

LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH



Policy Title: Urgent Care Center Cost-Based Payment

Policy Number: 801.10

PROCEDURES

A. Service Delivery Plan and Program Budget Approval

1. By May 1st, before the commencement of a new Fiscal Year (FY), or prior to the commencement of a new contract, contractor shall submit a Program Budget as part of its complete Service Delivery Plan (SDP) which shall be based upon the Urgent Care Center's (UCC's) maximum capacity. DMH shall review SDPs, including the Program Budget, for accuracy and reasonableness, and approve or reject SDPs providing instructions for remedying SDPs or Program Budgets.
2. Program Budget Requirements
 - a. The anticipated annual program costs in the Program Budget shall be developed using the UCC's Maximum Capacity. The Program Budget shall reflect all direct and indirect costs needed to appropriately cover peak service times. Contractor is required to make every attempt to stay within the approved initial amount. To the extent possible, contractor shall, in preparing the Program Budget, account for possible price fluctuations and build in reasonable contingencies to prevent exceeding the approved Program Budget. Further, Los Angeles County Department of Mental Health (DMH) may assess financial consequences when contractor, as instructed by DMH Program Staff, does not take reasonable steps to ensure program costs are minimized when the UCC is not able to operate at maximum capacity for extended periods of time.
 - i. DMH may pay start-up costs to a contractor for a limited time period to cover expenses associated with the implementation of a UCC. Allowable start-up costs shall be determined by the funding source(s) identified in the contract.
 - **NOTE: IN INSTANCES WHERE A NEW UCC CONTRACT IS BEING ESTABLISHED AND A THIRD PARTY FUNDING SOURCE DOES NOT ALLOW A CONTRACTOR TO CLAIM FOR CERTAIN START-UP EXPENSES THAT THE DMH WOULD ALLOW, THE COUNTY MAY, AT ITS SOLE DISCRETION, DETERMINE WHETHER TO PAY START UP EXPENSES USING OTHER FUNDS.**
 - ii. In no event shall a contractor increase or reduce the number of chairs that have been authorized for use in the initial Program Budget without first submitting a written request to the DMH Program Manager detailing the reasons for a modification, and receiving written approval from the DMH Program Manager for the modification.
 - iii. Contractor may only submit requests for changes in staff salary and benefit rates, including amounts paid in salary and bonuses to its executive management, at the

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beginning of each FY. Requests are subject to review and approval based on the availability of funds and inflation factors.

3. Program Budget Modifications

- a. It is the contractor's responsibility to ensure it maintains policies and procedures to monitor its Program Budget and spending to effectively operate the UCC. If at any point during the FY, contractor discovers that ongoing FY costs shall exceed the total for either the direct or indirect categories of the approved Program Budget, contractor shall immediately submit a written notice to the DMH Program Manager about the potential to exceed the approved Program Budget.
- b. The notice must provide a revised Program Budget, cost analysis, and justification for the anticipated increase in the approved Program Budget and explain the steps taken to mitigate the increase in cost, including an explanation as to why an increase is unavoidable and whether contractor anticipates that the increase shall carry on into future FYs or is considered a one-time incident. Contractor must also explain the extent to which it is possible to reduce the unavoidable costs. DMH Program Manager shall review the notice upon receipt. If the costs are deemed unavoidable and justified, the DMH Program Manager shall make a recommendation to DMH executive management that the revised program budget be approved. Contractor shall be notified in writing within five (5) business days of executive management's approval or rejection of the revised Program Budget.
- c. DMH shall not be responsible for the payment of costs that exceeds the amount in an approved revised Program Budget which is adopted by DMH after following the procedures in Section A2. In the event that the revised Program Budget is not approved, DMH shall not reimburse amounts that exceed the original approved Program Budget. Furthermore, DMH shall not pay particular costs which are not reasonable and not allowable under Medi-Cal or other funding source rules irrespective of whether such costs are within the aggregated approved or revised Program Budget amount.

4. Cash Flow Advances (CFA): Contractor shall refer to and follow the instructions in Financial Exhibit A of the DMH Legal Entity (LE) Contract titled CASH FLOW ADVANCE IN EXPECTATION OF SERVICES/ACTIVITIES TO BE RENDERED.

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B. Invoices, Reports, and Claiming

1. Contractor shall submit monthly invoices to Provider Reimbursement Section (PRS). The [UCC Contract Reimbursement Invoice Claim Template](#) shall include the total monthly cost related to the provision of direct services, as well as indirect and administrative costs, and other direct charges associated with the delivery of UCC services that are eligible under Mode 10, Service Function Code (SFC) 25. Contractor shall separately submit monthly [Client Supportive Services Expense Reimbursement Claim](#) to DMH PRS for the allowable costs associated with UCC Mode 60 services. Invoices shall be prepared in accordance with generally accepted accounting practices and consistent with the allocation guide provided in [Cost Allocation Methodology](#).
 - a. In some instances, such as where a third party is providing funding, a contractor may need to incur costs up front and seek reimbursement through a third party source. Contractor shall follow the procedures and guidelines established by the third party source or DMH to obtain such reimbursement.
2. Invoices shall be submitted to PRS by the 15th of the month following the month for which costs were incurred. For example, requests for payment for costs incurred in the month of July shall be submitted no later than August 15th. In the event that the 15th of any month falls on a weekend or holiday, then the invoice shall be submitted by the last business day before the 15th. DMH Program Staff shall then review invoices for accuracy. Upon approval of the invoice, DMH Program Staff shall submit the invoices to PRS for processing payment.
 - a. To avoid delays in payment, contractors shall ensure invoices are accurate and submitted in a timely manner. Submissions provided beyond the 15th of the month require a justification that shall be reviewed by DMH Program Staff for payment.
 - b. It is contractor's responsibility to ensure all invoices contain the required information as set forth in the authorized invoice document to ensure payment. Invoices that do not contain all required information may result in delayed processing and payment of the invoice(s). Contractor shall record "N/A" for categories that do not apply.
 - c. Contractor shall also be responsible for providing supporting documents to justify any invoice(s) submitted. Supporting documents shall clearly identify what charge on the invoice they are supporting. Unless DMH specifies or instructs otherwise, copies of supporting documents are acceptable. The following are examples of supporting documentation to be provided when submitting invoices.

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Type of Cost	Supporting Documentation
Direct Cost – Program Staffing	Timesheets, certified statement of hours worked, or check stubs.
Direct Cost – Services and Supplies	Copies of receipts, invoices, or contracts.
Indirect and Administrative Costs	Methodology (provided one time, unless changed).

- d. DMH shall provide a schedule of payment as noted in the LE Contract, Financial Exhibit A, Reimbursement Basis.
3. **Mode 10 Services:** Contractor shall report all allowable crisis stabilization services (Mode 10, SFC 25) in DMH’s claims processing information system in accordance with LE Contract, Financial Exhibit A, Billing Procedures and complete and submit UCC Contract Reimbursement Invoice Claim Template to report all direct and indirect costs associated with the delivery of Mode 10, SFC 25 services.
 - a. Contractor shall submit a Provisional Rate Request for Mode 10, SFC 25 services to DMH pursuant to DMH Policy 800.08, *Provisional Rate Setting*.
 - b. To ensure contractor’s crisis stabilization services are processed appropriately in DMH’s claims processing information system and to ensure compliance with the certified public expenditure process, i.e., to ensure cost-based payment to contractor is equal to or greater than the claim cost, DMH shall reduce the approved provisional rate specified in Procedures section B3a by 25 percent (i.e., at 75 percent of the approved rate) when such rate is set up in DMH’s claims processing information system. Any variance between the provisional payment from the State and the actual, allowable expenditure incurred by DMH shall be reconciled through the Short-Doyle/Medi-Cal (SD/MC) cost settlement process.
4. Contractor shall ensure that all Mode 10 services provided through the UCC are reported to the appropriate plan or funding source in the DMH claims processing information system within 30 days of the end of the month in which services are delivered and data for services provided are appropriate and accurate. If contractor fails to enter claims within this time period without reasonable justification, DMH may assess liquidated damages as provided for in LE Contract, Financial Exhibit A, subparagraph (4) of Paragraph H, (BILLING AND PAYMENT LIMITATIONS).
5. **Mode 60 Services:** Contractor shall claim allowable expenses under Mode 60, SFCs 70,

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71, 72, 75, and 78 by completing and submitting the Client Supportive Services Expense Reimbursement Claim to report all costs associated with the delivery of Mode 60, SFCs 70, 71, 72, 75, and 78.

6. Contractor is responsible for resolving any claims for services provided by contractor and submitted by DMH which are rejected or denied by the Medi-Cal program for reasons other than lack of eligibility or coverage, and for assisting DMH in the submission of replacement claims in a timely manner. Unresolved denied claims may result in DMH assessing damages pursuant to LE Contract, Financial Exhibit A, subparagraph (4) of Paragraph D, (BILLING AND PAYMENT LIMITATIONS) and this policy.

C. Assessment of Damages

1. Conditions for Assessment of Liquidated or Other Damages: It is acknowledged that contractor's failure to adhere to LE Contract, Financial Exhibit A, shall cause DMH to incur damages and losses, some of which are types and in amounts difficult to ascertain, and that liquidated damages and actual damages formulas as set forth in LE Contract, Financial Exhibit A, Paragraph D, (BILLING AND PAYMENT LIMITATIONS) represent a fair, reasonable and appropriate remedy thereof.
 - a. Accordingly, in lieu of actual damages for non-compliance with LE Contract, Financial Exhibit A, liquidated damages may, at DMH's sole discretion, be assessed and recovered by DMH from contractor, in the event of repeated occurrences of non-compliance with the timely and proper reporting of service information into DMH's claims processing information system, where such information is reported in time for DMH to submit a timely claim or reprocess a claim to Medi-Cal or Medicaid Children's Health Insurance Program (MCHIP).
 - b. Actual damages may be assessed in the event that complete and accurate service information is not reported in time for DMH to submit a timely claim or reprocess a defective claim for a covered service to an eligible Medi-Cal or MCHIP beneficiary. No liquidated or other damages shall be assessed if the contractor has good cause for the untimely submission, and actual damages shall not be assessed if the payment for the services is denied due to lack of beneficiary eligibility or lack of coverage. Actual damages may be assessed where coverage is denied due to lack of documentation.
2. Process for Assessment of Liquidated and Other Damages: The process for determining if liquidated or actual damages may be assessed is as follows:

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- a. For each month an invoice is submitted, DMH program staff shall, within 10 business days of the end of the contractual reporting deadline as described in LE Contract, Financial Exhibit A, Paragraph C (BILLING PROCEDURES), reconcile data provided by contractor, the DMH claims processing information system, including IBHIS data, contractor's monthly invoice and monthly census reports/client lists and the unbilled Medi-Cal Report, to determine whether contractor has adhered to reporting responsibilities as set forth in LE Contract, Financial Exhibit A, Billing Procedures.
- b. If it is determined that timely reporting was not done, DMH program staff shall submit an initial written notice to contractor within five (5) business days of the reconciliation process to inform contractor of its failure to meet contractual obligations. Such notice shall also serve to inform contractor that any repeated occurrence or failure to remedy the initial non-compliance issue shall automatically result in the assessment of liquidated damages. The amount of such liquidated damage as set forth below shall be deducted from payment of the following month's invoice. Such notice shall further advise contractor that continued failure to report data necessary to timely claim for services to Medi-Cal and MCHIP beneficiaries shall result in assessment of actual damages.
- c. If contractor continues to demonstrate poor compliance with LE Contract, Financial Exhibit A, Billing Procedures, the County may pursue additional remedies up to and including termination of the contract.
- d. Contractor may meet with DMH within five (5) days of the date of the notice and demonstrate why good cause exists not to assess liquidated or actual damages.
- e. Such liquidated damages are intended to represent estimated actual damages and are not intended as a penalty, but rather a reasonable measure of damages, based upon DMH's experience and the nature of the loss that may result from non-compliance.
- f. Requests for delays in claims submissions due to good cause justification or no fault on the part of the contractor or due to County issues that prevent the entry by contractor of Units of Service (UOS) data shall be handled in accordance with LE Contract, Financial Exhibit A, Billing Procedures.
- g. The table below provides the types of damages DMH may assess due to contractor's non-compliance and the amount associated with the particular damage. The provisions that constitute the damages are found in LE Contract, Financial Exhibit A, subparagraph (4) of Paragraph D, (BILLING AND PAYMENT LIMITATIONS).

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These amounts are subject to change at DMH’s discretion with 30 days written notice provided to contractor.

Liquidated Damages	Assessed Amount
Contractor Invoicing	\$100 for each invoice that is late.
Submission of Client Data	<p>If at the time of the DMH program staff review described in Section C of this policy client data is shown to be between one to five (1-5) days late, an amount of \$10 per client shall be assessed.</p> <p>If at the time of the DMH program staff review described in Section C of this policy client data is shown to be between 6-10 days late, an amount of \$15 per client shall be assessed.</p> <p>If at the time of the DMH program staff review described in Section C of this policy client data is shown to be over 10 days late, an amount of \$20 per client shall be assessed.</p>
Designation of Funding Sources	\$10 for each client incorrectly claimed on an invoice.
Default: Non-compliance with this DMH Policy 801.10.	\$100 per occurrence.
Default: Non-compliance with financial guidelines that govern particular funding sources.	\$100 per occurrence in a monthly invoice.
Default: Untimely submission of Schedule 4-A of the SDP as described in Section A.	\$100 per day for each day the contractor fails to submit Schedule 4-A of the SDP timely.
Actual Damages	Assessed Amount
Submission of Medi-Cal or MCHIP Data.	Actual amount of revenue expected to be generated by DMH when data is not submitted in sufficient time to allow billing to Medi-Cal or MCHIP.
Lack of Documentation.	Actual amount of revenue expected to be generated by DMH when documentation

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	does not meet minimum federal, state and County written standards.
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D. Annual Expenditure Report

1. Contractor shall submit an [Annual Expenditure Report](#) (AER) for each UCC it operates. The AER is due no later than 30 calendar days after the annual cost report due date for the applicable FY and shall be submitted to PRS staff. The AER shall identify and include the following:
 - a. A summary of expenses for the entire FY broken down by monthly direct and indirect expenses;
 - b. Actual, allowable UCC expenses not captured during the FY. Contractor shall report all expenses that may have not been previously captured in monthly invoices and shall clearly delineate when and why a particular expense was not captured, and shall provide supporting documents to validate the expense;
 - c. Remove expenses not attributable to the UCC. Contractor shall clearly delineate when and where an expense not attributable to the UCC was incurred. Revisions shall be reflected in subtotals of the AER; and
 - d. Ensure all expenses attributed to the UCC are recognized in accordance with generally accepted accounting principles.
2. The AER shall be consistent with and serve to support the expenditures reported for cost reporting and settlement purposes. DMH program staff shall use the AER to validate program costs and set forth corrective actions, if necessary.

E. County Rights and Options

1. DMH reserves the right to review and determine the efficacy of a UCC cost-based payment structure, and to take appropriate actions as a result of such review, including reverting to the previous payment structure or termination of the contract.
2. DMH also reserves the right to amend existing policies and/or establish new or additional policies that govern the reimbursement of UCC services.