



**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  
(SUPERVISORIAL DISTRICT 3)  
(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.

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

45 June 22, 2021

CELIA ZAVALA  
EXECUTIVE OFFICER

### **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.

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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