

EXHIBIT A-1  
FINANCIAL EXHIBIT  
(FINANCIAL PROVISIONS)

TABLE OF CONTENTS

A.	GENERAL.....	1
B.	LIMITATIONS ON MAXIMUM REIMBURSEMENT.....	2
C.	REIMBURSEMENT FOR INITIAL PERIOD.....	4
D.	REIMBURSEMENT IF CONTRACT IS AUTOMATICALLY RENEWED.....	4
E.	REIMBURSEMENT BASIS.....	4
F.	BILLING PROCEDURES.....	7
G.	COUNTY PAYMENT FOR SERVICES RENDERED.....	10
H.	BILLING AND PAYMENT LIMITATIONS .....	11
I.	LIMITATION OF PAYMENTS BASED ON FUNDING AND BUDGETARY RESTRICTIONS .....	13
J.	CONTRACTOR PROHIBITED FROM REDIRECTION OF CONTRACTED FUNDS	14
K.	CONTRACTOR'S RESPONSIBILITY TO ENSURE QUALITY OF SERVICES AND TO MONITOR SERVICE PLAN.....	15
L.	LIMITATION ON COUNTY'S FINANCIAL RESPONSIBILITY FOR PAYMENT OF SERVICES UNDER TITLE XIX SHORT-DOYLE/MEDI-CAL SERVICES, AND/OR TITLE XXI MEDICAID CHILDREN'S HEALTH INSURANCE PROGRAM .....	16
M.	PATIENT/CLIENT ELIGIBILITY, UMDAP FEES, THIRD PARTY REVENUES, AND INTEREST .....	18
N.	CASH FLOW ADVANCE IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED.....	19
O.	ANNUAL COST REPORTS .....	22
P.	OTHER REQUIREMENTS FOR CONTRACTORS PROVIDING TITLE XIX SHORT-DOYLE/MEDI-CAL SERVICES, AND/OR TITLE XXI MEDICAID CHILDREN'S HEALTH INSURANCE PROGRAM SERVICES.....	24
Q.	INTERIM SETTLEMENT .....	25
R.	SPECIALTY MENTAL HEALTH SERVICES OR SHORT-DOYLE/MEDI-CAL UNITS OF SERVICE RECONCILIATION AND COST REPORT SETTLEMENT.....	26
S.	AUDIT, AUDIT APPEAL AND ASSOCIATED SHORT-DOYLE/MEDI-CAL SETTLEMENT .....	27
T.	PAYMENTS BY CONTRACTOR TO COUNTY .....	30
U.	FINANCIAL SOLVENCY.....	32
V.	COUNTY AND CONTRACTOR REQUESTED CHANGES .....	32
W.	DELEGATED AUTHORITY .....	34

X.	SURVIVAL: AMENDMENTS TO MAXIMUM CONTRACT AMOUNT AND FINANCIAL SUMMARY (EXHIBIT B) .....	34
Y.	PAYMENT AND INVOICE NOTIFICATIONS .....	35
Z.	COUNTY REMEDIES FOR CONTRACTOR DEFAULT OR NON-COMPLIANCE ...	36

ATTACHMENTS

ATTACHMENT A-1: COUNTY OF LOS ANGELES DEPARTMENT OF MENTAL HEALTH  
CONTRACTOR CLAIMS CERTIFICATION FOR TITLE XIX SHORT-  
DOYLE MEDI-CAL AND TITLE XXI MEDICAID CHILDREN'S  
HEALTH INSURANCE PROGRAM REIMBURSEMENTS

EXHIBIT A-1  
FINANCIAL EXHIBIT  
(FINANCIAL PROVISIONS)

**A. GENERAL**

- (1) The County shall pay Contractor in arrears for eligible services provided under the Department of Mental Health (DMH) Legal Entity Contract (Contract) and in accordance with the terms of this Financial Exhibit A (FINANCIAL PROVISIONS) up to the amounts identified for each Funded Program as shown in Exhibit B, the Financial Summary, and as otherwise may be limited under the DMH Legal Entity Contract and the exhibits thereto, including but not limited to this Financial Exhibit A (FINANCIAL PROVISIONS) and Exhibit B, the Financial Summary.
  - (a) For purposes of the Contract, a “Funded Program” is a set of services and/or activities (including invoiced services and activities) paid through a particular funding source for the benefit of a specific beneficiary group or program (e.g., Medi-Cal or Non-Medi-Cal) as identified on a row of the Financial Summary.
  - (b) For purposes of the Contract, the “Funded Program Amount” is the amount identified in the last column of Exhibit B, the Financial Summary, for each Funded Program.
  - (c) For purposes of the Contract, “Non-Medi-Cal” includes funding for services not eligible for reimbursement under the State Medi-Cal programs.
  - (d) The Contractor understands and agrees that the Medi-Cal Funded Program Amount(s) in Exhibit B, the Financial Summary is/are provided based on Contractor’s ability to provide specific services and/or serve specific populations, which may include but are not limited to, Medi-Cal beneficiaries eligible under Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program; Title XXI Medicaid Children’s Health Insurance Program (MCHIP); existing Title XIX Short-Doyle/Medi-Cal (SD/MC) Program for low-income individuals who are age 65 or older, blind, disabled, or members of families with dependent children or qualified pregnant women or children; Senate Bill (SB) 75; and Medicaid (Medi-Cal in California) Coverage Expansion under the Affordable Care Act, as set forth in the Service Delivery Plan. Therefore, Contractor shall ensure access and provision of a full array of Specialty Mental Health Services (SMHS) to all eligible beneficiaries based on client needs, as set forth in the

applicable Service Delivery Plan, Statement(s) of Work, and/or Service Exhibit(s) under the Contract.

- (2) The Contractor shall comply with all requirements necessary for reimbursement as established by federal, State and local statutes, laws, ordinances, rules, regulations, manuals, policies, guidelines and directives.
- (3) In order to reduce County costs, the Contractor shall comply with all applicable provisions of the Welfare and Institutions Code (WIC) and/or California Code of Regulations (CCR) related to reimbursement by non-County and non-State sources, including, but not limited to, collecting reimbursement for services from clients (which shall be the same as patient fees established pursuant to WIC Section 5710) and from private or public third-party payers. In addition, Contractor shall ensure that, to the extent a recipient of services under the Contract is eligible for coverage under Medi-Cal or Medicare or any other federal or State funded program (an eligible beneficiary), services provided to such eligible beneficiary are billed appropriately.
  - (a) To the extent that the County determines Contractor has improperly billed for services to a particular Funded Program, County, in its discretion, may disallow payment of said services and/or may make corrective accounting entries to post the payment of the said services to the appropriate Funded Program and/or require Contractor to void said claimed services and/or replace/resubmit said services for payment from the correct Funded Program, if applicable.
- (4) The Countywide Maximum Allowances (CMA) are in effect during the Initial Period, the First Automatic Renewal Period, and the Second Automatic Renewal Period, or any part thereof, and shall be applicable to the Contract as of the date executed by DMH.
- (5) Contractor shall have, for each SMHS it provides, a published charge, which it will set at its own discretion, and with the understanding that such published charge may act as a limitation on its allowable payment under the Contract.

**B. LIMITATIONS ON MAXIMUM REIMBURSEMENT**

- (1) The total maximum reimbursement that will be paid by County to Contractor under the Contract, including Cash Flow Advances (CFA), if applicable, for the Initial Period, First Automatic Renewal Period, and the Second Automatic Renewal Period shall be, in no event more than, the Maximum Contract Amount (MCA) specified in Contract, for the Initial Period, First Automatic Renewal Period, and the Second Automatic Renewal Period, respectively.
  - (a) In addition to the general limitation of Paragraph B (1), above, in no event shall the maximum reimbursement that will be paid by County to Contractor under the Contract for any Funded Program be more than

the amount identified as the Funded Program Amount for each Funded Program, as stated on Exhibit B, the Financial Summary, for the Initial Period, First Automatic Renewal Period and the Second Automatic Renewal Period, as applicable.

- (2) Contractor shall immediately provide written notice to the County when, based on the Contractor's own internal records, it has billed for services/activities under the Contract in an amount equal to 60 percent of the total MCA or 60 percent of the Funded Program Amount(s) during the Initial Period, First Automatic Renewal Period or the Second Automatic Renewal Period of the Contract.
  - (a) Contractor shall send such notice to those persons and addresses which are set forth in the DMH Legal Entity Contract, Subparagraph 8.34 (NOTICES).
  - (b) Failure of Contractor to comply with this Subparagraph (B) (2) will be considered a breach of the Contract.
- (3) Except as otherwise provided in the Contract, the total MCA and/or the Funded Program Amount(s) for any of the periods specified in this Financial Exhibit A (FINANCIAL PROVISIONS), Paragraphs C (REIMBURSEMENT FOR INITIAL PERIOD) and D (REIMBURSEMENT IF CONTRACT IS AUTOMATICALLY RENEWED) may not be increased or decreased without a properly executed amendment to the Contract. The Parties acknowledge that the actual number of individuals seeking care from Contractor who are eligible under a particular Funded Program may differ from the estimated number upon which the Funded Program Amounts were based, and that it may be appropriate to increase Contractor's responsibility to provide services to certain eligible individuals while decreasing its responsibilities to provide services to other eligible individuals. Any such modification in Contractor's responsibilities, along with commensurate changes in the appropriate Funded Program Amounts, may be accomplished through a formal amendment or administrative amendment for shifting of funds, completed in advance of the provision of services and as outlined in the DMH Policy, *Shifting Guidelines for the Legal Entity Agreement*. In case of an administrative amendment, such administrative amendment may be executed by Director under delegated authority from the Board of Supervisors without prior approval of County Counsel. Such administrative amendment may be initiated by the County, with Contractor's written consent. Contractor's signature will be required to make such administrative amendment effective.
  - (a) County and Contractor may by written amendment reduce programs or services and revise the applicable MCA and/or Funded Program Amount. The Director shall provide 15 business days' prior written notice of such funding changes to Contractor, including any changes

in the amount of services to be received by County. Any such change in any applicable MCA and/or Funded Program Amount shall be effected by a written amendment or administrative amendment to the Contract, prepared by Director or designee, and executed by both parties.

**C. REIMBURSEMENT FOR INITIAL PERIOD**

- (1) The MCA for the Initial Period of the Contract as described in Paragraph 4 (TERM OF CONTRACT) of the DMH Legal Entity Contract shall not exceed  
\_\_\_\_\_  
N/A  
\_\_\_\_\_  
DOLLARS (\$\_\_\_\_\_) and shall consist of Funded Programs as shown in Exhibit B, Financial Summary.

**D. REIMBURSEMENT IF CONTRACT IS AUTOMATICALLY RENEWED**

- (1) Reimbursement For First Automatic Renewal Period: The MCA for the First Automatic Renewal Period of the Contract as described in Paragraph 4 (TERM OF CONTRACT) of the DMH Legal Entity Contract shall not exceed  
\_\_\_\_\_  
DOLLARS (\$\_\_\_\_\_) and shall consist of Funded Programs as shown in Exhibit B, Financial Summary.
- (2) Reimbursement For Second Automatic Renewal Period: The MCA for the Second Automatic Renewal Period of the Contract as described in Paragraph 4 (TERM OF CONTRACT) of the DMH Legal Entity Contract shall not exceed  
\_\_\_\_\_  
DOLLARS (\$\_\_\_\_\_) and shall consist of Funded Programs as shown in Exhibit B, Financial Summary.

**E. REIMBURSEMENT BASIS**

- (1) Reimbursement Rates for Mental Health Services: For mental health services claimed and billed through the County's claims processing information system, and except as further limited elsewhere in the Contract, Contractor will utilize provisional rates based on a Cost Reimbursement methodology under the Contract, except as may be provided under Subparagraph (E) (3) of this Exhibit A (FINANCIAL PROVISIONS).
- (a) Contractor shall calculate its requested provisional rates in accordance with the terms and limitations set forth in DMH Policy, *Provisional Rate Setting*.

- (b) Requested provisional rates for services provided under the Contract shall be uniform, unless otherwise agreed to by County and Contractor, and will apply to all similar services regardless of Funded Program.
  - (c) Notwithstanding any other provision of the Contract, the County will not approve a provisional rate that exceeds the CMA, unless extenuating circumstances apply, as determined by County, in its sole discretion.
  - (d) Contractor shall not request a provisional rate that exceeds Contractor's published charge(s) to the general public except if the Contractor is a Nominal Charge Provider.
  - (e) All provisional rates are subject to prior review and approval of the County consistent with the DMH Policy, *Provisional Rate Setting*.
  - (f) County's approval of Contractor's provisional rates does not guarantee payment or Settlement at the provisional rate.
  - (g) Contractor shall be reimbursed at the provisional rate on an interim basis, subject to and in accordance with the terms of the Contract.
  - (h) County may adjust Contractor's provisional rate(s) based on the most current cost report data as outlined in the DMH Policy, *Provisional Rate Setting*.
- (2) Reimbursement Rates for Institutions for Mental Diseases: Pursuant to Section 5902(e) of the Welfare and Institutions Code (WIC), Institutions for Mental Diseases (IMD), which are licensed as level B nursing facilities (SNF) by the State Department of Health Care Services (DHCS), are reimbursed for basic services at the rate(s) established by DHCS for Medi-Cal services provided by level B nursing facilities, in addition to the Medi-Cal rate established by DHCS for a Special Treatment Plan (STP). Accordingly, the IMD reimbursement rate will consist of a basic SNF rate and a STP rate, and for some IMD programs, a rate for specialized programming and/or provision of more intensive mental health services provided to clients at County's request, if applicable, or a Mental Health Rehabilitation Center (MHRC) rate established by the County for basic services and, if applicable, a rate for specialized programming and/or provision of more intensive mental health services provided to clients at County's request and/or meeting the criteria for acceptance of patients referred consistent with specific criteria stipulated by the County and within timeframe stipulated by the County.
- (3) Reimbursement of Other Costs and Direct Charges: Certain Funded Programs may provide for and allow Contractor to submit requests for reimbursement to the County for specific expenses that cannot be claimed through the County's claims processing information system. These expenses

shall be referred to as a "Direct Charge." Such reimbursement shall be based on actual costs plus an indirect cost rate, if applicable, expressed as a percentage of actual costs, which shall be reviewed and approved in advance by the County. To the extent an indirect cost rate is charged, a copy of Contractor's indirect cost allocation plan is required to be submitted to DMH for review and approval.

- (a) Startup Costs: During the initial year that the contract is in effect, the MCA, as identified in Paragraph C (REIMBURSEMENT FOR INITIAL PERIOD), may include startup costs for a period not to exceed [## of months]. Startup costs are those necessary to plan, prepare for, and assume operation of the eligible [Program Name], specified in the Contract. The startup costs must be reasonable and allowable, and will only be provided to Contractor on a one-time basis, subject to Director's review and approval. To the extent that expenses claimed and paid as startup costs are allocable to allowable cost objectives in Contractor's Annual Cost Report, Contractor shall redirect such cost to seek reimbursement as part of the specialty mental health service rate(s) related to the provision of the [Program Name].
- (b) Special Pay Practices (Bonuses): Bonuses are usually established when certain assignments within a class are subject to unusual demands or conditions or require special skills, such assignments are not characteristic of all positions or employees within a given class. The bonuses provide compensation to employees to accept or continue to work on such assignments. For example, many employers pay differentials to employees who work nights or weekends; some pay extra for certain skills or education that has been determined to enhance work or improve productivity.

The following are eligible bonuses that DMH will reimburse. Bonuses of any other type, if necessary, must be pre-approved by the County for reimbursement:

- ✓ Shift Differential Bonuses
- ✓ Out-Of-Class Assignment Bonus/Additional Responsibilities Bonus
- ✓ Standby Pay
- ✓ Bilingual Bonus
- ✓ Advanced Step Recruitment

Reimbursement for incentives are not reimbursable unless as specifically stated in the Statement of Work for a specific program.

For providers with Mobile Crisis Outreach Team (MCOT) Funded Program Allocations:



Upon contract agreement execution, Contractor shall be eligible to receive a \$5,000 one-time incentive payment per MCOT for a max of (XXX) team (s). Contractor must submit an invoice with employee names per MCOT to receive reimbursement

- (4) Unique Funded Program: To the extent that the Contract includes a Funded Program which has billing and payment requirements that are not consistent with the provisions of this Paragraph E (REIMBURSEMENT BASIS), the special billing and payment requirements shall be set forth in an amendment or other written form of addenda to this Financial Exhibit A (FINANCIAL PROVISIONS) memorializing the specific billing and payment requirement which shall be signed by Contractor and Director.

**F. BILLING PROCEDURES**

- (1) If Title XIX SD/MC services, and/or Title XXI MCHIP services are provided under the Contract, Contractor hereby agrees and understands that County DMH is the Mental Health Plan and as such shall act on the Contractor's behalf with DHCS in regard to State claiming and reimbursement purposes.
- (2) Claims Certification and Program Integrity:
  - (a) Contractor hereby certifies that all units of service entered by Contractor into the County's claims processing information system and/or claims for actual costs submitted as Direct Charges to County for any Funded Program covered by the Contract are true and accurate to the best of Contractor's knowledge.
  - (b) Contractor shall annually provide the additional certification set forth in the "Contractor Claims Certification for Title XIX SD/MC and Title XXI Medicaid Children's Health Insurance Program Reimbursements" (Exhibit A-1 to this Exhibit A) related to the Contractor's compliance with specific State and federal statutory and regulatory requirements which are conditions for the reimbursement of Title XIX SD/MC and/or Title XXI MCHIP claims.
- (3) Mental Health Services: Claims for all mental health services, including services funded by Title XIX SD/MC and Title XXI MCHIP, shall be entered into the County's claims processing information system within 30 calendar days of the end of the month in which services are delivered, except as otherwise provided in this Paragraph F (BILLING PROCEDURES).
  - (a) With the exception of CalWORKs MHS Non-MC and GROW Non-MC, Contractor must submit claims within 30 calendar days as specified above unless there is a reasonable justification, in which case Contractor must submit (i) an initial or original (non-replacement) claim, including claims for services under Title XIX SD/MC or under Title XXI

MCHIP, within six months after the end of the month in which the services were rendered, to the extent doing so would not preclude payment from a funding source; (ii) replacement claims for services under Title XIX SD/MC or under Title XXI MCHIP within nine months after the end of the month in which the services were rendered, to the extent doing so would not preclude payment from a funding source; and (iii) any Non-Medi-Cal claims within 14 months after the end of the month in which the services were rendered, to the extent doing so would not preclude payment from a funding source.

- (b) For CalWORKs MHS Non-MC and GROW Non-MC funded programs, Contractor must submit all eligible claims, including replacement claims, routinely and frequently, and no later than one week after the end of the month in which the eligible services are rendered. For example, claims for eligible July services must be submitted by the first week of August. Any late billings falling outside of the date approved and specified by DMH may preclude payment from the Department of Public Social Services, which may result in non-payment.
- (c) Notwithstanding Subparagraphs (3) (a) and (b) of this Paragraph (F) (BILLING PROCEDURES), for Title XIX SD/MC and Title XXI MCHIP claims, good cause justification for late claim submission is governed by applicable federal and State laws and regulations and is subject to approval by the State and/or County.
- (d) In addition to all other limitations provided in this Paragraph F (BILLING PROCEDURES), claims for all services provided through June 30<sup>th</sup> of a given fiscal year under Categorically Funded Programs as set forth in Exhibit B, Financial Summary, shall be entered into the County's claims processing information system no later than July 15<sup>th</sup> of the subsequent fiscal year, or as agreed to by the Director.
- (e) In the event the State or federal government or any funding source agency denies any or all claims submitted by County on behalf of Contractor, County will not be responsible for any payment obligation and, accordingly, Contractor shall not seek or retain payment from County and shall indemnify and hold harmless County from any and all liabilities for payment of any or all denied claims, including those denied claims that were submitted outside the period of time specified in Subparagraph (3) of this Paragraph F (BILLING PROCEDURES), except any claims which are denied due to the fault of the County. Any controversy or dispute arising from the denial of claims from the State, federal government, or other agencies shall be handled by Contractor in accordance with the applicable State, federal, or other agency's administrative appeal process.

- (f) Contractor shall, as soon as practicable, notify County of any delay in meeting the timeframe for submitting claims specified in Subparagraph (3) of this Paragraph F (BILLING PROCEDURES). In the event Contractor is not able to make timely data entry into the County's claims processing information system due to no fault on the part of Contractor, such Contractor notification should be immediate upon Contractor's recognition of the delay and must include a specific description of the problem that the Contractor is having with the County's claims processing information system. Notification shall be pursuant to the DMH Legal Entity Contract, Subparagraph 8.34 (NOTICES), and such notification shall also be made by Contractor to the DMH Chief Information Office Bureau's (CIOB) Help Desk.
  - i. Contractor shall be responsible for ensuring all response files (e.g., Health Care Claim Status Response/277 Claim Acknowledgment File, TA1, 999, and 835 files) are received, reviewed, and dispositioned within the time frame(s) established by DMH CIOB.
- (g) The County will notify Contractor in writing as soon as practicable of any County issue(s) which will prevent the entry by Contractor of claiming information into the County's claims processing information system, and County, if appropriate, will waive the requirement of Subparagraph (3) of this Paragraph F (BILLING PROCEDURES) in the event of any such County issue(s). Once County has notified Contractor that its issues are resolved, Contractor shall enter billing information into the County's claims processing information system within 30 calendar days of County's notice unless otherwise agreed to by County and Contractor.

To the extent that issues identified pursuant to Subparagraph (3) (f) of this Paragraph F (BILLING PROCEDURES) require that Contractor modify its procedures for entering claims into the County's claims processing information system, Contractor shall consult with County regarding a reasonable time required to implement such modifications and, upon approval by County, the 30 calendar days required by Subparagraph (3) (f) of this Paragraph F (BILLING PROCEDURES) shall be extended by the amount of time required to implement such modifications.

- (h) County may modify the County's claims processing information system at any time in order to comply with changes in, or interpretations of, State or federal laws, rules, regulations, manuals, guidelines, and directives. County shall notify Contractor in writing of any such modification and the reason, if known, for the modification and the planned implementation date of the modification. To the extent that

such modifications create a delay in Contractor submitting claims into the County's claims processing information system for a period of time, the timelines under this Paragraph F (BILLING PROCEDURES) shall be extended by the number of calendar days reasonably based on the time the system is inactive.

- (4) Institutions for Mental Diseases (IMD): If Contractor is an IMD, Contractor shall, no later than the 15<sup>th</sup> of each month following the service month, submit an invoice to the County for patient days approved in writing by the County. Said invoice shall be in a form as specified by the County, and will include an itemized accounting of all charges for each patient day. Invoices shall be submitted to the persons and at the address identified in Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS). Contractor acknowledges County is transitioning to an electronic claiming system and may need to submit claims electronically for timely payment.
- (5) Direct Charges: Contractor shall submit invoices for Direct Charges within 45 calendar days of the end of the month in which the eligible expense was incurred or accrued, unless otherwise required to comply with grant and/or funding source requirement, in which case, DMH will provide written notification to Contractor. Contractor shall assign a unique invoice number to each invoice. Such invoice shall be in the form and include the content specified by County for each Funded Program. Invoices shall be submitted pursuant to Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS). Failure to comply with the terms specified in Subparagraph (5) of this Paragraph F (BILLING PROCEDURES) may result in non-payment of said invoice.
  - (a) In addition to all other limitations provided in this Paragraph F (BILLING PROCEDURES), Direct Charges for all services provided through June 30<sup>th</sup> of a given fiscal year under Categorically Funded Programs as set forth in Exhibit B, Financial Summary, shall be submitted to the persons and at the addresses identified in Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS) no later than July 15<sup>th</sup> of the subsequent fiscal year, or as agreed to by the Director.

**G. COUNTY PAYMENT FOR SERVICES RENDERED**

- (1) General: County agrees to reimburse Contractor for services rendered under Funded Programs during the term of the Contract based on the provisional rates approved in writing by the County for the Initial Period, First Automatic Renewal Period and Second Automatic Renewal Period, as applicable, subject to all of the rules, regulations and policies established by the County, State and/or federal governments regarding payment and reimbursement of services, and in accordance with the terms of the Contract.

- (2) County Payments: After Director's review and approval of the billing (i.e., claim or invoice), County shall provisionally pay Contractor in accordance with the following:
- (a) County shall make good faith efforts to make payments for services billed through the County's claims processing information system as soon as possible after submission and approval, subject to the limitations and conditions specified in the Contract, but within 60 calendar days after submission and approval. County shall make available a schedule of anticipated payment dates for claims submitted by Contractor into the County's claims processing information system on or prior to July 1 of each year.
  - (b) Payments for services or Direct Charges billed through invoices shall be paid within 60 calendar days after receipt of a complete and accurate invoice, subject to the limitations and conditions specified in the Contract.

**H. BILLING AND PAYMENT LIMITATIONS**

- (1) Provisional Payments: County payments to Contractor for performance of eligible services hereunder are provisional until the completion of all settlement activities and audits, as such payments are subject to future County, State and/or federal adjustments. County adjustments to provisional payments to Contractor will be based upon the local match funding amount specified in Exhibit B, Financial Summary, County's claims processing information system data, State adjudication of Medi-Cal claims files, limitations of the Contract, annual Cost Report, application of various County, State and/or federal reimbursement limitations, application of any County, State and/or federal policies, procedures and regulations, and/or County, State or federal audits, all of which take precedence over monthly claim reimbursements provided by County. County and Contractor acknowledge that the references in this Paragraph H (BILLING AND PAYMENT LIMITATIONS) represent examples only and are not intended, nor shall be construed, to represent all of the circumstances or conditions that may result in adjustments to provisional payments.
- (2) Other Limitations for Certain Funded Programs: In addition to all other limitations provided in this Paragraph H (BILLING AND PAYMENT LIMITATIONS), reimbursement for services rendered under certain Funded Programs may be further limited by rules, regulations and procedures applicable only to that Funded Program. Contractor shall be familiar with said rules, regulations and procedures and submit all claims in accordance therewith.

- (a) Reimbursement of certain Direct Charges, such as but not limited to capital improvement, are contingent upon the delivery of appropriate and associated services. If the County reasonably determines from a review of Contractor's service and billing records that the Contractor failed to deliver required services associated with such Direct Charge(s), County shall have the right to adjust and/or recover provisional payment(s) associated with such Direct Charge(s). The recovery from Contractor shall be made through cash payment made by Contractor to County and/or County offsets to County payment(s) of Contractor's approved claim(s) in accordance with the terms of Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY) and Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS).
- (3) Adjustment of Claims Based on Other Data and Information: The County shall have the right to adjust claims based upon data and information that may include, but is not limited to, County's claims processing information system reports, remittance advices, State adjudication of Medi-Cal claims, 835 data, and Contractor's annual Cost Report, all of which shall supersede and take precedence over the claimed amount submitted by Contractor.
- (4) Adjustment of Claims for Contract Compliance: Director, in his sole discretion and at any time and without prior written notice to Contractor, may take any necessary actions required to ensure that Contractor shall not be paid a sum in excess of the amount due to the Contractor under the terms and conditions of the Contract. Such actions may include, but are not limited to, reimbursing claims submitted through the claims processing information system at an amount less than that amount that would be calculated using Contractor's provisional rates, denying claims for payment; holding claims for Medi-Cal services from being forwarded for adjudication by the State; withholding payment of certain claims; and/or demanding repayment from Contractor.
  - (a) Concurrent with any such action, Director shall provide Contractor with written notice of the County's decision to take such action(s), including the reason(s) for the action(s). Thereafter, Contractor may, within 10 calendar days of Contractor's receipt of the notification, request reconsideration of the County's decision. Contractor may request in writing, and shall receive if requested, County's computations for making a determination that such action was necessary, including any amount(s) held, denied or reduced.
  - (b) Upon receiving a request for reconsideration from Contractor, County shall, within 15 calendar days, schedule a meeting with Contractor to consider Contractor's request to reconsider its action. At said meeting, Contractor may present to the County information or documentation relevant to the circumstances that led the County to take such actions and may propose alternative actions.

- (c) Within 15 calendar days of said meeting, County shall, in writing, notify Contractor, of its final decision which may include County's request to Contractor to void said claims in the County's claim processing information system. The decision of the Director will be final.

Should the County grant reconsideration, such reconsideration will only be applicable to claims paid and processed to the appropriate funding sources after the date that said reconsideration is granted.

- (5) No Payment for Services Rendered Following Expiration/Termination of Contract: Contractor shall have no claim against County for payment of any money, or reimbursement of any kind whatsoever, for any service provided by Contractor after the expiration or other termination of the Contract or any part thereof. Should Contractor receive any such payment, it shall immediately notify County and shall immediately repay all such funds to County. Payment by County for services rendered after expiration/termination of the Contract shall not constitute a waiver of County's right to recover such payment from Contractor. This provision shall survive the expiration or other termination of the Contract.
- (6) Contractor agrees to hold harmless both the State and beneficiary in the event County cannot or will not pay for services performed by Contractor pursuant to the Contract.

**I. LIMITATION OF PAYMENTS BASED ON FUNDING AND BUDGETARY RESTRICTIONS**

- (1) The Contract is subject to any restrictions, limitations, or conditions imposed by State which may in any way affect the provisions or funding of the Contract, including, but not limited to, those contained in State's Budget Act.
- (2) The Contract is also subject to any additional restrictions, limitations, or conditions imposed by the federal government which may in any way affect the provisions or funding of the Contract.
- (3) In the event that the County's Board of Supervisors adopts, in any fiscal year, a County Budget which provides for reductions in County contracts, the County reserves the right to reduce its payment obligation under the Contract corresponding with that fiscal year and any subsequent fiscal year during the term of the Contract (including any extensions), and the services to be provided by the Contractor under the Contract shall also be reduced accordingly. The County's notice to the Contractor regarding said reduction in payment obligation shall be provided within 30 calendar days of the Board's approval of such action. Except as set forth above in Subparagraph (3) of this Paragraph I (LIMITATIONS OF PAYMENTS BASED ON FUNDING AND BUDGETARY RESTRICTIONS) and Subparagraph (5) of Paragraph J

(CONTRACTOR PROHIBITED FROM REDIRECTION OF CONTRACTED FUNDS), the Contractor shall continue to provide all of the services set forth in the Contract.

- (4) Notwithstanding any other provision of the Contract, County shall not be obligated for Contractor's performance hereunder or by any provision of the Contract during this or any of County's future fiscal years unless and until the County's Board of Supervisors appropriates funds for the Contract in County's Budget for each such fiscal year. In the event funds are not appropriated for the Contract, then the Contract shall terminate as of June 30<sup>th</sup> of the last fiscal year for which funds were appropriated. County shall notify Contractor of any such non-appropriation of funds at the earliest possible date.
- (5) Notwithstanding any other provision of the Contract, for the purposes of any special grants such as Substance Abuse and Mental Health Services Administration (SAMHSA) and discretionary funds received from the Board of Supervisors, any unspent amounts of such grants and/or discretionary funds, if so authorized by the grantor or the Board of Supervisors, may be rolled over from one fiscal year to the next by decreasing the Funded Program Amount and MCA for the fiscal year in which the funds were unspent and increasing the Funded Program Amount and MCA by the same amount in the following fiscal year. Such roll over of funds shall not, in any event, allow Contractor to receive reimbursement for services/activities paid by these grants and/or discretionary funds in excess of the total allotment of such grants and discretionary funds over the period covered by such grants and discretionary funds. Any such change in the MCA due to such roll over of funds shall be effected by a duly executed amendment to the Contract.

**J. CONTRACTOR PROHIBITED FROM REDIRECTION OF CONTRACTED FUNDS**

- (1) Funds under the Contract are provided for the delivery of mental health services to eligible beneficiaries under each of the Funded Programs identified in Exhibit B, Financial Summary. Each Funded Program has been established in accordance with the requirements and restrictions imposed by each respective County, State and/or federal payer source contributing to the Funded Program.
- (2) Contractor may not redirect funds from one Funded Program to another Funded Program, except through a duly executed amendment to the Contract as outlined in DMH Policy, *Shifting Guidelines for the Legal Entity Contract*.
- (3) Contractor may not charge services delivered to an eligible beneficiary under one Funded Program to another Funded Program unless the recipient is also an eligible beneficiary under the second Funded Program. When a recipient of services is an eligible beneficiary under more than one Funded Program, Contractor shall charge the services to the Funded Program under which the



County shall receive maximum reimbursement from non-County sources, provided that Contractor has available funds under the appropriate Funded Program.

- (4) Contractor also shall not charge services delivered to an eligible beneficiary for Medi-Cal to the Non-Medi-Cal Funded Program Amount except in such cases when a client's eligibility for benefits is being established or determined, or when the client is eligible for Medi-Cal minor consent, or when DMH has given advance approval to use the Non-Medi-Cal Funded Program Amount. Upon confirming that said client is approved for Medi-Cal benefits, or in such case that the County may determine that a service paid originally through the Non-Medi-Cal Funded Program Amount was to a client approved for Medi-Cal, Contractor shall void the original claims for services provided on or after the effective date that Medi-Cal services became eligible for reimbursement, and replace/resubmit such claims for Medi-Cal under the correct Funded Program.
- (5) Contractor shall deliver services to clients to the extent that funding is provided by the County. Where Contractor determines that services to clients can no longer be delivered, Contractor shall provide 30 calendar days prior written notice to County. Contractor shall thereafter refer clients to County or to another appropriate Contractor.
  - (a) Contractor shall not be required to provide the notice required under Subparagraph (5) of this Paragraph J (CONTRACTOR PROHIBITED FROM REDIRECTION OF CONTRACTED FUNDS) if the County reduces funding to the Contractor under Paragraph I (LIMITATION OF PAYMENTS BASED ON FUNDING AND BUDGETARY RESTRICTIONS) whether such reductions occur at the beginning of, or during, a fiscal year. In addition, if County reduces or eliminates funding for a specific Funded Program, or portion thereof, Contractor shall not be responsible for continuing services for those clients served by the Funded Program, or portion thereof.

**K. CONTRACTOR'S RESPONSIBILITY TO ENSURE QUALITY OF SERVICES AND TO MONITOR SERVICE PLAN**

- (1) Contractor shall deliver and monitor services so that Contractor can provide continued and uninterrupted provision of quality eligible services to eligible beneficiaries as specified in the Contract, to the extent funding is provided by County. If the County reasonably determines the Contractor will not meet expectations listed in Subparagraph (2) of this Paragraph K (CONTRACTOR'S RESPONSIBILITY TO ENSURE QUALITY OF SERVICES AND TO MONITOR SERVICE PLAN), County may notify Contractor to discuss and determine whether a corrective action plan (CAP) will be required.

- (a) If a CAP is issued and Contractor fails to comply with such CAP, County may implement remedies specified in Subparagraph (2) of Paragraph Z (COUNTY REMEDIES FOR CONTRACTOR DEFAULT OR NON-COMPLIANCE).
- (2) Without limiting Contractor's obligations under the Contract, Contractor shall meet performance and/or outcome expectations that are specified in the Contract, Statement(s) of Work, Service Exhibit(s), approved Service Delivery Plan (SDP), and/or Department guidelines, directives, and practice parameters.
  - (a) County will follow up with the Contractor to discuss and determine remedies for late submission of an SDP.

**L. LIMITATION ON COUNTY'S FINANCIAL RESPONSIBILITY FOR PAYMENT OF SERVICES UNDER TITLE XIX SHORT-DOYLE/MEDI-CAL SERVICES AND/OR TITLE XXI MEDICAID CHILDREN'S HEALTH INSURANCE PROGRAM**

- (1) If, under the Contract, Contractor has Funded Programs that include Title XIX SD/MC services, and/or Title XXI MCHIP services, Contractor shall certify annually, no later than July 10<sup>th</sup> of each year, in writing, that all necessary documentation will exist at the time any claims for Title XIX SD/MC services and/or Title XXI MCHIP are submitted by Contractor to County.

Contractor shall be solely liable and responsible for all service data and information submitted by Contractor.

- (2) Contractor acknowledges and agrees that the County, in undertaking the processing of claims and payment for services rendered under the Contract for these Funded Programs, does so as the Local Mental Health Plan for the State and federal governments.
- (3) Contractor shall submit to County all Title XIX SD/MC and/or Title XXI MCHIP claims or other State required claims data within the timeframe(s) prescribed by the Contract to allow the County to meet the timeframes prescribed by the State and federal governments. County shall have no liability for Contractor's failure to comply with the timeframes established under the Contract and State and federal timeframes, except to the extent that such failure was due to the fault of the County.
- (4) County, as the Mental Health Plan, shall submit to the State in a timely manner, claims for Title XIX SD/MC services and/or MAA, and/or Title XXI MCHIP services only for those services/activities identified and entered into the County's claims processing information system, which are compliant with State and federal requirements. County shall make available to Contractor

any subsequent State approvals or denials of such claims within 30 days of receipt thereof.

- (5) Contractor acknowledges and agrees that County's final payment for services and activities claimed by Contractor for Title XIX SD/MC services and/or Title XXI MCHIP services is contingent upon reimbursement from the State and federal governments and that County will re-coup any provisional payments for said services that are not ultimately reimbursable.
- (6) Contractor's ability to retain payment for such services and/or activities is entirely dependent upon Contractor's compliance with all laws and regulations related to same.
- (7) Notwithstanding any other provision of the Contract, Contractor shall hold County harmless from and against any loss to Contractor resulting from the denial or disallowance of claims for or any audit disallowances related to said services by the County, State or federal governments, or other applicable payer source, unless the denial or disallowance was due to the fault of the County.
- (8) Contractor shall repay to County the amount paid by County to Contractor for Title XIX SD/MC and/or Title XXI MCHIP services/activities which are subsequently denied or disallowed by the County, State, and/or federal governments. In no event shall County be liable or responsible to Contractor for any State approved Title XIX SD/MC and/or Title XXI MCHIP services/activities that are subsequently denied or disallowed by County, State, and/or federal governments unless the denial or disallowance was due to the fault of the County.
- (9) The total County payment for Title XIX SD/MC services and/or Title XXI MCHIP services under federal requirements consists of federal financial participation, County, State and/or other grant funds. Contractor acknowledges that if such services are subsequently denied, voided, and/or disallowed, County shall make a full recovery of such payments, as applicable.
- (10) Notwithstanding any other provision of the Contract, Contractor agrees that the County may offset future payments to the Contractor and/or demand repayment from Contractor when amounts are owed to the County pursuant to above Subparagraphs (7) and (8) of this Paragraph L (LIMITATIONS ON COUNTY'S FINANCIAL RESPONSIBILITY FOR PAYMENT OF SERVICES UNDER TITLE XIX SHORT-DOYLE/MEDI-CAL SERVICES AND/OR TITLE XXI MEDICAID CHILDREN'S HEALTH INSURANCE PROGRAM). Such demand for repayment and Contractor's repayment shall be in accordance with Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY), except for

denials reflected on the State's 835 files, which will be offset immediately from the County's next payment to Contractor.

- (11) Contractor shall comply with all written instructions provided to Contractor by Director, State or other applicable payer source regarding claiming and documentation.
- (12) Nothing in this Paragraph L (LIMITATIONS ON COUNTY'S FINANCIAL RESPONSIBILITY FOR PAYMENT OF SERVICES UNDER TITLE XIX SHORT-DOYLE/MEDI-CAL SERVICES AND/OR TITLE XXI MEDICAID CHILDREN'S HEALTH INSURANCE PROGRAM) shall be construed to limit Contractor's rights to appeal State and federal settlement and/or audit findings in accordance with the applicable State and federal regulations.

**M. PATIENT/CLIENT ELIGIBILITY, UMDAP FEES, THIRD PARTY REVENUES, AND INTEREST**

- (1) Contractor shall comply with all County, State, and federal requirements and procedures relating to:
  - (a) The determination and collection of patient/client fees for services hereunder based on the Uniform Method of Determining Payment (UMDAP), in accordance with State guidelines and WIC Sections 5709 and 5710.
  - (b) The eligibility of patients/clients for SD/MC, Medicare, private insurance, or other third party revenue, and the collection, reporting and deduction of all patient/client and other revenue for patients/clients receiving services hereunder. Contractor shall pursue and report collection of all patient/client and other revenue.
  - (c) Contractor shall not charge the client's financial responsibility for a service to the Non-Medi-Cal Funded Program Amount.
- (2) All fees paid by patients/clients receiving services under the Contract and all fees paid on behalf of patients/clients receiving services hereunder shall be utilized by Contractor only for the delivery of mental health services/activities specified in the Contract.
- (3) Contractor may retain unanticipated revenue, which is not shown in Contractor's Service Delivery Plan for the Contract, for a maximum period of one fiscal year, provided that the unanticipated revenue is utilized for the delivery of mental health services/activities specified in the Contract. Contractor shall report the expenditures for the mental health services/activities funded by this unanticipated revenue in the Annual Cost Report submitted by Contractor to County.

- (4) Contractor shall not retain any fees paid by any sources for, or on behalf of, Medi-Cal beneficiaries without deducting those fees from the cost of providing those mental health services for which fees were paid.
- (5) Contractor may retain any interest and/or return which may be received, earned or collected from any funds paid by County to Contractor, provided that Contractor shall utilize all such interest and return only for the delivery of mental health services/activities specified in the Contract.
- (6) Failure of Contractor to report in all applicable claims, and in its Annual Cost Report, all fees paid by patients/clients receiving services hereunder; all fees paid on behalf of patients/clients receiving services hereunder; all fees paid by third parties on behalf of Medi-Cal beneficiaries receiving services and/or activities hereunder; all unanticipated revenue not shown in Contractor's Service Delivery Plan for the Contract; and all interest and return on funds paid by County to Contractor, shall result in one or more, or all, of the following:
  - (a) Contractor's submission of a revised claim statement showing all such non-reported revenue.
  - (b) A report by County to DHCS of all such non-reported revenue including any such unreported revenue paid by any sources for or on behalf of Medi-Cal beneficiaries.
  - (c) Any appropriate financial adjustment to Contractor's reimbursement.

**N. CASH FLOW ADVANCE (CFA) IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED**

- (1) The CFA, if approved by County, is an advance of funds to be repaid by Contractor through direct payment of cash and/or through the provision of appropriate services/activities under the Contract during the applicable period.
- (2) For each month of each period of the Contract, County will reimburse Contractor based upon Contractor's submitted claims for rendered services/activities subject to claim edits, and future settlement and audit processes. However, for each month of the first two months, of the Initial Term, the First Automatic Renewal Period, or the Second Automatic Renewal Period, Contractor may request in writing from County a monthly County General Fund CFA as herein described.
- (3) CFA disbursement(s), if any, shall be part of the total maximum reimbursement, which is limited to the MCA as specified in Paragraph B (LIMITATIONS ON MAXIMUM REIMBURSEMENT).

- (4) A CFA is intended to provide cash flow to Contractor pending Contractor's rendering and billing of eligible services/activities, as identified in the DMH Legal Entity Contract Subparagraph 3.3 (DESCRIPTION OF SERVICES/ACTIVITIES), and County payment thereof. Contractor may request each monthly CFA only for such services/activities and only to the extent that there is no reimbursement from any public or private sources for such services/activities.
- (5) Notwithstanding any other provision to the contrary, funding for Wraparound Case Rate (i.e., Specialized Foster Care Wraparound Invoice Funded Program) and Full Service Partnership Incentives shall not be included when computing monthly CFA amount(s).
- (6) Cash Flow Advance Request Letter: For each month for which Contractor is eligible to request and receive a CFA, Contractor must submit to the County a letter requesting a CFA and the amount of CFA Contractor is requesting.
  - (a) In order to be eligible to receive a CFA, the letter requesting a CFA must be received by the Director on or before the 15<sup>th</sup> day of that month (e.g., for the month of July , the request must be received by July 15).
    - i. If the letter requesting CFA is received by the County from the Contractor after the 15th day of the month, Contractor will not be eligible to receive a CFA for that month.
  - (b) The signed letter requesting a CFA must be sent via email (PDF file) to the Department of Mental Health Financial Services Bureau – FSB Administration at: [FSB@dmh.lacounty.gov](mailto:FSB@dmh.lacounty.gov).
    - i. FSB staff will determine whether Contractor is eligible to have its request considered based on the date the request letter is received by PRS and not the date on the request letter.
  - (c) Upon receipt of a request, Director, in his sole discretion, shall determine whether to approve the CFA and, if approved, whether the request is approved in whole or in part.
    - i. If a CFA is not approved, Director will notify Contractor within 10 business days of the decision, including the reason(s) for non-approval. Thereafter, Contractor may, within 15 calendar days, request reconsideration of the decision.
- (7) Reduction of Cash Flow Advance Amount by Actual Adjudicated Claims: The CFA amount available to Contractor for any particular month will be reduced by County payments for claims received from Contractor. The County's

claims payment process is initiated immediately upon County receipt from Contractor of a reimbursement claim.

(8) Business Rules for the Determination of the Maximum Amount of the Cash Flow Advance Request:

- (a) For each of the first two months of each period that the Contract is in effect, Contractor may request in writing from County a monthly County General Fund CFA for any funds which may be part of the MCA for such period as identified in the Financial Summary. Contractor shall specify in its request the amount of the monthly CFA it is requesting, not to exceed \$\_\_\_\_\_ for the first month and \$\_\_\_\_\_ for the second month, if applicable. In no event shall the monthly CFA requested by Contractor exceed 1/12<sup>th</sup> of the annualized MCA as identified on Exhibit B, Financial Summary, as of the specified month the CFA is requested.
- (b) In case the Contract is amended to increase or reduce the MCA during the first two months during which the Contractor may request and receive CFA, the CFA amount shall be recalculated for the remaining month(s) based on the executed date of the amendment. For the month in which the amendment is executed, the revised CFA amount shall be based on the executed date of the amendment, and if such executed date falls between the 1<sup>st</sup> and the 15<sup>th</sup> of the month, the revised CFA amount will be adjusted based on the total amount of the change in the MCA. If the executed date falls between the 16<sup>th</sup> and the end of the month, the revised CFA amount will be calculated based on one half (1/2) of the total change in the MCA.
- (c) The Contractor may request in writing from County, consistent with above Subparagraph (8) (a) of this Paragraph N (CASH FLOW ADVANCE IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED), for additional monthly CFA to accommodate extraordinary circumstances that are beyond Contractor's control, including but not limited to, Contractor's inability to submit claims to the County as described in Subparagraph (3) of Paragraph F (BILLING PROCEDURES) or due to procedural matters associated with transitioning Contractor to County's new claims processing information system, County's inability to process claims due to extended disruption in the County's claims processing information system, or any other circumstance determined by the Director, in his sole discretion, to constitute an extraordinary circumstance beyond Contractor's control. The County, in its sole discretion, shall review Contractor's request, including but not limited to, the amount of CFA requested and the amount of CFA requested in relation to the number of months

remaining in the fiscal year, and shall respond accordingly within 15 business days from the receipt of such request.

- i. Additional monthly CFA is subject to approval by the Director, County Auditor-Controller, County Counsel and County Chief Executive Office.

- (9) Recovery of Cash Flow Advances: If Contractor has received any CFA pursuant to this Paragraph N (CASH FLOW ADVANCE IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED), then recovery from Contractor's monthly claims shall be made through cash payment made by Contractor to County and/or through County offsets to County payment(s) of Contractor's approved claim(s) as follows:
  - (a) Generally, when Contractor renders services at a level that would indicate it will utilize all or a substantial portion of its MCA, County initiates recovery of the CFA balance, if any, for a particular fiscal year in July following the close of such fiscal year or at such time as payments to Contractor, including the CFA, reach the MCA. Such recovery is initiated through the Contractor's rendering and submitting of appropriate services and activities into the County's claims processing information system and/or the submission of invoices for direct charges.
  - (b) If at any time during the fiscal year, County determines that Contractor is not rendering services at a level that would utilize all of its MCA, County may initiate recovery of the CFA as specified above in Subparagraph (9) (a) of this Paragraph N (CASH FLOW ADVANCE IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED) prior to July 1. If County intends to initiate recovery of the CFA prior to July 1, County will give Contractor 30 calendar days' prior written notice, including the reason(s) for the intended actions, to ensure Contractor renders and submits sufficient services/activities to have repaid all, or a substantial portion of the CFA, by August 31<sup>st</sup> following the fiscal year close. Contractor may, within 15 calendar days of the receipt of County's written notice, request reconsideration of the County's decision.
- (10) When Contractor's CFA balance is zero in any fiscal year of the term of the Contract, any County and/or State and/or federal government(s) approved Contractor reimbursement claims for eligible services/activities will be disbursed in accordance with the terms and conditions of the Contract.
- (11) Should Contractor request and receive a CFA, Contractor shall exercise cash management of such CFA in a prudent manner.



**O. ANNUAL COST REPORTS**

- (1) For each fiscal year or portion thereof that the Contract is in effect, Contractor shall provide County with two copies of an accurate and complete Annual Cost Report, along with a statement of expenses and revenue, and a Cost Report Certification. The statement of expenses and revenue and Cost Report Certification must be signed by Contractor's executive official or designee, and be submitted with an accurate and complete copy of the Cost Report by the due date specified in Subparagraph (4) of this Paragraph O (ANNUAL COST REPORTS) in order to satisfy the annual cost reporting requirement.
- (2) An accurate and complete Annual Cost Report shall be defined as a Cost Report which is completed utilizing reliable data source(s) to the best ability of Contractor on such forms or in such formats as specified and instructed by the County. The forms and formats must be error-free.
- (3) The Annual Cost Report will be comprised of a separate set of forms for the County and State based on the Financial Summary applicable to the fiscal year.
- (4) The Annual Cost Report will be due on September 15<sup>th</sup> for the fiscal year ending on the previous June 30<sup>th</sup> unless otherwise specified by the County or 75 calendar days following the expiration or termination date of the Contract, whichever occurs earlier. Should the due date fall on a weekend, such report will be due on the following business day.
- (5) Contractor may submit a written request for an extension to submit the Annual Cost Report to the Director no later than 30 calendar days prior to the due date specified in Subparagraph (4) of this Paragraph O (ANNUAL COST REPORTS). The decision to grant an extension shall be at the sole discretion of the Director.
- (6) Each Annual Cost Report shall be prepared by Contractor in accordance with the Centers for Medicare and Medicaid Services' Publications #15-1 and #15-2; "The Provider Reimbursement Manual Parts 1 and 2;" the State's Cost and Financial Reporting System (CFRS) Instruction Manual; and any other written guidelines that are provided to Contractor at the Cost Report training. The training will be conducted by County at least 30 calendar days prior to the Annual Cost Report submission deadline.
  - (a) Attendance by Contractor at the County's Cost Report Training is mandatory.
  - (b) Contractor must stay for the entire duration of the training, unless otherwise permitted by County, in order to meet the attendance requirement.

- (7) Once the State commences its SD/MC reconciliation process, the County can no longer accept revised Cost Reports. County will notify Contractor of the deadline to submit revised Cost Reports. Unless otherwise agreed to between County and Contractor, revised Cost Reports will not be accepted beyond the deadline.
- (8) Upon written notification from the Director that its Annual Cost Report contains errors or inaccuracies, Contractor shall, within 15 calendar days, unless otherwise specified by DMH, correct such errors and inaccuracies and resubmit its Annual Cost Report.
- (9) Non-compliance with the Annual Cost Report submission and training requirements in this Paragraph O (ANNUAL COST REPORT) may result in County implementing remedies specified in Paragraph Z (COUNTY REMEDIES FOR CONTRACTOR DEFAULT OR NON-COMPLIANCE).

**P. OTHER REQUIREMENTS FOR CONTRACTORS PROVIDING TITLE XIX SHORT-DOYLE/MEDI-CAL SERVICES AND/OR TITLE XXI MEDICAID CHILDREN'S HEALTH INSURANCE PROGRAM SERVICES**

- (1) Contractor shall maintain records documenting all Title XIX SD/MC services and/or Title XXI MCHIP services for a period of 10 years from the end of the fiscal year in which such services were provided or until three years after final resolution of any audits or appeals, whichever occurs later.
- (2) Contractor shall complete and certify, in accordance with State and County instructions, and provide DMH with two copies of an accurate and complete SMHS Reconciliation Report, also referred to as Title XIX SD/MC Reconciliation Report by the due date set by the County for the applicable fiscal year.
  - (a) Should Contractor fail to provide County with the SMHS Reconciliation Report by the due date, then Director, in his sole discretion, shall determine which State approved SD/MC services shall be used by County for completion of the SMHS Reconciliation Report.
  - (b) Contractor shall hold County harmless from and against any loss to Contractor resulting from the Contractor's failure to provide County with the SMHS Reconciliation Report and County's subsequent determination of which State-approved SD/MC services to use for completion of the SMHS Reconciliation Report for the Contractor.
- (3) To comply with the Federal Medicaid Managed Care Final Rule and Federal Mental Health and Substance Use Disorder Services Parity Final Rule requirements related to the recovery and reporting of overpayment(s) due to fraud, waste, or abuse (CMS-2390-P), Contractor shall void any claims

associated with such overpayment(s) within 30 calendar days of discovery of such overpayment(s).

- (a) To comply with the reporting requirement in Title 42 of Code of Federal Regulations, Part 438 and Centers for Medicare and Medicaid Services' (CMS) Final Rule, CMS-2390-P, Contractor shall submit a void report upon the discovery of such overpayment(s) to the County as specified in DMH Central Business Office (CBO) Bulletins NGA 20-009R, NGA 20-013, NGA 20-017, and any subsequent CBO Bulletin(s) related to Reporting of Overpayments (published in <https://dmh.lacounty.gov/for-providers/cbo-bulletins/>)

**Q. INTERIM SETTLEMENT**

Subsequent to the County's filing of the annual Cost Report on behalf of the Contractor, County shall settle with Contractor on an interim basis only if sufficient funds are available. The Interim Settlement is the County's settlement process based on the Contractor's submitted annual Cost Report. It will equal the difference between the Contractor's eligible costs for reimbursement under the Contract and the total year-to-date payments Contractor has already received, including any CFA. This Interim Settlement amount is provisional and may be subject to change based on the DHCS Cost Report Settlement, and SD/MC Cost Report Audit Report and revised Cost Report Audit Report outcomes.

- (1) AMOUNT DUE: The Interim Settlement process may result in either County owing Contractor or Contractor owing County payments. The amount due is calculated by subtracting the total year-to-date payments, including CFA, made by County to Contractor in a given Fiscal Year from the Contractor's eligible, reimbursable costs under the Contract. If an amount is owed from Contractor to County, the recovery from Contractor shall be made in accordance with the terms of Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY) and Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS).

(2) PAYMENT BY COUNTY TO CONTRACTOR:

- (a) County will provide Contractor with written notification of the amount owed to Contractor, if any.
- (b) County will first apply any funds owed to Contractor to reduce any other outstanding amounts owed by Contractor to County.
- (c) If no other funds are owed to County, County will pay Contractor within 30 calendar days of notification of Interim Settlement amounts, except if an amendment or Board Letter is required.

- (3) Contractor may, by written notice within 30 calendar days of receiving County's notification of the amount owed, ask to review the County's Interim Settlement calculations.
  - (a) County will review the calculations with Contractor within 30 calendar days of receipt of request.
  - (b) County will follow-up with a written response within 30 calendar days following review of the results, if needed.

**R. SPECIALTY MENTAL HEALTH SERVICES OR SHORT-DOYLE/MEDI-CAL**  
**UNITS OF SERVICE RECONCILIATION AND COST REPORT SETTLEMENT**

- (1) Contractor is required to participate in the SMHS, or SD/MC UOS, Reconciliation and DHCS SD/MC Cost Report Settlement processes. To the extent that DHCS issues a settlement amount to County, County will issue a revised settlement to Contractor, as applicable.
- (2) Such SD/MC reconciliation and associated Settlement will be subject to the terms and conditions of the Contract and any other applicable State and/or federal statutes, regulations, policies, procedures and/or other requirements pertaining to cost reporting and settlements for Title XIX SD/MC and XXI MCHIP, and other applicable federal and/or State programs.
- (3) SD/MC Cost Report Settlement shall be subject to the limitations contained in Exhibit B, Financial Summary, which include, but are not limited to:
  - (a) Available local funds as indicated in Column D of the Financial Summary;
  - (b) Actual claims submitted and approved to those third-parties providing funds in support of specific Funded Programs; and
  - (c) Funded Program Amounts.
- (4) County shall issue the DHCS SD/MC Cost Report Settlement results to Contractor no later than 180 calendar days following receipt of the outcome from DHCS.
  - (a) As part of its SD/MC Cost Report Settlement process, County shall identify any amounts due to Contractor by the County or due from the Contractor to the County.
  - (b) Upon issuance of the County's SD/MC Cost Report Settlement amounts, Contractor may, within 30 calendar days, submit a written

request to the County for review of the SD/MC Cost Report Settlement results.

- i. Upon receipt by County of the Contractor's written request, the County shall, within 30 calendar days, meet with the Contractor to review the SD/MC Cost Report Settlement amounts and to consider any documentation or information presented by the Contractor. Contractor may waive such meeting and elect to proceed based on written submission at its sole discretion.
  - ii. Within 30 calendar days of the meeting specified above in Subparagraph (4) (i) of this Paragraph R (SPECIALTY MENTAL HEALTH SERVICES SHORT-DOYLE/MEDI-CAL UNITS OF SERVICE RECONCILIATION AND COST REPORT SETTLEMENT), County shall issue a response to the Contractor that confirms or adjusts any amounts due to Contractor by the County or due from Contractor to the County.
- (5) In the event that the SD/MC Cost Report Settlement indicates that the Contractor is due payment from the County, County shall initiate the payment process to Contractor within 30 calendar days following the expiration of the date to request a review as specified above in Subparagraph (4) (b) of this Paragraph R (SPECIALTY MENTAL HEALTH SERVICES SHORT-DOYLE/MEDI-CAL UNITS OF SERVICE RECONCILIATION AND COST REPORT SETTLEMENT) or issuance of the County response as specified above in Subparagraph (4) (b) (ii) of this Paragraph R (SPECIALTY MENTAL HEALTH SERVICES SHORT-DOYLE/MEDI-CAL UNITS OF SERVICE RECONCILIATION AND COST REPORT SETTLEMENT), whichever is later.
- (6) In the event that the SMHS Cost Report Settlement indicates that the Contractor owes payment to the County, Contractor shall make payment to the County in accordance with the terms of Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY). Said payment shall be submitted to the persons and at the address identified in Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS).
- (7) Regardless of any other provision of this Paragraph R (SPECIALTY MENTAL HEALTH SERVICES SHORT-DOYLE/MEDI-CAL UNITS OF SERVICE RECONCILIATION AND COST REPORT SETTLEMENT), reimbursement to Contractor shall not exceed the MCA and shall not exceed the Funded Program Amount, as identified on the Financial Summary.

**S. AUDIT, AUDIT APPEAL AND ASSOCIATED SHORT-DOYLE/MEDI-CAL SETTLEMENT**

- (1) At any time during the term of the Contract or after the expiration or termination of the Contract, in accordance with State and federal law including but not limited to Welfare and Institutions Code (WIC) Section 14170 et seq., authorized representatives from the County, State or federal governments may conduct an audit of Contractor regarding the services/activities provided under the Contract.
- (2) Settlement of audit findings will be conducted according to the auditing party's procedures in place at the time of the audit.
- (3) Post-Audit SD/MC Settlement: At the conclusion of its audit process, DHCS will issue a report on the Cost Report Review (Audit Report) and initiate a corresponding settlement action.
  - (a) Within 90 calendar days of receiving the Audit Report, County shall inform Contractor of any audit findings and associated settlement actions (i.e. amount to be collected, amount to be paid, etc.).
  - (b) If the audit findings result in an amount due to County by the Contractor, Contractor shall make payment to the County in accordance with the terms of Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY). Payment shall be submitted to the persons and at the address identified in Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS).
  - (c) County shall follow all applicable federal, State, and County laws, regulations, manuals, guidelines and directives in recovering any over-payments from Contractor.
  - (d) If the audit findings result in an amount due to Contractor by the County, County shall initiate the payment process to Contractor within 30 days of receiving the Audit Report settlement payment from DHCS.
  - (e) To the extent DHCS defers its collection of any amounts due from or payable to the County, County will also defer corresponding settlement actions to the Contractor until such time DHCS initiates its settlement action with County.
- (4) SD/MC Audit Appeals: Contractor may appeal any such audit findings in accordance with the audit appeal process established by DHCS.
  - (a) For federal audit findings, federal audit appeal processes shall be followed.
  - (b) Contractor may appeal DHCS audit findings in conformance with provisions of Section 51016 et seq. of Title 22 of the CCR. Such

appeals must be filed through County. County shall notify Contractor of State appeal deadlines after County's receipt of information from State.

(5) Post-Audit Appeal SD/MC Settlement:

- (a) If DHCS recalculates the Audit Report settlement and issues a revised Audit Report due to the resolution of appealed issues, County will revise its settlement schedules accordingly.
  - i. If the Post-Audit Appeal, revised Audit Report results in amounts due to Contractor by the County, County shall initiate the payment process to Contractor within 30 days of receiving the revised Audit Report Settlement payment from DHCS.
  - ii. If the Post-Audit Appeal, revised Audit Report results in amounts due to County from Contractor, Contractor shall make payment to the County in accordance with the terms of Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY). Payment shall be submitted to the persons and at the address identified in Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS).
  - iii. To the extent DHCS defers its collection of any amounts due from or payable to the County, County will also defer corresponding settlement actions to the Contractor until such time DHCS initiates its settlement action with County.
- (b) Notwithstanding any other provisions of the Contract, if Contractor appeals any amounts or issues identified in the DHCS Audit report, the appeal shall not prevent the County from recovering any amount owed by Contractor that the State has recovered from County.
- (c) At times, it may be necessary for County to negotiate a settlement with the Contractor outside of the appeals and hearing process with the State. In those cases, County will execute a separate written agreement with Contractor to formalize mutually agreed upon terms.

(6) County Audits:

- (a) Should the auditing party be the County, Contractor will have 30 calendar days from the date of the audit report within which to file an appeal with County. The letter providing the Contractor with notice of the audit findings shall indicate the persons and address to which the appeal should be directed. County shall consider all information presented by Contractor with its appeal, and will issue its decision on

the appeal after such consideration. Such decision is final. County will issue a written notification of the amount due within 30 calendar days of the appeal decision. Contractor shall make payment to the County as instructed in the written notification of the amount due.

- (b) Director, in his sole discretion, shall determine the need to revise certain cost report forms (i.e. LAC 101, MH 1960, MH 1962, etc.) as needed to reflect the audit disallowance related to costs and expenditures as agreed by Contractor. To the extent such revisions are made, County will inform Contractor of such action and provide Contractor with a copy of the revised forms.

**T. PAYMENTS BY CONTRACTOR TO COUNTY**

- (1) Payment Amount: If it is determined that the Contractor owes County under the Contract as the result of non-compliance, Interim Settlement, SMHS Cost Report Settlement, and/or SD/MC Audit and Post-Audit Appeal settlement, Contractor agrees to pay County the total amount due upon receipt of written notification by County. County shall first apply any amounts owed by Contractor to offset any amounts owed by County to Contractor. If there is a remaining amount owed to County after applying the offset, Contractor will inform County of its preferred repayment option within 15 calendar days of receipt of the County's written notice. The repayment options are listed below and subject to the final written approval of the Director:
  - (a) Paid in one cash payment by Contractor to County or deducted as a set amount from future claims within County specified timeline;
  - (b) Paid by cash payment(s) by Contractor to County or deducted from future claims over a period specified by County, not to exceed 12 months;
  - (c) Paid through a repayment plan, not to exceed four consecutive years, as negotiated between County and Contractor:
    - i. Paid by cash payment(s) or deducted from future claims; and/or
    - ii. Use of in-kind services; and/or
    - iii. A combination of cash, deductions from future claims, and/or use of in-kind services.
- (2) If Contractor does not so notify County within 15 calendar days as stated in this Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY), (1) Payment Amount, above, or if Contractor fails to make payment of any such amount to County as required, then Director, in his sole discretion, shall determine which of the above five payment options shall be used by County for recovery of such amount from Contractor.



- (3) In-Kind Services: The Contract considers the repayment of settlement amounts owed from Contractor to the County through the provision of in-kind services. In-kind repayment agreements must be negotiated between County and Contractor and are subject to the final written approval of the Director. As such, County and Contractor agree to the following terms and conditions:
- (a) The term of the in-kind repayment may be up to and not to exceed four years from the execution of the Repayment Plan Agreement.
  - (b) In-kind mental health services from Contractor will be valued at the hourly rate specified by the Director. Contractor staff will be supervised by County's designated staff. Contractor shall not include the costs of staff performing in-kind services or the UOS produced by such staff while performing in-kind services to the County on its year-end Cost Report.
  - (c) In-kind Contractor's space in the Repayment Plan will require the negotiation of a license agreement in coordination with the County of Los Angeles' Chief Executive Office Real Estate Division. Space will be valued at the rate identified in the license agreement.
  - (d) In-kind training services from Contractor in the Repayment Plan will be valued at the fair market value of such training, as specified by the Director.
  - (e) County will assign a contract program monitor, or designee, to oversee the in-kind services provided. County's contract program monitor has the discretion to terminate the in-kind services in the Repayment Plan based upon performance issues and/or failure to comply with reporting requirements.
    - i. To the extent the in-kind services in the Repayment Plan are terminated, County and Contractor will negotiate a new repayment option for the Repayment Plan within 30 business days of termination.
  - (f) County's contract program monitor may request a Corrective Action Plan, in writing, due to performance issues or failure to comply.
    - i. If, upon receipt of such written notice, Contractor does not provide the County with a written Corrective Action Plan within 10 business days, then Director, in his sole discretion, may terminate the Repayment Plan for in-kind services and determine which of the three remaining repayment options specified in Subparagraph (1) of this Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY) shall be used by County for

recovery of any remaining amounts owed by Contractor, within 30 business days.

- (g) Contractor will provide County with a report of in-kind services and/or costs in a format, frequency, and timeline specified by County.
- (4) Under special circumstances, Contractor may request, in writing, an extension of the payment period beyond the four year extension period referenced in subparagraph (1) (d) of this Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY).
  - (a) Director, in his sole discretion, may approve Contractor's request.
- (5) Administrative Fee: A monthly administrative fee may be assessed for any Contractor repayment plan beyond 12 months;
  - (a) The fee assessed shall be a flat monthly amount based on the amount owed to County and the term of the repayment period at the time of the request.
  - (b) The amount of the fee may be determined by County at the time of Director's approval of Contractor's request, and shall be paid by Contractor to County with the monthly payment until Contractor pays County in full.
- (6) Contractor may make additional cash payments to County at any time.
- (7) If SD/MC UOS reconciliation and SD/MC Cost Report Settlement, and/or SD/MC Audit Report and Post-Audit Settlement processes result in money owed to Contractor by County, such amount(s) shall be first offset from any balance owed to County by Contractor.
- (8) Contractor shall ensure that no current-year County funding is used to pay prior years' liabilities and that the County offset is absorbed by revenues, donations, and/or other sources of funds.
- (9) To the extent that Contractor has terminated its Contract with the County, the payment of any outstanding amounts due by Contractor to the County shall be paid within 30 calendar days of receiving written notification from the County and the repayment options described in this Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY), including extended repayment options and in-kind services, are considered void.

**U. FINANCIAL SOLVENCY**

- (1) Contractor shall maintain adequate provisions to meet the solvency/working capital criteria specified in DMH Policy, *Financial Responsibility Requirements for Existing DMH Contractors*.

**V. COUNTY AND CONTRACTOR REQUESTED CHANGES**

- (1) If Contractor desires any change in the terms and conditions of the Contract, Contractor shall request such change in writing prior to March 1<sup>st</sup> of the fiscal year for which the change would be applicable, except as otherwise provided in Paragraph X (SURVIVAL: AMENDMENTS TO MAXIMUM CONTRACT AMOUNT AND FINANCIAL SUMMARY (EXHIBIT B)) or unless otherwise agreed to by County.
  - (a) All changes requested by Contractor and approved by County shall be made by an amendment pursuant to the DMH Legal Entity Contract Subparagraph 8.1 (AMENDMENTS).
  - (b) All changes requested by the Contractor shall be followed by a Mid-Year Change to the last approved Service Delivery Plan to be submitted by the Contractor, which must be approved by the Director as specified in DMH Policy, *Service Delivery Plan Submission Procedures*.
- (2) If Contractor requests an increase or decrease in the MCA or in the Funded Program Amount, Contractor shall provide all reports, data, and other information requested by the County, within 15 calendar days of County's request.
  - (a) Contactor's request for consideration of an increase in the MCA or in the Funded Program Amount, must be made and approved prior to Contractor rendering services that exceed the MCA or the Funded Program Amount. To the extent that County agrees to increase MCA or a Funded Program Amount, such approval shall be in the form of an executed amendment to the Contract. Director will make best efforts to expedite the amendments provided under this Subparagraph (2) (a) of this Paragraph V (COUNTY AND CONTRACTOR REQUESTED CHANGES).
  - (b) Requests received after the Contractor has rendered services in excess of the MCA, or the Funded Program Amount, will only be considered on a prospective basis for payment of services rendered after the effective date of any executed amendment. The County shall not be responsible for payment of, nor otherwise be liable for, services/activities that Contractor provided in excess of the MCA or the Funded Program Amount during any part of the Initial Period, First

Automatic Renewal Period or Second Automatic Renewal Period, respectively.

- (3) If County requires changes per Paragraph Z (COUNTY REMEDIES FOR CONTRACTOR DEFAULT OR NON-COMPLIANCE), Contractor must submit a Mid-Year Change to the last approved Service Delivery Plan as specified in DMH Policy, *Service Delivery Plan Submission Procedures*.
- (4) If County requires changes per Paragraph I (LIMITATION OF PAYMENTS BASED ON FUNDING AND BUDGETARY RESTRICTIONS), Contractor must submit a Mid-Year Change to the last approved Service Delivery Plan.
- (5) If County and Contractor agree to make a funding and/or service plan change relevant to the Contract, Contractor must submit a Mid-Year Change to the last approved Service Delivery Plan as specified in DMH Policy, *Service Delivery Plan Submission Procedures*.

**W. DELEGATED AUTHORITY**

- (1) Notwithstanding any other provision of the Contract, the Director may, without further action by County's Board of Supervisors, prepare and sign amendments to the Contract under the following conditions.
  - (a) County's total payments to Contractor under the Contract, for each fiscal year of the term of the Contract, does not exceed an increase of more than the 25 percent of the Board of Supervisor-approved MCA; and
  - (b) Amendments may add, delete, modify, or replace the Service Exhibits and/or Statements of Work; reflect federal, State, and County regulatory and/or policy changes; and/or roll over certain federal and/or State grant funds from one FY to the next FY, as appropriate; or allow shifting of funds pursuant to Paragraph X (SURVIVAL: AMENDMENTS TO MAXIMUM CONTRACT AMOUNT AND FINANCIAL SUMMARY (Exhibit B)); and
  - (c) Sufficient funds are available for all changes described in each such amendment to the Contract; and
  - (d) Approval of County Counsel, or designee, is obtained prior to any such amendment to the Contract.
  - (e) Director, or designee shall notify County's Board of Supervisors and the Chief Executive Officer of all Contract changes in writing within.

**X. SURVIVAL: AMENDMENTS TO MAXIMUM CONTRACT AMOUNT AND FINANCIAL SUMMARY (EXHIBIT B)**

- (1) Due to the length of the DHCS SD/MC UOS reconciliation and audit processes, County and Contractor acknowledge that the final determination of the amounts owed by the Parties to each other will occur during First and/or Second Automatic Renewal Period as described in the DMH Legal Entity Contract, Paragraph 4 (TERM OF CONTRACT) and/or after the expiration or termination of the Contract. Therefore, the parties agree that all provisions of the Contract related to effectuating payment, including, but not limited to, provisions related to cost reporting, settlement, and audit, including such provisions in this Exhibit A, Financial Provisions, survive the First and/or Second Automatic Renewal Period as described in the DMH Legal Entity Contract, Paragraph 4 (TERM OF CONTRACT) and/or expiration or termination of the Contract. This Paragraph X shall not be interpreted to imply that other provisions of Contract do not survive its expiration, if the Parties' intent, as demonstrated by language, circumstances, law, or practice, is that the provision(s) should survive.
- (2) To maximize the use of federal and State funding for Medi-Cal services and to align Financial Summary funded program amounts to actual, allowable cost, Contractor, within 15 calendar days after the Annual Cost Report due date for the applicable fiscal year, may submit in writing, a request to shift and/or increase funds on the Financial Summary (Exhibit B). Such shifting and/or increase of funds request shall reflect maximization of federal and other funding based on Contractor's complete and accurate Annual Cost Report submitted in accordance with Paragraph O (ANNUAL COST REPORTS) and in accordance with terms and limitations set forth in DMH Policy, *Shifting Guidelines for the Legal Entity Contract*. To the extent that County approves the shift of funds request, such approval shall be in the form of an executed amendment to the Contract. In addition, the Director, at his sole discretion, may propose and, with the agreement of Contractor, execute a written amendment to (a) modify the distribution of funds identified for each Funded Program as shown on the Financial Summary (Exhibit B); (b) change, including increase, the amount of federal or State funds on the Financial Summary (Exhibit B); or (c) increase the MCA to include additional federal or State funds for Medi-Cal services, but only to the extent that such amendment is necessary for Contractor to be reimbursed for otherwise uncompensated care. Such amendment may be executed during First and/or Second Automatic Renewal Period as described in the DMH Legal Entity Contract, Paragraph 4 (TERM OF CONTRACT) and/or after the Contract has expired or terminated.

**Y. PAYMENT AND INVOICE NOTIFICATIONS**

- (1) Contractor shall submit all Invoices, including any supporting documentation, to their assigned Provider Reimbursement Section (PRS) liaison and to Contract Management and Monitoring Division (CMMD), except as otherwise provided under Subparagraph (1) (a) of this Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS).
- (a) In the event the Invoice Funded Program is set up to be billed electronically, invoices shall be submitted in the specified electronic tracking system.
- (2) Contractor shall submit all remittances and payments for amounts due to the County under the Contract to the following:

County of Los Angeles Department of Mental Health  
Financial Services Bureau – Accounting Division  
P.O. Box 514780  
Los Angeles, CA 90051-4780  
Attn: Cash Collections Section

**Z. COUNTY REMEDIES FOR CONTRACTOR DEFAULT OR NON-COMPLIANCE**

- (1) General Remedies:
  - (a) County may immediately, without prior written notice, suspend payments to Contractor, for good cause, if the Director determines that Contractor is in default of any Contract provisions due to alleged fraud or similar intentional wrongdoing.
    - i. Thereafter, Contractor may request reconsideration of Director's decision to suspend payment.
  - (b) County may suspend all, or a portion, of its payment if the Director determines that Contractor is in default of any Contract provisions due to noncompliance with - or failure to respond to - requests, policies, procedures, guidance, or other similar instructions from the County as required and until such time the Contractor complies and such response has been reviewed and approved by Director.
    - i. Notwithstanding any other provision of the Contract, examples of noncompliance include, but are not limited to:
      - a. Insufficient documentation of clinical work that does not meet federal, State, and County written standards;

- b. Failure to timely provide the annual Cost Report;
  - c. Failure to timely provide outcomes data; and/or
  - d. Failure to comply with a Corrective Action Plan (CAP).
- (c) County may also withhold all, or a portion, of its payment if there is a reasonable determination that Contractor is or may become insolvent.
- (d) To the extent that the County intends to suspend all, or a portion of, its payment for reasons other than fraud or intentional wrongdoing:
- i. Director shall provide Contractor with at least 30 calendar days' prior written notice of such suspension that includes the reason(s) for such suspension.
  - ii. Thereafter, Contractor may, within 15 calendar days, request reconsideration of the County's decision.
  - iii. Upon receiving a request for reconsideration from Contractor, County shall, within 15 calendar days, schedule a meeting with Contractor to consider Contractor's request to reconsider its action. At said meeting, Contractor may present information or documentation to the County relevant to the circumstances that led the County to take such actions and may propose alternative action(s).
  - iv. Within 15 calendar days of said meeting, County shall, in writing, notify Contractor, of its final decision. The decision of the Director will be final.
  - v. Upon determination that Contractor is no longer in noncompliance with the Contract provision(s) that resulted in the suspension of payment, County shall release withheld payments within 30 calendar days of such determination, unless otherwise prohibited by federal, State, and/or local statutes, laws, ordinances, rules, regulations, manuals, policies, guidelines, and directives.

(2) Additional Remedies imposed for Failure to Comply with CAP:

- (a) If a CAP is issued and Contractor fails to comply with such CAP, County may impose the following remedies in addition to the general remedies identified in Subparagraph (1) of this Paragraph Z (COUNTY

REMEDIES FOR CONTRACTOR DEFAULT OR NON-COMPLIANCE):

- i. Restrict Contractor from expending any more funds allocated for the program(s) at issue by de-obligating previously allocated funds.
  - ii. Decrease the amount of funds allocated in subsequent fiscal years for the program(s) at issue.
  - iii. Terminate specific program(s) within the Contractor's LE Contract and/or terminate the Contractor's LE Contract in its entirety for failure to meet performance and/or outcome expectations as specified in the Contract, Statement(s) of Work, Service Exhibit(s), approved Service Delivery Plan, and/or Departmental guidelines, directives, and practice parameters.
- (b) To the extent that the County intends to impose such additional remedies:
- i. Director shall provide Contractor with at least 30 calendar days' prior written notice of its intent to take such action, which will include an explanation of how the Contractor is not meeting the expectations identified in Paragraph K (CONTRACTOR'S RESPONSIBILITY TO ENSURE QUALITY OF SERVICES AND TO MONITOR SERVICE PLAN); copies of relevant data, if applicable; the nature and the amount of the proposed funding allocation change; and any associated changes to the amount of services to be provided by Contractor.
  - ii. Thereafter, Contractor may, within 15 calendar days, request written reconsideration of the County's decision. Contractor's request must clearly indicate the reason why County's action is unjustified.
  - iii. Upon receiving a request for reconsideration from Contractor, County shall, within 15 calendar days, schedule a meeting with Contractor to consider Contractor's request to reconsider its action. At said meeting, Contractor may present to the County information or documentation relevant to the circumstances that led the County to take such actions and may propose alternative action(s).
    - a. If Contractor fails to meet with County in this period of time, and County has provided an opportunity to meet within the time period, Contractor is deemed to have



waived its opportunity to meet with County and accepts County recommended actions.

- iv. Within 15 calendar days of said meeting, County shall, in writing, notify Contractor of its final decision. The decision of the Director will be final and any remedies will be effective upon receipt of notification by Contractor.
  - (c) Any change in the Contract, including termination of specific program(s) and/or termination of the entire LE Contract shall be effected by an administrative amendment to the Contract or notice of termination issued by Director.
  - (d) Changes that are based on one-time circumstances will be applicable to the current contract fiscal year only and shall not result in reductions (or increases) of MCA and/or Funded Program Amount in subsequent fiscal years, while changes that are based on clearly documented ongoing historical trends may result in ongoing reductions (or increases) of MCA and/or Funded Program Amount in subsequent years.
  - (e) Contractor understands and agrees that its MCA and/or Funded Program Amount may be reduced as a result of the adjustments authorized by this provision, and further acknowledges that County has relied upon this flexibility in establishing the MCA and/or Funded Program Amount for the Contract. By executing the Contract, Contractor specifically consents to the prospective adjustments set forth in this provision up to and including termination of program(s) and/or the Contract.
- (3) Additional Remedies imposed for Failure to Timely Submit Annual Cost Report:
- (a) Contractor agrees that failure by the Contractor to timely submit an Annual Cost Report(s) by the due date specified in Subparagraph (4) of Paragraph O (ANNUAL COST REPORTS) will result in damages being sustained by the County. County and Contractor agree that it will be impractical or extremely difficult to fix the extent of actual damages resulting from the failure of the Contractor to submit its Annual Cost Report(s) to the County under Paragraph O (ANNUAL COST REPORTS). The County and Contractor hereby agree that a reasonable estimate of said damages is \$100 per day for each day that the Contractor fails to submit the Annual Cost Report to the County by the due date.

- i. Liquidated damages shall be assessed separately on each outstanding Annual Cost Report.
  - ii. Liquidated damages shall be assessed commencing on September 16<sup>th</sup>, or as otherwise specified by County, or on the seventy-sixth (76<sup>th</sup>) day following the expiration or earlier termination of the Contract, and shall continue until the outstanding Annual Cost Report(s) is/are received.
  - iii. Upon written request from the County, Contractor shall, within 30 calendar days, submit to the County payment for said damages. Said payment shall be submitted to the persons and at the address identified in Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS). If Contractor fails to make payment of said damages to County by the end of the 30 calendar days as requested, County shall deduct from future payments of Contractor's approved claims or take other steps to collect on the debt, as needed.
  - iv Contractor may not include costs incurred for liquidated damages on its Cost Report.
- (b) Liquidated damages will not be assessed during the time period for which Contractor has been granted an extension to submit the Annual Cost Report by the Director or designee.
  - (c) If Contractor fails to submit an annual Cost Report within 30 calendar days after the due date specified in Subparagraph (4) of Paragraph O (ANNUAL COST REPORTS), County may demand repayment of all amounts covered by the outstanding annual Cost Report and paid to Contractor by the County for the applicable fiscal year in lieu of collecting the \$100 per day liquidated damages fee. Contractor shall pay County according to the method described in Paragraph T (PAYMENTS BY CONTRACTOR TO COUNTY). Such payments shall be submitted to the persons and at the address identified in Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS).
- (4) Additional Remedies imposed for Failure to attend Cost Report Training:
- (a) Contractor agrees that its failure to attend the Cost Report Training will result in additional work on the County. County and Contractor agree that a reasonable estimate for such additional work is \$100 per occurrence. Therefore, County may, in its sole discretion, assess liquidated damages in the amount of \$100 for each occurrence of Contractor's non-attendance at the Cost Report Training.

- (b) Upon written request from the County, Contractor shall, within 30 calendar days, submit to the County payment for said damages. Said payment shall be submitted to the persons and at the address identified in Paragraph Y (PAYMENT AND INVOICE NOTIFICATIONS). If Contractor fails to make payment of said damages to County by the end of the 30 calendar days as requested, County shall deduct from future payments of Contractor's approved claims.
  - (c) Contractor may not include costs incurred for liquidated damages on its Cost Report.
- (5) Additional Remedies imposed for Failure to correct inaccuracies in Annual Cost Report:
  - (a) If Contractor fails to correct inaccuracies in the Annual Cost Report within 15 calendar days after receipt of written notification from the Director, or designee, and said inaccuracies result in the loss of reimbursement to the County for claimable amounts that were paid to Contractor, Contractor must repay the County for the amount of lost reimbursement that the County could have claimed if the inaccuracy was corrected by Contractor.
- (6) Contractor shall be solely responsible for any loss incurred by County due to Contractor's failure to comply with County and State Cost Report requirements.