



DEPARTMENT OF MENTAL HEALTH
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JONATHAN E. SHERIN, M.D., Ph.D.
Director

Gregory C. Polk, M.P.A.
Chief Deputy Director

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Chief Medical Officer

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Senior Deputy Director

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

68 June 14, 2022

CELIA ZAVALA
EXECUTIVE OFFICER

June 14, 2022

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

Dear Supervisors:

REQUEST APPROVAL TO AMEND FOUR LEGAL ENTITY CONTRACTS DUE TO THE POST ANNUAL COST REPORT ADJUSTMENTS (SUPERVISORIAL DISTRICTS 1, 3, 4, AND 5) (3 VOTES)

SUBJECT

Request delegated authority to amend four Department of Mental Health Legal Entity Contracts for Fiscal Year 2020-21 due to the post Annual Cost Report adjustments and realigning of the funded programs with actual costs, as necessary.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve and authorize the Director of Mental Health (Director), or his designee, to prepare, sign, and execute an amendment (Attachment I) to four Department of Mental Health (DMH) Legal Entity (LE) Contracts, as identified on Attachment II. These amendments are necessary to make post Annual Cost Report adjustments which will result in an increase to the four LE Contracts' Maximum Contract Amounts (MCA), beyond the original 25 percent of the previously Board-approved MCAs for Fiscal Year (FY) 2020-21. The aggregate amount of the increase for these four LE Contracts is \$1,843,355, fully funded by federal and State revenues.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Board approval of Recommendation 1 will allow DMH to amend four LE Contracts, as listed in Attachment I, for FY 2020-21 by making a post Annual Cost Report adjustment which resulted in an increase in their MCAs beyond the original 25 percent delegated authority granted by the Board for FY 2020-21. Each LE Contractor is required to submit an Annual Cost Report to DMH for the

applicable fiscal year two months after the fiscal year end, if the due date is not extended by the State. Additionally, under the LE Contract Financial Exhibit A, LE Contractors are allowed to shift funds within contracted funded programs in the applicable fiscal year to align contracted funded program amounts to actual and allowable costs based on their submitted Annual Cost Report. This adjustment gives DMH and the LE Contractors the flexibility to maximize the use of federal and State funding for Medi-Cal services and minimize State disallowances at the time of the State reconciliation process.

In this instance, such post Annual Cost Report adjustment made by the four LE Contracts caused the MCA to increase beyond the 25 percent delegated authority granted by the Board for FY 2020-21. In accordance with the LE Contract's Financial Exhibit A, DMH reviewed and analyzed the four LE Contractors' requests to determine the appropriateness of the adjustment. DMH determined that the adjustment was appropriate to reimburse the four LE Contractors for the specialty mental health services (SMHS) already rendered and to ensure Medi-Cal reimbursement is received for allowable costs.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the County's Strategic Plan III, Realize Tomorrow's Government Today, specifically Strategy III.3 - Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

FISCAL IMPACT/FINANCING

The cost associated with Recommendation 1 was determined upon receipt of the post Annual Cost Report adjustment request submitted by the four LE Contractors. The total aggregate for these LE Contracts for FY 2020-21 is \$1,843,355, fully funded by federal and State revenues. DMH has sufficient FY 2021-22 budgeted appropriation for this recommended action.

There is no net County cost impact with the recommended actions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On June 6, 2018, your Board authorized the Director to enter into a contract with 133 LE Contractors for FYs 2018-19 through 2020-21, which included the LE Contracts listed in Attachment I.

LE Contractors are reimbursed for services based on their negotiated provisional rate during a given fiscal year and are subject to a Cost Report settlement process. This practice is consistent with the State Department of Health Care Services' reimbursement methodology for SMHS, as specified in Exhibit A of the LE Contracts. Therefore, in order for LE Contractors to have the flexibility to adjust their Medi-Cal funded amounts, within a given number of days after submission of their Annual Cost Report to DMH, LE Contractors may submit a written request to shift funds as specified in the Financial Exhibit A (Paragraph X titled "Survival: Amendments to Maximum Contract Amount and Financial Summary"). In some cases, the final DMH approved shift amounts may also require an increase to the corresponding gross contract amounts to allow for the flow of federal or State Medi-Cal funds, thus increasing the MCA. In some circumstances, the increase in the MCA goes beyond the Board-approved delegated authority for the fiscal year. Such amendment may need to be executed during the First and/or Second Optional Extension Period within the term of the LE Contract as described in the LE Contract, Paragraph 4 (Term) and/or after the LE Contract has expired or terminated. As a result, the four Contractors' 2020-21 LE Contracts would not be

reconciled until well after the fiscal year in question.

According to the April 2020 Retroactive Contracts Review Committee Procedures, retroactive contracts are defined as contracts authorizing payment for services provided during a period when there was no valid contract in place or there was a valid contract in place and the vendor provided goods/services beyond the contract sum. The retroactive policy does not apply to this situation because the four LE Contracts provided services within the contract term and the LE Contract allows the Contractor to submit a post Annual Cost Report adjustment for the applicable fiscal year due to the nature of Short-Doyle/Medi-Cal reimbursement methodology.

Under Board Policy No. 5.100 (Sole Source Contracts), DMH is required to notify your Board six months in advance of amendments to existing contracts when DMH does not have delegated authority to increase the maximum amount of the current contract. On July 14, 2020, DMH requested an exemption to Board Policy No. 5.100 (Sole Source Contracts), from your Board for the six-month notification requirement for DMH LE Contracts, and in accordance with the Board Policy, DMH considers this request approved, as we did not hear otherwise.

The amendment format (Attachment I) has been approved as to form by County Counsel.

Attachment II lists the LE Contractors and includes their headquarters addresses, Supervisorial District(s) served, Service Area(s) covered, and the MCA.

As mandated by your Board, the performance of all contractors is evaluated by DMH on an annual basis to ensure compliance with all Contract terms and performance standards.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

This settlement process allows DMH and the LE Contractors to maximize the use of federal and State funding for provided Medi-Cal services and minimize State disallowances at the time of the State reconciliation process.

The Honorable Board of Supervisors

6/14/2022

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'JES', is centered on the page.

JONATHAN E. SHERIN, M.D., Ph.D.

Director

JES:GCP:SKRLR:MM:mm

Enclosures

c: Executive Office, Board of Supervisors
Chief Executive Office
County Counsel
Chairperson, Mental Health Commission

CONTRACT NO. MH122xxx

AMENDMENT NO. x

THIS AMENDMENT is made and entered into this xx day of June, 2022, by and between the COUNTY OF LOS ANGELES (hereafter "County") and _____ (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "Department of Mental Health Legal Entity Contract," dated July 1, 2018, and further identified as County Contract No. MH122xxx, and any amendments thereto (hereafter collectively "Contract"); and

WHEREAS, on June xx, 2022, the County Board of Supervisors delegated authority to the Director of Mental Health, or designee, to execute an amendment to the Contract necessary to make post Annual Cost Report adjustments to revise the annual Maximum Contract Amount (MCA) in an amount that exceeds the original 25% Board-approved MCA for Fiscal Year (FY) 2020-21; and

WHEREAS, said Contract provides that changes may be made in the form of a written amendment which is formally approved and executed by the parties; and

WHEREAS, for FY 2020-21, County and Contractor intend to amend the Contract due to the post Annual Cost Report adjustment to increase DMH Mental Health Services Medi-Cal (MC), or increase Mental Health Service Act (MHSA) Outpatient Care Services MC, or increase MHSA Prevention & Early Intervention (PEI) MC (whichever is applicable) Funded Program funds, and make other hereinafter designated changes; and

WHEREAS, for FY 2020-21, as a result of the above change in Funded Program funds, the MCA will increase; and

NOW, THEREFORE, County and Contractor agree as follows:

1. This amendment is effective upon execution for FY 2020-21 to settle funds after the Annual Cost Report settlement process.
2. For FY 2020-21, DMH Mental Health Services MC Funded Program funds are increased by \$_____, from \$_____ to \$_____. **OR**
3. For FY 2020-21, MHSA Outpatient Care Services MC Funded Program funds are increased by \$_____, from \$_____ to \$_____. **OR**
4. For FY 2020-21, MHSA PEI MC Funded Program Funds are increased by \$_____, from \$_____ to \$_____. (**whichever is applicable**)
5. For FY 2020-21, the MCA is increased by \$_____, from \$_____ to \$_____.
6. Financial Exhibit A (FINANCIAL PROVISIONS), Paragraph D (REIMBURSEMENT IF CONTRACT IS AUTOMATICALLY RENEWED), subparagraph (2) shall be deleted in its entirety and replaced to read as follows:

“(2) Reimbursement For Second Automatic Renewal Period: The MCA for the Second Automatic Renewal Period of this Contract as described in Paragraph 4 (TERM) of the DMH Legal Entity Contract shall not exceed _____
(\$_____) and shall consist of Funded Programs as shown on the Financial Summary.”

7. Financial Summary (Exhibit B) – xx for FY 2020-21, shall be deleted in its entirety and replaced with Financial Summary (Exhibit B) – xx for FY 2020-21, attached

hereto and incorporated by reference. All references in the Contract to Financial Summary (Exhibit B) – xx for FY 2020-21, shall be deemed amended to state “Financial Summary (Exhibit B) – xx for FY 2020-21”.

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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 designee, and Contractor has caused this amendment to be subscribed on its behalf by its duly authorized officer, on the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
JONATHAN E. SHERIN, M.D., Ph.D.
Director of Mental Health

CONTRACTOR

By _____

Name _____

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL

By: Emily D. Issa
Deputy County Counsel

**LOS ANGELES COUNTY
 Department of Mental Health
 Increase of Maximum Contract Amounts due to the Annual Cost Report Adjustment
 For FY 2020-21**

Legal Entity Name	Headquarters Address	Supervisorial District Service Location	Service Area(s)	Current MCA for FY 2020-21	Increase for FY 2020-21	Revised MCA for FY 2020-21
Behavioral Health Services, Inc.	15519 Crenshaw Boulevard Gardena, CA 90249	1,3	4	\$1,862,195	\$11,326	\$1,873,521
Step Up on Second Street, Inc.	1328 Second St. Santa Monica, CA 90401	3	4,5	\$12,361,978	\$611,962	\$12,973,940
Tarzana Treatment Centers, Inc.	18646 Oxnard St. Tarzana, CA 91356	3,4,5	1,2,8	\$14,863,471	\$39,388	\$14,902,859
Topanga-Roscoe Corporation dba Topanga West Guest Home	22115 Roscoe Blvd. Canoga Park, CA 91304	5	2	\$1,084,746	\$1,180,679	\$2,265,425
TOTAL AGGREGATED AMOUNT AMENDED FOR FY 2020-21					\$1,843,355	