Reconciliation and Settlement, which are anticipated to be in FY 2013-14 and FY 2014-15, respectively.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended actions are to waive certain contractual provisions pertaining to the CFA, which are funds advanced in anticipation of services by Department of Mental Health's (DMH) LE providers, in order to avoid the potential immediate and severe negative financial impact on the LE providers, to reduce the potential for significant service reduction to clients, and to account for statutory allowances related to the processing of claims at the close of a fiscal year.

Under the SD/MC program, all LE Contractors use cost reimbursement methodology and are paid based on provisional rates, with final payment determined at the time of the State's SD/MC Cost Report Reconciliation and Settlement. Final payment is determined based on the final rates related to the contractor's actual costs. When the provisional rates used for payments during the fiscal year, are lower than a Contractor's actual costs, DMH's internal financial records will indicate an outstanding CFA until the reconciliation and settlement process is completed.

Until FY 2007-08, the LE Agreement did not specifically address when DMH would recover CFA funds from LE Contractors. DMH's practice was to wait until the completion of the State SD/MC Cost Report Reconciliation and Settlement to recover any amounts still owed by the LE Contractors. This was primarily due to the fact that historically contractors would ultimately earn most or all of these funds at the time of the SD/MC Cost Report Reconciliation and Settlement, although DMH's internal accounting records indicated an outstanding CFA balance.

In FY 2007-08 the LE Agreement language regarding the CFA recovery was changed and called for the CFA amounts shown as outstanding as of September 30 of the following fiscal year to be recovered in accordance with the LE Agreement provision related to the recovery of amounts owed to the County. The language governing the recovery of amounts owed requires that recovery begin after DMH sends written notice to the contractor of the amount owed.

DMH determined that the September 30 date specified in the LE Agreement does not accommodate the full adjudication of claims through the State because approvals of SD/MC claims may continue for one year or more after the end of the fiscal year. Indeed, DMH was still receiving approved SD/MC claims for some providers for FY 2009-10 services in November and December of 2011. Therefore, DMH has deferred sending written CFA recovery notices to the contractors until it determined the actual amounts that would be unearned based on all approved claims.

In the interim, DMH staff performed a preliminary analysis to estimate the likely FY 2009-10 settlement amounts based on the contractor's submitted SD/MC Cost Reports for FY 2009-10. The SD/MC Cost Reports, which determine the ultimate amounts that will be owed to the County or paid to the Contractors at the time of the SD/MC Cost Report Reconciliation and Settlement, indicate that nearly three-quarters of the CFA shown as outstanding on DMH's internal records will ultimately be earned by the Contractors.

As the ultimate amount earned by the contractors is based on actual costs incurred in delivering the services, repayment of CFA that has, in fact, been earned would have an adverse impact on the financial position of the contractors in that they have already incurred the expense. Accordingly, the recommended action would allow DMH to request repayment only of the CFA portion that, based on

the preliminary analysis, has been determined to exceed the amount that will be ultimately owed to the contractors for FY 2009-10. The estimated amounts are provided in Attachment I.

In addition, the recommended action would allow DMH to use a similar methodology for the recovery of CFA in FY 2010-11 and 2011-12. Accordingly, DMH is requesting your Board's approval to take the same action for FY 2010-11 and FY 2011-12 contractors' CFA balances as requested for FY 2009-10. DMH staff will perform a preliminary settlement analysis based on FY 2010-11 and FY 2011-12 SD/MC Cost Reports and defer collection of any amounts of CFA that are determined to likely be earned by the contractors until the FY 2010-11 and FY 2011-12 SD/MC Cost Report Reconciliation and Settlement is completed.

Implementation of Strategic Plan Goals

The recommended Board actions are consistent with County Strategic Plan Goal 3, Integrated Services Delivery.

FISCAL IMPACT/FINANCING

There is no net County cost impact associated with the recommended actions. However, as reimbursement from federal and State funding is also based on the provisional rates utilized to adjudicate and pay contract providers, there will continue to be a negative impact on the County's cash flow position as DMH will not receive the State and federal funds to offset the deferred CFA until after the State completes the SD/MC Cost Report Reconciliation and Settlement process.

DMH believes that contractors will ultimately earn part of the CFA amount. Recovery of the adjusted CFA amounts reduces the potential adverse impact on the quality and quantity of services provided by the contractors. It will mitigate the need for contractors to reduce expenditures further. Contractors will not have to absorb any negative financial impact related to recouping funds that have been earned through actual expenses.

Deferring the recovery of estimated amounts earned by the contractors places the cash flow burden created by the contractors' provisional rates being too low on the County instead of the contractors to the extent that the deferred amounts will ultimately be reimbursed by State or federal funds. Based on the gross contract funding, it is anticipated that the deferred amounts will ultimately be reimbursed by the federal and State revenues.

For FY 2009-10, the estimated earned amount of \$15.2 million is being requested to be deferred. The amount to be recovered from the LE contractors is \$4.8 million. Upon your Board's approval of this Board letter, DMH would begin collection of the \$4.8 million. The amounts are not known for FY 2010-11 and FY 2011-12 since the cost reports for those fiscal years have not been completed. Once the cost reports are complete, DMH will complete the analysis of the earned/unearned amounts and begin recovery of funds from the providers.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

CFA is a disbursement of funds to the contractor for working capital purposes. Such advances are fiscal year specific and are made to provide funds for the contractor to operate during the period of time from the delivery of the services to the DMH payment of the claims. CFA is contractually restricted to the mental health programs. Earned interest, if any, is required to be expended on

mental health programs. The recovery of the CFA is made as either offsets to the contractor's reimbursement claims or by cash repayment.

The DMH LE Agreement beginning in FY 2007-08 specified that repayment of CFA to DMH is to be made no later than September 30 following the close of the fiscal year and that any outstanding amount would be recouped by DMH in accordance with the LE provision related to the Repayment of Amounts Owed to the County. However, the September 30 date specified in the LE Agreement did not take into account the fact that claims could be submitted to and approved by the State for up to 12 months after the close of the fiscal year.

In FY 2009-10, the language related to the CFA provisions in the LE Agreement, which the Board approved on June 9, 2009, was modified to provide additional clarification of how repayment will be handled. In addition, these modifications allowed for more rapid adjustment of provisional rates during the fiscal year allowing DMH and contractors to better align amounts paid during the fiscal year with actual costs. The implementation of these and other changes in the financial provisions of the LE Agreement reduced discrepancies in the amounts that are paid to the contractor during the fiscal year and the amounts ultimately earned. As a result, the outstanding CFA amounts and the delay in receiving State and federal funding have been reduced.

DMH further modified the LE Agreement for FY 2012-13 to reflect the recommended methodology for recouping unearned CFA funds from LE providers. This will further reduce the need to return to the Board for such authority in the future.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions are intended to reduce potential negative impacts on client services that may result from recouping CFA that has been earned by the providers during a time when most providers will be required to reduce services as a result of declining funding attributable to the current economic climate. By adjusting the amount of recovery of the CFA to reflect the amount DMH ultimately believes the contractors will earn, potential adverse impacts on the quality and amount of client services being provided by the contractors will be mitigated by avoiding the need for contractors to reduce expenditures further to absorb the financial impact of recouping funds that have been earned through actual expenses.

The Honorable Board of Supervisors

7/3/2012

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mg Southard". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

MARVIN J. SOUTHARD, D.S.W.

Director of Mental Health

MJS:MM:KN:RK:pd

Enclosures

c: Chief Executive Officer
County Counsel
Auditor-Controller
Executive Officer, Board of Supervisors
Chairperson, Mental Health Commission

COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL HEALTH
RECOMMENDED AMOUNT TO RECOUP FOR CASH FLOW ADVANCE
FISCAL YEAR 2009-10

Attachment I

L.E. #	Legal Entity Name	Cash Flow Advance in Accounting Records FY09-10	Amount of Cash Flow Advance Recommended to Recoup	Amount Deferred to Cost Settlement
256	1736 Family Crisis Center	366.10	-	366.10
269	Aids Project Los Angeles, Incorporated	-	-	-
177	Alcott Center for Mental Health Services	87,297.11	16,312.59	70,984.52
173	Alma Family Services	22,109.24	22,109.24	-
180	Amanecer Community Counseling Service of Los Angeles, Inc.	699.84	-	699.84
409	ASC Treatment Group (The Anne Sippi Clinic)	35,320.41	-	35,320.41
1167	Asian American Drug Abuse Program, Inc	6,117.81	6,117.81	-
888	Aurora Charter Oak, LLC (Charter Behav Hlth Sys)	-	-	-
274	B.R.I.D.G.E.S.	127,329.22	50,663.50	76,665.72
175	Barbour and Floyd Associates	85,803.06	35,247.32	50,555.74
1150	Behavioral Health Services	9,857.28	-	9,857.28
860	Bienvenidos Children's Center, Inc.	1,832.00	1,832.00	-
1149	California Hispanic Commission (James Z Hernandez Executive Director)	128,619.02	128,619.02	-
1192	California Institute of Health & Social Services, Inc.(Alafia MH)	7,428.03	-	7,428.03
1285	Catholic Healthcare West dba California Hospital Medical Center	2,524.46	-	2,524.46
178	Cedars-Sinai Medical Center (Thalians)	1,430.29	-	1,430.29
1209	Center for Integrated Family & Health Services	15,533.07	-	15,533.07
210	Child and Family Center (Santa Clarita Valley Child)	95,510.57	95,510.57	-
207	Child and Family Guidance Center (SFV)	15,221.95	15,221.95	-
783	ChildNet Youth and Family Services, Inc.	6,289.04	-	6,289.04
668	Children's Bureau of Southern California	25,995.12	-	25,995.12
179	Children's Hospital of Los Angeles	456,915.18	-	456,915.18
591	Children's Institute Inc.	17,469.06	-	17,469.06
322	City of Gardena	-	-	-
327	Clontarf Manor	619.70	-	619.70
666	College Hospital - Cerritos	-	-	-
181	Community Family Guidance Ctr (Fam Youth & Stars)	161,531.66	161,531.66	-
779	Counseling & Research Assn, Inc (Masada Homes)	-	-	-
694	Counseling 4 Kids (Childreach)	91,101.58	91,101.58	-
1227	David & Margaret Home, Inc, The	2,020.93	2,020.93	-
183	Didi Hirsch Psychiatric Service	126,280.91	-	126,280.91
1181	Drew Child Development Corporation	104,429.90	-	104,429.90
184	Dubnoff Center for Child Development	96,952.07	4,993.74	91,958.33
778	D'Veal Corp (D'Veal Family and Youth Svcs)	624,809.67	-	624,809.67
185	El Centro De Amistad, Incorporated	6,910.35	6,910.35	-
1250	El Centro Del Pueblo, Inc.	3,964.94	-	3,964.94
1311	Emotional Health Association(dba SHARE the Self-Help & Recovery Exchange)	-	-	-
188	ENKI Hlth and Research, Sys, Inc. (Children & Youth)	-	-	-
995	Ettie Lee Homes, Inc.	29,779.75	29,779.75	-
1567	Exceptional Children's Foundation	9,813.18	-	9,813.18
527	Exodus Recovery, Inc.	663,631.25	288,810.03	374,821.22
120	Families First, Inc. dba EMQ	400,505.76	-	400,505.76
302	Filipino-American Services Group, Incorporated	-	-	-
647	Five Acres - The Boys and Girls Aid Society	201,814.65	-	201,814.65
870	Florence Crittenton Svcs of Orange County, Inc	368,255.54	66,608.70	301,646.84
724	Foothill Family Service	1,948,064.28	439,722.05	1,508,342.23
300	For The Child (Cedar House, Inc.)	24,875.45	-	24,875.45
190	Gateways Hospital and Mental Health Center	386,951.17	-	386,951.17
174	Hamburger Home (Aviva Center)	40,263.97	40,263.97	-
206	Harbor View Rehab. Center (Regency Health)	270,552.83	-	270,552.83
192	Hathaway - Sycamores Child and Family Services	25,218.78	25,218.78	-
193	Health Research Assn. (dba USC Satellite Housing Program)	14,366.09	-	14,366.09
209	Health View Behavioral Services Ctr. (San Pedro Residential Ctr.)	105,993.89	103,796.99	2,196.90
1232	Helpline Youth Counseling, Inc	12,999.35	12,999.35	-
965	Heritage Cl & the Comm Assis Prog for Srs dba Geronet	167,579.93	-	167,579.93
321	Hillsides Home for Children (The Church Home for Children)	888,205.12	888,205.12	-
194	Hillview Mental Health Center, Inc	224,343.84	-	224,343.84
508	Homes for Life Foundation	1,800.14	1,800.14	-
699	Institute for Multicultural Counseling & Education Svcs, Inc	-	-	-
171	Institute for the Redesign of Learning (Almanson)	185,439.60	-	185,439.60
195	Intercommunity Child Guidance Center dba The Whole Child	287,545.47	-	287,545.47
1521	Jewish Family Service of Los Angeles	36,986.75	11,493.63	25,493.12
1563	JWCH Institute Inc.	2,609.00	-	2,609.00
197	Kedren Comm MH Center	56,771.18	56,771.18	-
326	Koreatown Youth & Community Center, Inc	202.10	-	202.10
317	LAMP, Inc.	233,859.64	233,859.64	-
697	LeRoy Haynes Ctr. For Children & Family Svcs. Inc	5,987.42	5,987.42	-

COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL HEALTH
RECOMMENDED AMOUNT TO RECOUP FOR CASH FLOW ADVANCE
FISCAL YEAR 2009-10

Attachment I

L.E. #	Legal Entity Name	Cash Flow Advance in Accounting Records FY09-10	Amount of Cash Flow Advance Recommended to Recoup	Amount Deferred to Cost Settlement
315	Los Angeles Unified School District	9,981.94	-	9,981.94
1034	Maryvale	9,285.34	-	9,285.34
971	McKinley Children's Center, Inc	228,713.59	-	228,713.59
200	Mental Health Association of Greater LA (National)	777,566.83	-	777,566.83
1142	New Directions, Inc.		-	-
1170	New Horizons Family Center	4,938.64	-	4,938.64
305	Ocean Park Community Center	37.42	-	37.42
518	Olive Crest Treatment Centers, Inc	21,526.96	21,526.96	-
859	One in Long Beach, Inc.(dba The Gay & Lesbian Ctr. of Greater Long Beach)		-	-
781	Optimist Boy's Home & Ranch, Inc (Optimist Youth Homes & Family Svcs)	644,302.32	-	644,302.32
579	Pacific Asian Counseling Services (WRAP)	162,381.59	27,162.73	135,218.86
203	Pacific Clinics	3,558,191.72	-	3,558,191.72
1204	Pacific Lodge Youth Services	90,551.21	33,601.55	56,949.66
1169	Para Los Ninos	141.18	141.18	-
1228	Pasadena Unified School District	29,299.57	29,299.57	-
711	Pediatric & Family Medical Ctr. Dba Eisner Pediatric & Family Medical Ctr.	342.11	342.11	-
201	Penny Lane (National Foundation for the Treatment)	22,111.21	22,111.21	-
1194	Personal Involvement Center, Inc.	8,493.16	5,761.36	2,731.80
805	Phoenix Houses of Los Angeles, Inc.	11,335.45	-	11,335.45
838	Prototypes	9,493.71	-	9,493.71
801	Providence Comm. Serv. (formerly Aspen)	310,651.35	-	310,651.35
848	Rosemary Children's Services	13,797.92	13,797.92	-
217	Saint John's Health Center	370.62	-	370.62
208	San Fernando Valley Community MHC	291,840.82	291,840.82	-
320	San Gabriel Children's Center (RTI)	124,076.23	124,076.23	-
1195	Serenity Infant Care Homes, Inc	65,734.90	-	65,734.90
558	SHIELDS for Families Project, Inc.	48,008.73	-	48,008.73
212	Social Model Recovery Systems, Inc (dba The River Community)	21,992.71	-	21,992.71
213	South Bay Children's Health Center	33,693.30	11,890.33	21,802.97
506	South Central Health & Rehab Program (SCHARP)	73,470.14	73,470.14	-
214	Special Service For Groups	64,884.31	64,884.31	-
1160	SPIRITT Family Services, Inc	9,823.78	-	9,823.78
1186	St. Anne's Maternity Home	38,222.91	-	38,222.91
1366	St. Francis Medical Center - Children's Couns. Ctr.	17,619.59	-	17,619.59
218	St. Joseph Center	2,856.27	-	2,856.27
543	Star View Adolescent Center	936,808.75	-	936,808.75
215	Step-Up On Second Street, Inc.	37,455.62	-	37,455.62
216	Stirling Academy, Incorporated	6,807.06	-	6,807.06
1156	Tarzana Treatment Center, Inc	35,029.61	-	35,029.61
108	Telecare Corporation	988,395.41	-	988,395.41
1379	Tessie Cleveland Community Services Corporation	67,694.77	-	67,694.77
1066	The Children's Center of the Antelope Valley	115,531.20	71,569.47	43,961.73
191	The Guidance Center (Greater Long Beach Child Guidance Ctr., Inc)	1,339,053.57	721,613.86	617,439.71
198	The Help Group Child & Family Center (LA Center for Therapy & Education)	281,529.87	281,529.87	-
199	The Los Angeles Child Guidance Clinic	89,042.80	89,042.80	-
323	The Los Angeles Free Clinic		-	-
304	The Los Angeles Gay and Lesbian Comm Services Ctr		-	-
984	The Regents / UCLA Ties for Adoption	1,647.12	1,647.12	-
1224	The Village Family Services	3,484.78	-	3,484.78
219	TLC Wellness Center (Transitional Living Centers)	66,289.57	-	66,289.57
1171	Tobinworld		-	-
630	Topanga-Roscoe Corporation (Topanga West)	3,849.75	-	3,849.75
309	Traveler's Aid Society of Los Angeles		-	-
66	Tri-City Mental Health Center		-	-
1026	Trinity Youth Services (Trinity El Monte - Trinity Children & Family Svcs)	37,957.34	6,619.10	31,338.24
938	United American Indian Involvement, Inc.	89,299.50	-	89,299.50
221	Verdugo Mental Health Center	144,910.43	35,352.11	109,558.32
1044	VIP Community Mental Health Center	16,904.93	-	16,904.93
196	Vista Del Mar Child and Family Services (Jewish Orphans of So. Cal.)	13,988.07	13,988.07	-
310	Watts Labor Community Action Committee - WLCAC	859.02	859.02	-
316	Westside Center For Independent Living, Incorporated		-	-
583	White Memorial Medical Center		-	-
1559	Wise & Healthy Aging	647.30	-	647.30
	Total	19,945,630	4,785,637	15,159,993