



**DEPARTMENT OF MENTAL HEALTH**  
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**LISA H. WONG, Psy.D.**  
Director

**Curley L. Bonds, M.D.**  
Chief Medical Officer

**Connie D. Draxler, M.P.A.**  
Acting Chief Deputy Director

April 09, 2024

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:

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

51 April 9, 2024

JEFF LEVINSON  
INTERIM EXECUTIVE OFFICER

**APPROVAL TO AMEND EXISTING LEGAL ENTITY AND 24-HOUR RESIDENTIAL TREATMENT CONTRACTS TO INCREASE THEIR MAXIMUM CONTRACT AMOUNTS AS THE RESULT OF THE FINANCIAL IMPACT OF IMPLEMENTING THE DEPARTMENT OF HEALTH CARE SERVICES CALIFORNIA ADVANCING AND INNOVATING MEDICAL BEHAVIORAL HEALTH PAYMENT REFORM (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

**SUBJECT**

Request approval to amend existing Department of Mental Health Legal Entity and 24-Hour Residential Treatment Contracts to increase their Maximum Contract Amounts due to the overall financial impact of implementing the Department of Health Care Services California Advancing and Innovating Medical Behavioral Health Payment Reform, effective July 1, 2023.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Approve and authorize the Director of Mental Health (Director), or designee, to prepare, sign, and execute amendments to existing Department of Mental Health (DMH) Legal Entity (LE) and 24-Hour Residential Treatment (24-Hour) Contracts as identified on Attachment I, to increase the Maximum Contract Amounts (MCAs) for Fiscal Years (FYs) 2023-24, 2024-25, and 2025-26, as applicable, due to the overall financial impact of implementing the Department of Health Care Services California Advancing and Innovating Medical (CalAIM) Behavioral Health Payment Reform. The amendments will be subject to prior review and approval as to form by County Counsel; the total estimated aggregate increase for FY 2023-24 is \$82,681,000, for FY 2024-25 it is \$10,496,000, and for FY 2025-26 it is \$10,496,000, fully funded by various federal, State, and County revenues.

2. Delegate authority to the Director, or designee, to prepare, sign, and execute future amendments

to the Contracts in Recommendation 1: to revise the language; revise the MCAs; add, delete, modify, or replace the Service Exhibit(s) and/or Statement(s) of Work; and/or reflect federal, State, and County regulatory and/or policy changes; provided that: 1) it will not exceed an increase of 25 percent from the applicable MCA; and 2) sufficient funds are available. These amendments will be subject to prior review and approval as to form by County Counsel, with written notice to the Board and Chief Executive Office (CEO).

3. Delegate authority to the Director, or designee, to terminate the Contracts described in Recommendations 1 and 2 in accordance with the termination provisions, including Termination for Convenience. The Director, or designee, will provide written notification to your Board and CEO of such termination action.

4. Exempt the DMH LE and the 24-Hour Contracts from the six-month advance notification requirement under Board Policy No. 5.100 when DMH does not have delegated authority to increase the MCA of current LE and 24-Hour Contracts.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Board approval of Recommendation 1 will allow DMH to amend existing LE and 24-Hour Contracts to increase their MCAs for the continued provision of Specialty Mental Health Services (SMHS) since these Contracts have reached and/or are estimated to reach their previously Board-approved 25 percent delegated authority for FY 2023-24 and for the 24-Hour Residential Treatment Contracts the amendment will be in effect for FYs 2023-24 through 2025-26.

Board approval of Recommendation 2 will allow DMH to amend the Contracts in Recommendation 1, in a timely manner, as necessary, without interruption to clients in need of services.

Board approval of Recommendation 3 will allow DMH to terminate the Contracts in accordance with the contract's termination provisions, including Termination for Convenience, in a timely manner, as necessary.

Board approval of Recommendation 4 will allow DMH to timely amend the existing LE and 24-Hour Contracts to allow for continued and expanded provision of services to DMH clients. As the DMH LE and 24-Hour Contracts provide a federal entitlement to beneficiaries, the need to amend as expeditiously as possible is essential. Although DMH must obtain Board approval when it exceeds its delegated authority, seeking an additional six-month advance notification to the Board will delay federally entitled services and may expose the department to liability.

### **Implementation of Strategic Plan Goals**

The recommended action is consistent with the County's Strategic Plan Goal I, Make Investments that Transform Lives, specifically Strategy I.1 – Increase Our Focus on Prevention Initiatives; and Strategy I.2 – Enhance Our Delivery of Comprehensive Interventions; and County's Strategic Plan Goal III, Realize Tomorrow's Government Today, specifically Strategy III.3 – Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

### **FISCAL IMPACT/FINANCING**

The total estimated aggregate increase for the Contracts listed on Attachment I is \$82,681,000, fully funded by various federal, State, and County revenues. Sufficient appropriation is included in DMH's FY 2023-24 Final Adopted Budget.

Funding for future fiscal years will be requested through DMH's annual budget process.

There is no net County cost impact associated with the recommended action.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Welfare and Institutions (W&I) Code Section 14712 directs the State of California (State) to implement and administer the Managed Mental Health Care for Medi-Cal eligible residents of the State. This W&I Code section requires a contractual agreement between the State and the County to operate as the Mental Health Plan (MHP) responsible for the delivery of SMHS to the County's eligible Medi-Cal beneficiaries. Through the MHP Agreement, DMH agrees to operate the MHP for the County. The MHP Agreement sets comprehensive requirements for DMH to provide or arrange for the provision of all covered, medically necessary SMHS to Medi-Cal beneficiaries in the County. As such, DMH provides such SMHS through its directly operated clinics as well as through its numerous LE and 24-Hour Contractors.

On March 30, 2016, the Centers of Medicare and Medicaid Services issued the Parity Rule in the Federal Register to strengthen access to mental health and substance use disorder services for Medi-Cal beneficiaries. The Parity Rule mandates that MHPs ensure access to care through an adequate provider network without unreasonable limitations to the scope or duration of mental health benefits. In order to comply with these requirements, DMH must ensure that an adequate network of providers and services are available throughout the County.

On June 8, 2021, your Board authorized the Director to execute 131 LE Contracts, which included the Contracts listed on Attachment I. DMH is seeking your Board's approval to amend these existing LE Contracts to increase their MCAs. These Contracts have reached the 25 percent delegated authority for FY 2023-24. DMH previously amended these LE Contracts up to delegated authority and is returning to your Board for authority to amend the LE Contracts to increase funds for FY 2023-24. The increase of funds is for the provision of SMHS and is due to the overall financial impact of implementation of the CalAIM Payment Reform initiative. The LE Contractors listed on Attachment I provide a variety of SMHS in all Supervisorial Districts.

On May 3, 2022, your Board authorized the Director to execute 24-Hour Residential Treatment Contracts, which included Contracts listed on Attachment I. DMH is seeking your Board's approval to amend these 24-Hour Residential Treatment Contracts to increase their MCAs. These Contracts have reached their 25 percent delegated authority for FY 2023-24, 2024-25, and 2025-26. DMH previously amended these 24-Hour Contracts up to delegated authority and is seeking your Board's authority to amend these 24-Hour Contracts to increase funds for FYs 2023-24 through 2025-26. The increase of funds is due to the overall financial impact of implementation of the CalAIM Payment Reform initiative. The 24-Hour Contractors listed on Attachment I provide a variety of SMHS at its enriched residential services program in Supervisorial Districts 1, 2, 3, and 4.

On December 7, 2021, your Board authorized the Directors of DMH, Department of Public Health, and Department of Health Services to negotiate, prepare, execute, and operationalize new and

existing agreements with health plans, provider groups, and pharmacy benefit networks necessary to establish or maintain CalAIM initiatives. The CalAIM Behavioral Health Payment Reform initiative was established to move counties away from cost-based reimbursement to enable value-based reimbursement structures that reward better care and quality of life for Medi-Cal Beneficiaries. Payment Reform transitions counties from cost-based reimbursement funding via Certified Public Expenditures to fee-for-service reimbursement funded via Intergovernmental Transfers eliminating the need for reconciliation to actual costs.

On July 1, 2023, DMH amended all its LE Contracts and 24-Hour Residential Treatment Contracts to allow for Payment Reform pursuant to State CalAIM requirements. Providers began to provide services under the new CalAIM Payment Reform requirements. However, DMH was still receiving updated information from the State and conducting various analyses on the impact of payment reform, and this led to many providers requiring an MCA adjustment due to the increase in their rates. DMH is seeking authority to amend its Contracts to make such adjustments as necessary.

In accordance with Board Policy No. 5.120, Authority to Approve Increases to Board-approved contract amounts requirements, DMH notified your Board (Attachment II) of its intent to request delegated authority of more than ten percent.

Under Board Policy No. 5.100, Sole Source Contracts and Amendments, 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. As DMH LE and 24-Hour Contracts provide a federal entitlement to beneficiaries, the need to amend as expeditiously as possible is essential. Therefore, DMH is requesting that your Board make an exemption to the six-month advance notification requirement for DMH LE and 24-Hour Contracts only.

This exemption will allow DMH to meet the federal requirement under the Parity Rule and allow DMH to amend the LE and 24-Hour Contracts in a timely manner for the continuous provision and expansion of mental health services without interruption to clients who are in need of the services/programs.

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)**

Board approval of the recommended actions will allow the LE and 24-Hour Contractors to provide ongoing SMHS and allow DMH the ability to make revisions/updates to the work provided by the Contractors in a timely manner.

The Honorable Board of Supervisors

4/9/2024

Page 5

Respectfully submitted,

A handwritten signature in cursive script that reads "Lisa H. Wong, Psy.D.".

LISA H. WONG, Psy.D.

Director

LISA H. WONG., Psy.D.Director

Enclosures

c: LHW:CDD:KN:SK;jd:atm

LOS ANGELES COUNTY  
DEPARTMENT OF MENTAL HEALTH  
CONTRACT AMENDMENTS DUE TO CALAIM PAYMENT REFORM

LE#	LegalEntityName	Increase due to CalAim Payment Reform FY 2023-24	Increase due to CalAim Payment Reform FY 2024-25	Increase due to CalAim Payment Reform FY 2025-26	Increase due to CalAim Payment Reform through January 31, 2025
00256	1736 FAMILY CRISIS CENTER	\$ 37,000			
00177	ALCOTT CENTER FOR MENTAL HEALTH	\$ 470,000			
00409	ASC TREATMENT GROUP	\$ 62,000			
01167	ASIAN AMERICAN DRUG ABUSE PROGRA	\$ 22,000			
01800	ASIAN PACIFIC HLTH CARE VNTR INC	\$ 24,000			
00175	BARBOUR AND FLOYD MEDICAL ASSOCI	\$ 3,118,000			
00274	BRIDGES COMM TREATMENT SVS INC	\$ 895,000			
01209	CENTER FOR INTEGRATED FAM HEALTH	\$ 545,000			
00210	CHILD AND FAMILY CENTER	\$ 2,829,000			
00783	CHILDNET YOUTH AND FAMILY SERVIC	\$ 1,541,000			
00668	CHILDRENS BUREAU OF S CALIFORNIA	\$ 2,368,000			
01066	CHILDRENS CTR OF THE ANTELOPE VA	\$ 1,209,000			
00179	CHILDRENS HOSPITAL OF LA	\$ 1,132,000			
00591	CHILDREN'S INSTITUTE INC	\$ 225,000			
00181	COMMUNITY FAMILY GUIDANCE CENTER	\$ 1,321,000			
00779	COUNSELING AND RESEARCH ASSC INC	\$ 2,207,000			
00185	EL CENTRO DE AMISTAD INC	\$ 2,136,000			
01311	EMOTIONAL HLTH ASSOC SHARE	\$ 1,224,000			
01567	EXCEPTIONAL CHILDRENS FOUNDATION	\$ 353,000			
00527	EXODUS RECOVERY INC.	\$ 286,000			
02235	GARCES RESIDENTIAL CARE SERVICES	\$ 119,000			
00190	GATEWAYS HOSPITAL AND MENTL HLTH	\$ 1,125,000			
00348	HEALTHRIGHT 360	\$ 60,000			
00965	HERITAGE CLINIC AND CAPS	\$ 395,000			
01563	JWCH INSTITUTE, INC.	\$ 84,000			
00197	KEDREN COMMUNITY HEALTH CENTER I	\$ 300,000			
01794	KOREAN AMERICAN FAMILY SERVICE C	\$ 150,000			
00326	KOREATOWN YOUTH AND COMMUNITY CE	\$ 340,000			
00304	LOS ANGELES GAY AND LESBIAN	\$ 242,000			
00315	LOS ANGELES UNIFIED SCHOOL DISTR	\$ 3,825,000			
02289	MARY'S SHELTER	\$ 331,000			
01034	MARYVALE	\$ 441,000			
00971	MCKINLEY	\$ 73,000			
02397	MINDFUL GROWTH FOUNDATION	\$ 154,000			
00518	OLIVE CREST	\$ 29,000			
00859	ONE IN LONG BEACH, INC.	\$ 336,000			
00805	PHOENIX HOUSE OF LOS ANGELES, IN	\$ 221,000			
01961	PROJECT RETURN PEER SUPP NETWORK	\$ 3,062,000			
00217	PROVIDENCE SAINT JOHNS HLTH CTR	\$ 503,000			
00213	SOUTH BAY CHILDREN'S HEALTH CENT	\$ 319,000			
00506	SOUTHERN CALIFORNIA HEALTH AND R	\$ 11,374,000			
00214	SPECIAL SERVICE FOR GROUPS	\$ 10,059,000			
01186	ST. ANNE'S FAMILY SERVICES	\$ 111,000			
00543	STAR VIEW BEHAVIORAL HEALTH INC	\$ 2,282,000			
00216	STIRLING ACADEMY, INC.	\$ 30,000			
01156	TARZANA TREATMENT CENTERS, INC.	\$ 5,655,000			
00108	TELECARE CORPORATION	\$ 3,383,000			
01379	TESSIE CLEVELAND COMM SRVC CORP	\$ 864,000			
00305	THE PEOPLE CONCERN	\$ 432,000			
00195	THE WHOLE CHILD MENTAL HEALTH &	\$ 50,000			
00630	TOPANGA ROSCOE CORPORATION	\$ 619,000			
01806	UNIVERSITY MUSLIM MED ASSOC INC	\$ 545,000			
01044	VIP COMMUNITY MENTAL HEALTH CENT	\$ 2,000,000			
00316	WESTSIDE CENTER FOR INDEPENDENT	\$ 245,000			
00108 CRTP-RCV	TELECARE CORPORATION				\$ 423,000
00108 24HR	TELECARE CORPORATION	\$ 3,644,000	\$ 3,644,000	\$ 3,644,000	
00190 24HR	GATEWAYS HOSPITAL AND MENTL HLTH	\$ 188,000	\$ 188,000	\$ 188,000	
00214 24HR	SPECIAL SERVICE FOR GROUPS	\$ 2,459,000	\$ 2,459,000	\$ 2,459,000	
00274 24HR	BRIDGES COMM TREATMENT SVS INC	\$ 312,000	\$ 312,000	\$ 312,000	
00409 24HR	ASC TREATMENT GROUP	\$ 400,000	\$ 400,000	\$ 400,000	
00527 24HR	EXODUS RECOVERY INC.	\$ 2,068,000	\$ 2,068,000	\$ 2,068,000	
00543 24HR	STAR VIEW BEHAVIORAL HEALTH INC	\$ 1,425,000	\$ 1,425,000	\$ 1,425,000	
<b>Total</b>		\$ 82,258,000	\$ 10,496,000	\$ 10,496,000	\$ 423,000



**DEPARTMENT OF MENTAL HEALTH**  
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LISA H. WONG, Psy.D.  
 Director

Curley L. Bonds, M.D.  
 Chief Medical Officer

Connie D. Draxler, M.P.A.  
 Acting Chief Deputy Director

March 13, 2024

TO: Supervisor Lindsey P. Horvath, Chair  
 Supervisor Hilda L. Solis  
 Supervisor Holly J. Mitchell  
 Supervisor Janice Hahn  
 Supervisor Kathryn Barger

FROM: Lisa H. Wong, Psy.D.  
 Director

*Connie D. Draxler*

**SUBJECT: NOTICE OF INTENT TO REQUEST DELEGATED AUTHORITY  
 FOR AN INCREASE EXCEEDING TEN PERCENT OF THE  
 MAXIMUM CONTRACT AMOUNT FOR THE DEPARTMENT  
 OF MENTAL HEALTH'S LEGAL ENTITY AND 24-HOUR  
 RESIDENTIAL TREATMENT CONTRACTS**

In accordance with the Los Angeles County Board of Supervisors' (Board) Policy No. 5.120, the Department of Mental Health (DMH) is notifying your Board of our Department's intent to request delegated authority for a percentage increase exceeding ten percent of the Maximum Contract Amount (MCA) for fifty-four existing Legal Entity (LE) and eight 24-Hour Residential Treatment (24-Hour) Contracts. DMH will request delegated authority to increase the MCAs for Fiscal Years (FYs) 2023-24, 2024-25, and 2025-26, as applicable, due to the financial impact of implementing the California Advancing and Innovating Medical (CalAIM) Behavioral Health Payment Reform.

**JUSTIFICATION**

In April 2024, DMH will present to your Board a letter for approval to amend fifty-four existing LE Contracts for FY 2023-24 and eight 24-Hour Contracts for FYs 2023-24 through 2025-26, to increase their MCAs as the Contractors have reached their previously Board-approved 25 percent delegated authority. The total estimated aggregate increase for the contracts for FY 2023-24 is \$82,681,000, and for FYs 2024-25 and 2025-26 they

Each Supervisor  
March 13, 2024  
Page 2

are \$10,496,000 and \$10,496,000, respectively, fully funded by various federal, State, and County revenues.

On July 1, 2023, DMH amended all its LE and 24-Hour Residential Treatment Contracts to allow for payment reform pursuant to State CalAIM requirements. Providers began to provide services under the new CalAIM Payment Reform requirements. However, DMH was still receiving updated information from the State and conducting various analyses on the impact of payment reform, and this led to many providers requiring an MCA adjustment due to the increase in their rates. The authority to increase allows DMH to amend the LE and 24-Hour Contracts in a timely manner for the continuous provision and expansion of specialty mental health services without interruption to services.

### **NOTIFICATION TIMELINE**

Board Policy No. 5.120 requires departments to provide written notice to your Board, with a copy to the Chief Executive Office, at least two weeks prior to the Board Meeting at which the request to exceed ten percent of the MCA will be presented. In compliance with this policy, DMH is notifying your Board of our intent to request delegated authority up to 25 percent increase of the MCAs for FYs 2023-24, 2024-25, and 2025-26, as applicable, through a Board letter to be presented in April 2024.

If you have any questions, or require additional information, please contact me by email at [LWong@dmh.lacounty.gov](mailto:LWong@dmh.lacounty.gov) or (213) 947-6670, or your staff may contact Stella Krikorian, Division Manager, Contracts Development and Administration Division, at [SKrikorian@dmh.lacounty.gov](mailto:SKrikorian@dmh.lacounty.gov) or (213) 943-9146.

LHW:CDD:KN  
SK:JD:atm

c: Executive Office, Board of Supervisors  
Chief Executive Office  
County Counsel