

COUNTY OF LOS ANGELES

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

SUSAN KERR
Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director



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DEPARTMENT OF MENTAL HEALTH

<http://dmh.co.la.ca.us>

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4801
Fax No.: (213) 386-1297

September 9, 2004

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

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SEP 21 2004

Violet Varona-Lukens
VIOLET VARONA-LUKENS
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF AMENDMENT TO THE SETTLEMENT
AGREEMENT WITH PLAZA COMMUNITY CENTER
(SUPERVISORIAL DISTRICT 1)
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and authorize the Director of Mental Health or his designee to prepare, sign, and execute an Amendment (substantially similar to the Attachment) to the existing Settlement Agreement with Plaza Community Center (Plaza) to increase the amount owed by Plaza to the Department of Mental Health (DMH) from \$839,133 to \$959,656 and to extend the term of the Agreement for an additional six years. This will allow Plaza to continue to repay the amount owed by provision of in-kind mental health services, using graduate level interns supervised by licensed staff. Since Plaza will be providing in-kind services to repay their existing debt, the Agreement has no Maximum Contract Amount. The Amendment will be effective upon Board approval and the Settlement Agreement will expire on June 30, 2015.
2. Delegate authority to the Director of Mental Health or his designee to prepare, sign, and execute future amendments to the Settlement Agreement with Plaza to reflect any additional amounts owed as a result of the State Audit Settlement process, provided that: 1) approval of County Counsel and the Chief Administrative Officer (CAO) or their designees is obtained prior to such Amendment; 2) the Director of Mental Health shall notify the Board of Supervisors of Settlement Agreement changes in writing within 30 days after execution of each Amendment; and 3) the period of time to accomplish the Settlement Agreement shall remain the same.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Board action is required to approve the proposed Amendment to the Settlement Agreement and the related mental health services contract to enable Plaza to repay its debt of \$959,656, which includes an added debt of \$120,523 to DMH through the provision of in-kind mental health services.

Currently, DMH has a Settlement Agreement with Plaza, approved by the Board on July 16, 2002, for \$839,133. This was the amount owed by Plaza to DMH because of cash flow advances made to Plaza in Fiscal Years (FY) 1998-1999 and 1999-2000 in anticipation of the provision of mental health services. The Settlement Agreement authorized Plaza to repay the \$839,133 through in-kind services by June 30, 2009.

As a result of the State of California audit report settlement for FY 1998-1999, an additional amount of \$120,523 owed by Plaza was identified, increasing the amount owed by Plaza to DMH to \$959,656. The State audit report settlement process for FY 1999-2000 is in progress; and, if that audit results in an increase of the amount owed by Plaza, this Board letter will authorize DMH to add the additional amounts to the Settlement Agreement, as long as the period of time remains the same. Plaza wants to work with DMH to repay the entire amount of its indebtedness through in-kind services.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the principles of the County's Organizational Goal No. 4, "Fiscal Responsibility," and Programmatic Goal No. 7, "Health and Mental Health," within the Countywide Strategic Plan. Board approval of this request will allow DMH to recover money owed to it through in-kind services, thus enabling DMH to also fulfill its statutory duties regarding community mental health services.

FISCAL IMPACT/FINANCING

DMH is responsible for repayment to the State for the audit disallowances. Further, it is the County's responsibility to collect audit disallowances from contract providers. Since Plaza is repaying the debt through in-kind services, Plaza disallowances will be paid back to the State using Realignment funds. In effect, we will be reclassifying the payment to Plaza from a Federal Financial Participation payment to a Realignment payment.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Currently, DMH has a Settlement Agreement with Plaza, approved by the Board on July 16, 2002, for \$839,133. This was the amount owed by Plaza to DMH because of cash flow advances made to Plaza in FYs 1998-1999 and 1999-2000 in anticipation of the provision of mental health services. The Settlement Agreement authorized Plaza to repay the \$839,133 through in-kind services by June 20, 2009.

As a result of State of California audit report settlement for FY 1998-1999, an additional amount of \$120,523 owed by Plaza was identified, increasing the amount owed by Plaza to DMH to \$959,656. Plaza has accepted this new estimate and wants to work with DMH to help it repay the entire amount through in-kind services. As of the end of June 2004, Plaza has repaid \$111,177.47 in in-kind services, leaving an unpaid balance of \$848,478.53.

In the letter to the Board dated February 3, 2003 from the CAO, DMH, and the Auditor-Controller, DMH had indicated that contractors would be required to pay interest if the repayment period exceeds one year. The Settlement Agreement with Plaza does not include interest charges because the repayment is through in-kind services and not in cash. Also, interest payments would have a very negative impact on the operation of the agency.

Plaza provides mental health services in an underrepresented service area of the County. After a slow start up, Plaza now has the structure necessary for delivery of the essential mental health services. It continues to improve its delivery of services by regularly exploring various avenues by which to increase its services to the community, consulting with DMH staff, and by engaging the Community in the provision of services.

Plaza has hired one supervisory staff and is in the process of hiring another at its own expense to improve the supervision and quality of services provided and to monitor compliance with the Settlement Agreement. They are also actively participating in Mental Health Service Area 7 Quality Improvement Committee activities and Provider Meetings in order to stay in closer contact with DMH and comply with its directives.

Because of their improved delivery of services, the repayment from Plaza through in-kind services has shown a steady increase in the past year. For instance, in FY 2002-2003, Plaza provided services that repaid \$43,737 owed the County; whereas for FY 2003-2004, Plaza provided services that repaid approximately \$67,440 owed the County.

Based on an analysis of the current productivity of Plaza and the additional amount owed by Plaza, the term of the contract is being extended for an additional six years,

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which will extend the term of the Settlement until June 30, 2015. However, Plaza has indicated that they will make every effort to further increase the productivity and try to repay the debt before June 30, 2015.

Clinical and administrative staff of DMH are assigned to supervise and administer agreements, evaluate programs to ensure that quality services are being provided to clients, and ensure that agreements, provisions, and departmental policies are being followed.

DMH Program and Fiscal Administrative Staff, along with CAO, County Counsel, and Auditor-Controller, have reviewed the terms presented in this Board letter and believe them to be reasonable under the circumstances.

CONTRACTING PROCESS

Since this Amendment is intended to allow the Contractor to continue to repay the liability owed to the County through in-kind mental health services, the Contracting process does not apply.

IMPACT ON CURRENT SERVICES

This Amendment will allow for the continuation of badly needed mental health services in an underserved area of Los Angeles County.

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CONCLUSION

The Department of Mental Health will need one (1) copy of the Board's action. It is requested that the Executive Officer of the Board notifies the Department of Mental Health's Contracts Development and Administration Division at (213) 738-4684 when this document is available.

Respectfully submitted,

Marvin J. Southard for
Marvin J. Southard, D.S.W.
Director of Mental Health

MJS:RK:CK:mi

Attachment

- c: Chief Administrative Officer
- County Counsel
- Auditor-Controller
- Chairperson, Mental Health Commission

ATTACHMENT

CONTRACT NO. DMH-01151

AMENDMENT NO. 2

THIS AMENDMENT is made and entered into this _____ day of _____, 2004, by and between the COUNTY OF LOS ANGELES (hereafter "County") and Plaza Community Center (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Settlement Agreement, dated July 16, 2002, identified as County Agreement No. DMH-01151 and any subsequent amendments (hereafter collectively "Agreement"); and

WHEREAS, County and Contractor intend to amend the Settlement Agreement only as described hereunder; and

WHEREAS, the amount owed by the Contractor to County under the Settlement Agreement, has been revised from EIGHT HUNDRED THIRTY NINE THOUSAND ONE HUNDRED THIRTY THREE DOLLAS (\$839,133) for Fiscal Years 1998-1999 and 1999-2000 to NINE HUNDRED FIFTY NINE THOUSAND SIX HUNDRED FIFTY SIX DOLLARS (\$959,656) for Fiscal Years 1998-1999 and 1999-2000; and

WHEREAS, the term of the Settlement Agreement will be extended by six years and the revised date of expiration of the Agreement will be June 30, 2015; and

WHEREAS, County and Contractor intend to replace the "DMH Legal Entity Agreement – 2" attached to the Settlement Agreement with the new revised "DMH Legal Entity Agreement".

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. In the Settlement Agreement, DMH Contract No. DMH-01151, the paragraph "WHEREAS, under the Agreement, Contractor currently owes County a determined sum at a maximum of EIGHT HUNDRED THIRTY NINE THOUSAND ONE HUNDRED THIRTY THREE DOLLARS (\$839,133) for Fiscal Year(s) 1998-1999 and 1999-2000" shall be deleted in its entirety and the following substituted therefore: "WHEREAS, under the Agreement, Contractor currently owes County a determined sum at a maximum of NINE HUNDRED FIFTY NINE THOUSAND SIX HUNDRED FIFTY-SIX DOLLARS (\$959,656) for Fiscal Years 1998-1999 and 1999-2000".
2. The DMH Legal Entity Agreement attached to Settlement Agreement No. DMH-01151 shall be replaced with the new revised "DMH Legal Entity Agreement".
3. The addendum attached to the DMH Legal Entity Agreement will be revised to change of the date of expiration of the Settlement Agreement from 6/30/2009 to 6/30/2015. Paragraph 1 of the Addendum to the Mental Health Services Agreement shall be deleted in its entirety and the following substituted therefore:

"1. The Agreement has no Maximum Contract Amount and the term of the Contract is for thirteen Fiscal Years (FYs2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015) or until the entire debt is paid back, whichever comes first."
4. The addendum attached to the DMH Legal Entity Agreement will be revised to change the amount owed by Plaza from \$839,133 to \$959,656. Paragraph 7 of the

Addendum to the Mental Health Services Agreement shall be deleted in its entirety and the following substituted therefore:

“7. The units of service generated by the interns will be submitted to DMH in the form of invoices for in-kind services, which will be offset against the \$959,656 owed by Plaza to the County.”

5. Except as provided in this Amendment, all other terms and conditions of the Settlement Agreement No. DMH-01151 and any or all Addenda shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month and year first above written.

APPROVED AS TO FORM:

COUNTY OF LOS ANGELES

OFFICE OF THE COUNTY COUNSEL

By _____
Sr. Deputy County Counsel

By _____
MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

Plaza Community Center
CONTRACTOR

By _____

Name _____

Title _____
(AFFIX CORPORATE SEAL)

APPROVED AS TO CONTRACT
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development and
Administration Division

MI:H\Contracts\Plaza\Amend No.2 settlement amount increase

Addendum to the Mental Health Services Agreement:

Because this Agreement implements a Settlement Agreement, whereby in-kind services will be provided by Contractor, the Parties understand and agree to the following, which will prevail in the event of any conflict with the previous terms and conditions set forth above:

1. The Agreement has no Maximum Contract Amount and the term of the Contract is for thirteen Fiscal Years (FYs2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015) or until the entire debt is paid back, whichever comes first.
2. No payment of any kind will be made by County to Plaza.
3. The in-kind services provided by Plaza will be priced at \$1.60 per minute for mental health services, and \$1.25 per minute for Case Management/Brokerage services for the term of this contract and will be subject to change only with the approval of the Board of Supervisors.
4. The in-kind services will be provided by Plaza by using graduate level student interns who will receive academic credits and will not be paid by Plaza or the County of Los Angeles.
5. The interns will be supervised by any supervisory staff employed by Plaza, at their own expense, and by existing licensed staff who are being compensated through the contracts with DHS, Probation and DCFS. The supervision duties of interns will be added to the existing duties of the supervisors, without increasing their rate of compensation. Clients of DHS, DCFS and Probation will receive the benefits of the mental health services provided under this settlement agreement.
6. Since the interns will only receive academic credits and will not be paid anything by Plaza, the services are not billable to Medi-Cal.
7. The units of service generated by the interns will be submitted to DMH in the form of invoices for in-kind services, which will be offset against the \$959,656 owed by Plaza to the County.
8. The ENTIRE AGREEMENT related to this settlement includes the Board Letters adopted by the Board of Supervisors, the Settlement Agreement and any attachments and all Addenda thereto, including the settlement proposal by Plaza, and this legal entity agreement and addendum.

Signed:

Signed:

Chief Executive Officer
Plaza Community Center

Director, Department of Mental Health
County of Los Angeles