

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # B-14

Urgent

Routine *DFE*

AGENDA DATE December 22, 2009

CEO Concurs with Recommendation YES NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Approval for the Chief Executive Officer and the Director of Behavioral Health and Recovery Services to Finalize and Execute: a New Provider Agreement for Fee for Service Inpatient Psychiatric Services; a Settlement and Release Agreement for Past Claims; An Amendment to the Existing Omnibus Agreement between Stanislaus County and Doctors Medical Center for Various Health Care Services; an Amendment to the In-Patient Hospital Services Agreement and to Terminate the Physician Services Agreement for Psychiatric Physician Services and Related Actions

STAFF RECOMMENDATIONS:

1. Authorize the Chief Executive Officer and the Director of Behavioral Health and Recovery Services to negotiate and execute a new Provider Agreement for Fee for Service Inpatient Psychiatric Services with Doctors Medical Center of Modesto effective January 1, 2010 through June 30, 2012.
2. Authorize the Chief Executive Officer and the Director of Behavioral Health and Recovery Services to negotiate and execute a Settlement and Release Agreement for previous claims with Doctors Medical Center of Modesto effective December 23, 2009.

Continued on Page 2

FISCAL IMPACT:

The prior Provider Agreement, approved by the Board of Supervisors on October 23, 2007 provides the County will pay to Doctors Medical Center (DMC), \$799 per authorized acute inpatient day for each County patient, through June 30, 2010. The new Provider Agreement will maintain those rates for the period January 1, 2010 through June 30, 2010. Effective July 1, 2010 the daily rate will increase to \$974 per acute inpatient day for County patients, for the period July 1, 2010 through June 30, 2012.

Continued on Page 2

BOARD ACTION AS FOLLOWS:

No. 2009-875

On motion of Supervisor Chiesa, Seconded by Supervisor Grover

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Grover, Monteith, and Chairman DeMartini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval for the Chief Executive Officer and the Director of Behavioral Health and Recovery Services to Finalize and Execute: a New Provider Agreement for Fee for Service Inpatient Psychiatric Services; a Settlement and Release Agreement for Past Claims; An Amendment to the Existing Omnibus Agreement between Stanislaus County and Doctors Medical Center for Various Health Care Services; an Amendment to the Inpatient Hospital Services Agreement and to Terminate the Physician Services Agreement for Psychiatric Physician Services and Related Actions
Page 2

STAFF RECOMMENDATIONS (Continued):

3. Authorize the Chief Executive Officer to negotiate and execute the second amendment to the Omnibus Agreement with Doctors Medical Center effective January 1, 2010.
4. Authorize the Chief Executive Officer to negotiate and execute the second amendment to the In-Patient Hospital Services Agreement with Doctors Medical Center effective January 1, 2010.
5. Approve the termination of the Physician Services Agreement with Doctors Medical Center of Modesto for the provision of psychiatrists' services, effective December 31, 2009.
6. Approve the termination of the prior Provider Agreement with Doctors Medical Center of Modesto for Acute Psychiatric Services effective December 31, 2009.
7. Authorize and direct the Chief Executive Officer to execute, acknowledge and deliver the Agreements in the name and on behalf of the County; and to accept on behalf of the County any further amendments to the Agreements so long as the further revisions do not materially modify the terms thereof or the conditions set forth in this approval and authorization.
8. Authorize and direct the Chief Executive Officer to take such steps, to waive such conditions in whole or in part, to do other acts and things, and to execute and deliver such documents, including the Agreements and related agreements, exhibits, schedules and similar instruments, that are contemplated by, consistent with and that do not materially modify the terms of the Agreements heretofore approved, as he may deem necessary or appropriate to carry out the terms and provisions of this approval and authorization and to otherwise consummate the transactions authorized thereby.

FISCAL IMPACT (Continued):

Additionally, the County will pay \$225 per authorized Medi-Cal administrative day for each qualified County patient, for the period of January 1, 2010 through June 30, 2010. Effective July 1, 2010, the administrative day rate for qualified County patients will increase to \$334 for the period of July 1, 2010 through June 30, 2012.

Approval for the Chief Executive Officer and the Director of Behavioral Health and Recovery Services to Finalize and Execute: a New Provider Agreement for Fee for Service Inpatient Psychiatric Services; a Settlement and Release Agreement for Past Claims; An Amendment to the Existing Omnibus Agreement between Stanislaus County and Doctors Medical Center for Various Health Care Services; an Amendment to the Inpatient Hospital Services Agreement and to Terminate the Physician Services Agreement for Psychiatric Physician Services and Related Actions

Page 3

In addition, the new Provider Agreement provides for a change from the original Provider Agreement in the allocation of Medi-Cal Disproportionate Share Hospital (DSH) credits to the County from DMC. Previously, the County was to receive credits for the first four years as follows:

- Year One \$300,000
- Year Two \$750,000
- Year Three \$750,000
- Year Four \$600,000

The new Agreement provides for the new credit schedule to be specifically for the Fiscal Years 2009-2010 through 2011-2012 as follows:

- Fiscal Year 2009-2010: \$375,000
- Fiscal Year 2010-2011: \$600,000
- Fiscal Year 2011-2012: \$600,000

The new DSH credit schedule replaces the previous credit schedule entirely. This will not result in the return of funds, as these funds were not budgeted nor received.

The County also has agreed to provide a Psychiatric Nurse to provide coaching to the Doctors Behavioral Health Center clinical staff and physicians with respect to the documentation of medical necessity. As part of the Provider Agreement, Doctors Medical Center will reimburse the County for 50% of the costs for providing this position.

For Fiscal Year 2009-2010, Behavioral Health and Recovery Services is estimating the new Provider Agreement will increase budgeted costs by \$224,666, for a total budget of \$2,539,776 for acute psychiatric services. If approved by the Board, this adjustment will be made as part of the mid-year budget revision process. In subsequent fiscal years, the changes made in the new Provider Agreement are anticipated to increase County costs approximately \$1,240,000 per year. These increases will be included in future budget processes and will be paid from existing program revenues.

The Settlement and Release Agreement eliminates future claims related to past service denials. Funds are budgeted for claim expenses that may be considered appropriate by the State during the appeal review process.

DISCUSSION:

Effective October 31, 2007, Stanislaus County sold its 67-bed inpatient acute psychiatric facility, Stanislaus Behavioral Health Center, to Doctors Medical Center of

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Page 4

Modesto (DMC), a Tenet Healthcare affiliate. The Center subsequently became known as Doctors Behavioral Health Center (DBHC). At that time the County entered into a Provider Agreement with DMC for the provision of 35 beds on a daily basis for County patients, defined as: Medi-Cal adult beneficiaries of Stanislaus County, adult indigent uninsured residents of Stanislaus County, and Restoration to Competency patients.

The transition from a County facility to DBHC has been challenging. The challenges include documentation of Medical Necessity to meet California Department of Mental Health standards by DMC. Since acquiring the hospital, DMC services have been denied an average of over 40%, amounting to \$2,368,336 through June 30, 2009. Both parties have met frequently to discuss and strategize how the denial rate could be lowered. During October and November 2009, the County and DMC representatives cooperatively met with an outside mediator to resolve these issues. The outcome of these sessions has led to the recommendation to terminate the existing Provider and Physician Services Agreements, negotiation of a new Provider Agreement to be effective January 1, 2010 and a Settlement and Release Agreement relieving the County of obligation for past denials. In addition, both entities have agreement to amend the Omnibus Agreement and the Inpatient Hospital Services Agreement.

The terms of the new Provider Agreement include:

- The new agreement will be effective January 1, 2010 through June 30, 2012.
- For the periods of January 1, 2010 through June 30, 2010, DMC will reserve 25 beds for County patients. The County will continue to reimburse DMC at the rate of \$799 for authorized acute inpatient days for County patients other than Restoration to Competency patients, which will be reimbursed at a rate of \$600 per authorized acute inpatient day; and \$225 for administrative days for both Medi-Cal and uninsured patients.
- Effective July 1, 2010, the rate for authorized acute inpatient days will increase to \$974 per day and \$334 per administrative day through the end of the agreement.
- In recognition of future Medi-Cal DSH payments, DMC shall credit the County the following amounts towards the County's uninsured liability for uninsured beds:

| | |
|------------------------|-----------|
| Fiscal Year 2009-2010: | \$375,000 |
| Fiscal Year 2010-2011: | \$600,000 |
| Fiscal Year 2011-2012: | \$600,000 |

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Page 5

Payments to the County for future Medi-Cal DSH shall be made as follows: for Fiscal Year 2009-2010 by July 31, 2010; for Fiscal Years 2010-2011 and 2011-2012 in two equal installments by January 31st and July 31st of the subsequent fiscal years. The agreed upon payments shall continue past the effective period of the new agreement.

- The County will provide a Psychiatric Nurse to provide coaching to the Doctors Behavioral Health Center clinical staff and physicians with respect to the documentation of medical necessity. In return, DMC will reimburse the County for 50% of the costs for providing this position.

The County model is moving toward a more prevention based community approach encouraged by the Mental Health Services Act (MHSA) programs being implemented broadly in the community. The agreements recommended provide for the continued use of psychiatric inpatient services through 2012. It is likely that the County's model will continue to move toward an increased community based support approach toward emotional health, which may in the future include the alternative placement option of a Psychiatric Health Facility (PHF) to decrease inpatient utilization. DMC acknowledges that the County will continue to develop programs to manage behavioral health services to County patients on an outpatient or other cost-effective basis within available resources, to manage the level of inpatient services for County patients and to identify alternatives for County Patient placement. The agreements provide that the County shall not operate a PHF so long as these agreements are in place and requires the County to notify DMC in writing if the County commences the development for or the planning for a PHF during the term of the agreement. This allows for the County to engage in a level of long term planning and future decision making for 2012 and beyond.

The Settlement and Release Agreement provides for the County and DMC to release one another from any and all past, present and future claims and liabilities related to the performance by the other party of its obligations arising under the terminating Provider agreement, the Physicians Services Agreement or the Purchase Agreement. Additionally, this Agreement releases the County from obligations arising from claims for services rendered to County uninsured patients prior to November 1, 2009.

The second amendment to the Omnibus Agreement provides for an Administrative Oversight Committee to be formed for the purpose of managing and overseeing the collaborative relationship between the County and DMC as described in the Omnibus Agreement, as well as overseeing the existing contractual agreements between the parties. The Administrative Oversight Committee shall consist of DMC's chief executive

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Page 6

officer, chief operations officer, administrator and medical director of DBHC; and the County's chief executive officer, administrative director and medical director of the Health Services Agency, as well as the administrative director and medical director of the Behavioral Health and Recovery Services. The Committee shall meet quarterly. The Committee is also tasked with collaborating to identify opportunities for the parties to seek new special health care funding for indigent care.

The second amendment to the Inpatient Hospital Services Agreement will update the list of Health Services Agency Clinical Services Retained with Closure of Stanislaus Medical Center (Exhibit A) dated November 30, 1997, to reflect the current clinical services and locations of the Health Services Agency,

It is recommended that the Board approve the termination of the existing Provider Agreement and the Physicians Services Agreement, and authorize the Chief Executive Officer and Director of Behavioral Health and Recovery Services to finalize and execute the new Provider Agreement, the Settlement and Release Agreement and amendments to the Omnibus Agreement and Inpatient Hospital Services Agreement. It is further recommended that the Chief Executive Officer be authorized to make such amendments to the Agreements so long as the further revisions do not materially modify the terms thereof or the conditions set forth in this approval and authorization.

POLICY ISSUES:

Execution of these agreements and amendments with Doctors Medical Center supports the Board's priorities of *A safe community, A healthy community, and Efficient delivery of public services* by enabling County patients to be treated at a local facility.

STAFFING IMPACT:

The County has agreed to provide a Psychiatric Nurse II for the Coaching Program at DMC. The Department initially intends to hire a personal services contractor to perform this function. If, at the end of the first year a decision is reached to continue this program, the Department may return to the Board to request an additional Psychiatric Nurse II for the Managed Care budget in support this agreement.



**PROVIDER AGREEMENT
(FEE-FOR-SERVICE INPATIENT PSYCHIATRIC SERVICES)**

BETWEEN

**COUNTY OF STANISLAUS,
BEHAVIORAL HEALTH AND RECOVERY SERVICES**

AND

DOCTORS MEDICAL CENTER OF MODESTO, INC.

JANUARY 1, 2010 - JUNE 30, 2012

TABLE OF CONTENTS

| SECTION | PAGE |
|--|------|
| 1. RECITALS AND TERMINATION OF PRIOR AGREEMENT | 1 |
| 2. DEFINITIONS AND SERVICES | 2 |
| 3. NONDISCRIMINATION | 2 |
| 4. UTILIZATION REVIEW/MANAGEMENT | 2 |
| 5. BILLING AND PAYMENT | 5 |
| 6. STOP LOSS – APPLICABLE TO UNINSURED ONLY | 9 |
| 7. COUNTY REVENUE LOSS – RIGHT TO RENEGOTIATE | 10 |
| 8. STANDARD OF CARE/QUALITY IMPROVEMENT | 10 |
| 9. CASE MANAGEMENT | 11 |
| 10. CULTURAL COMPETENCY | 11 |
| 11. DISPUTE RESOLUTION | 11 |
| 12. PATIENTS’ RIGHTS AND PROBLEM RESOLUTION PROCESS | 13 |
| 13. CONFIDENTIALITY AND INFORMATION SECURITY | 13 |
| 14. RECORDS | 14 |
| 15. MONITORING | 14 |
| 16. PERSONNEL | 14 |
| 17. WORKPLACE REQUIREMENTS | 14 |
| 18. REQUIRED LICENSES, CERTIFICATES AND PERMITS | 15 |
| 19. INDEMNIFICATION | 15 |
| 20. INSURANCE | 15 |
| 21. NOTICE | 17 |
| 22. CONFLICTS | 17 |
| 23. SEVERABILITY | 18 |
| 24. AMENDMENT | 18 |
| 25. ENTIRE AGREEMENT | 18 |
| 26. RELATIONSHIP OF PARTIES | 18 |
| 27. REFERENCES TO LAWS AND RULES | 18 |
| 28. ASSIGNMENT | 18 |
| 29. AVAILABILITY OF FUNDS | 19 |
| 30. WAIVER OF DEFAULT | 19 |
| 31. VENUE | 19 |
| 32. TERM | 19 |
| 33. NON-COMPETITION | 20 |
| 34. CHANGES IN COUNTY MENTAL HEALTH SYSTEM | 20 |
| SIGNATURE PAGE | 20 |
| EXHIBIT A - DEFINITIONS AND SCOPE OF WORK | |
| EXHIBIT B - CONFIDENTIALITY AND SECURITY OF INFORMATION | |
| EXHIBIT C - MHP CLAIMS CERTIFICATION AND PROGRAM INTEGRITY | |
| EXHIBIT D - COACHING PROGRAM GUIDELINES | |
| EXHIBIT E - QUALITY MEASURES PROGRAM | |

PROVIDER AGREEMENT (Fee-for-Service Inpatient Psychiatric Services)

This Provider Agreement (“**Agreement**”) is made and entered into in the City of Modesto, State of California, by and between the **County of Stanislaus, Behavioral Health and Recovery Services (“BHRS”)**, a political subdivision of the State of California (hereinafter referred to as “**County**”), and **Doctors Medical Center of Modesto, Inc.**, a California corporation (hereinafter referred to as “**DMC**”), for and in consideration of the recitals and the mutual promises, covenants, and agreements as are hereinafter set forth.

WHEREAS, DMC owns and operates a duly licensed general acute care hospital that provides acute care services at 1441 Florida Avenue, Modesto, California (“**Hospital**”), which includes the Doctors Behavioral Health Center, an acute psychiatric facility located at 1501 Claus Road, Modesto, California (“**DBHC**”).

WHEREAS, County, as the Mental Health Plan (“**MHP**”) for County of Stanislaus, is mandated to provide comprehensive inpatient psychiatric services for “**County Patients**” (as defined in **Exhibit A**, Paragraph 1.1), including services provided in accordance with Title 9 (“**Title 9**”) of the California Code of Regulations (“**CCR**”), as more fully set forth in this Agreement.

WHEREAS, DMC is willing to serve as a contracting agency with County for the care of “**County Patients**” (as defined in **Exhibit A**, Paragraph 1.1) in need of “**Covered Services**” or “**Restoration to Competency**” (as defined in **Exhibit A**, Paragraphs 1.2 and 1.4, respectively) at DBHC.

WHEREAS, County and DMC entered into that certain Provider Agreement effective November 1, 2007 for an initial term ending June 30, 2010 (“**Prior Agreement**”) to provide Covered Services and Restoration to Competency for County Patients.

WHEREAS, County and DMC now mutually agree to terminate the Prior Agreement as of the “**Effective Date**” (as defined in Section 32.1 below) and enter into this Agreement, which will supersede the Prior Agreement except as otherwise provided herein.

NOW, THEREFORE, the parties hereby agree as follows:

TERMS AND CONDITIONS

1. RECITALS AND TERMINATION OF THE PRIOR AGREEMENT

1.1 The recitals set forth above are a material part of this Agreement.

1.2 The Prior Agreement is hereby terminated as of the Effective Date, and shall be of no further force and effect, except for the terms thereof that survive the termination of the Prior Agreement.

2. DEFINITIONS AND SERVICES

See **Exhibit A** for a detailed description of definitions and services.

3. NONDISCRIMINATION

Consistent with the requirements of applicable Federal or State law, DMC will not unlawfully discriminate in hiring practices, the admission of clients, assignment of accommodations, treatment, evaluation, or in any other respect on the basis of race, color, gender, religion, marital status, national origin, age (over 40), sexual preference, or mental or physical disability, or medical condition (cancer-related), pregnancy related condition, or political affiliation or belief. This policy shall be in writing, in English and Spanish. Subject to differences in payor agreements and policies (including this Agreement and County policies), it is the intent of the parties that County Patients shall receive the same level of services as non-County Patients.

4. UTILIZATION REVIEW/MANAGEMENT

4.1 County will conduct retrospective MHP payment authorization of the Covered Services provided to County Patients at DBHC pursuant to this Agreement for compliance with California public mental health industry and Title 9 CCR standards, including, without limitation, §§ 1820.205 and 1820.220. As part of retrospective authorization, County may issue denials resulting from lack of documented medical necessity. Subject to County's obligations as set forth in Section 4.8 below, payment may also be denied for DMC's inability to arrange for a County Patient's residential placement prior to or upon discharge to a lower level of care.

4.2 County acknowledges that DMC intends to establish an initial internal objective to reduce the denial rate for County Patient days to less than twenty percent (20%) (the "**DBHC Denial Rate Objective**"). County agrees to work collaboratively to assist DMC in meeting the DBHC Denial Rate Objective to the extent legally permissible, including through the Coaching Program described in Section 4.3 below and other education efforts. In addition to the obligations of the parties under this Agreement, and in furtherance of the efforts to be made by the parties to accelerate the collaborative effort to meet the DBHC Denial Rate Objective, County and DMC agree to schedule a joint meeting with DBHC staff prior to the Effective Date to discuss (i) the responses of the State Department of Mental Health ("**DMH**") on appeals filed by

DMC under the Prior Agreement with respect denials for Medi-Cal patients days for County Patients; (ii) the scope and purposes of the UM Staff coaching program described in Section 4.3 below and **Exhibit D** attached hereto; and (iii) other changes in this Agreement that are made with the intention to facilitate the achievement of the DBHC Denial Rate Objective for County Patients admitted to DBHC.

- 4.3 County agrees to employ or otherwise provide concurrent review nurses (“**UM Staff**”) who will provide coaching to the DBHC clinical staff and physicians with respect to the concurrent review of documentation relating to medical necessity (the “**Coaching Program**”). The purpose, structure, functions, methods, records and confidentiality of the Coaching Program are set forth in **Exhibit D** attached hereto. The Coaching Program shall be implemented for an initial period of one (1) year following the Effective Date. On a periodic basis, the DBHC and BHRS Administrators shall review the effectiveness of the Coaching Program in reducing the denial rate for County Patient days and achieving the initial DBHC Denial Rate Objective. Prior to October 1, 2010, the DBHC and BHRS Administrators shall report to the Chief Executive Officers of County and DMC as to the effectiveness of the Coaching Program and their recommendation whether to continue the Coaching Program for the following year. DMC shall reimburse County for fifty percent (50%) of the costs of the Coaching Program for the initial year of the Coaching Program and for each subsequent period that the parties mutually agree to continue the Coaching Program. The costs for the Coaching Program shall be invoiced to DMC on a quarterly basis and paid within thirty (30) days of the receipt of each such invoice.
- 4.4 Not later than January 10, 2010, County and DMC shall collaborate on a joint letter to DMH (on County letterhead) requesting an in-person meeting with DMH representatives to seek clarification to assist in the application of and adherence to the Title 9 criteria for medical necessity in the review of Medi-Cal patient claims. County and DMC representatives shall attend and participate in good faith in any resulting meeting with DMH.
- 4.5 In furtherance of DMC’s efforts to achieve the initial DBHC Denial Rate Objective, County and DMC hereby agree as follows:
- 4.5.1 If the denial rate does not materially decline in two (2) months of any rolling three (3) month period during the term of this Agreement, DMC or County may trigger the intervention of the Chief Executive Officers of DMC and

County. The intervention will “stop the clock,” *i.e.*, the rolling three (3) month period will resume when the intervention has been completed (as determined by the Chief Executive Officers of DMC and County).

- 4.5.2 The Chief Executive Officers of DMC and County shall meet and confer to consider further steps that will improve the documentation of medical necessity consistent with State law, Title 9 and established criteria, in order to assist DMC’s efforts to reduce the denial rate to achieve the DBHC Denial Rate Objective, subject to applicable Title 9 regulations and other legal authorities.
- 4.5.3 The Chief Executive Officers of DMC and County may mutually agree to engage external assistance (*e.g.*, consultant, mediator or other expertise). Any external intervention, including mediation, will be limited to improving the communication process and identifying steps to improve the documentation of medical necessity within the scope of the Title 9 criteria, in order to assist DMC’s efforts to reduce the denial rate to achieve the DBHC Denial Rate Objective.
- 4.6 The DBHC and BHRS Medical Directors shall meet monthly to coordinate and collaborate on clinical matters, including identifying steps to improve the documentation of medical necessity within the scope of the Title 9 criteria, in order to reduce the denial rate.
- 4.7 The DBHC and BHRS Administrators shall meet and confer monthly to coordinate and collaborate on the administration of this Agreement (including Section 6 below), and to discuss any outstanding issues or concerns between the parties, including without limitation to resolve any placement options for County uninsured patients due to material reduction in the number of, or lack of, available residential placement options at non-acute residential treatment facilities. At the discretion of the DBHC and BHRS Administrators, the monthly meetings may include attendance of the DBHC and BHRS Medical Directors as well.
- 4.8 County and DMC shall cooperate in good faith and engage in a collaborative process with the other party in managing patient discharge plans, and in referring County Patients for appropriate aftercare services. Medi-Cal beneficiaries are entitled to an assessment by County. If County Patients meet medical necessity criteria for specialty mental health services as stipulated in Title 9, CCR § 1830.205, DMC will refer such County Patients to the appropriate aftercare services in a manner

consistent with the collaborative process described above. To the extent resources are available, public mental health services can be provided to uninsured individuals who meet target populations as defined in law (*i.e.*, California Welfare and Institutions Code ("**W&I Code**") § 5600.3). County's obligation to ensure that uninsured individuals have access to aftercare shall be in accordance with any applicable federal, state and/or local laws.

- 4.9 Each party shall cooperate in good faith and assist the other party in attempting to qualify appropriate County Patients for applicable medical assistance programs. DMC shall provide access for County staff to County Patients for the purpose of assisting with and applying for medical assistance programs.
- 4.10 Neither party intends either the statements or the activities described in this Section 4 or in **Exhibit D** attached hereto to be construed as an admission or concession that past, current or future Covered Services do not meet the medical necessity requirements of the applicable provisions of the law and regulations, including Title 9, CCR § 1820.205.

5. BILLING AND PAYMENT

- 5.1 DMC shall make available to County a minimum of twenty-five (25) beds daily at DBHC ("**Reserved Beds**") for the care of County Patients (which includes Restoration to Competency County Patients as may be reasonably necessary to restore an individual's competency to stand trial). County shall use its best efforts to arrange, on a rolling twelve (12) month period, for not less than ninety percent (90%) of appropriate County Patients to be admitted to DBHC to fill the Reserved Beds so long as the admissions to DBHC level of care are medically appropriate under the circumstances, as reasonably determined by either County or DBHC. The ninety percent (90%) threshold shall not apply to (i) any admission that is declined by DHBC for any reason; (ii) County patients who may be treated appropriately at a lower level of care; and (iii) any County Patient who presents or is transferred to another behavioral health facility. In the event of any quality of care issues identified by County as to the care and services provided by DBHC to County Patients, County may initiate a mandatory meet and confer meeting in which the Chief Executive Officers of DMC and County and the DBHC and BHRS Directors (in addition to others as necessary) shall exercise good faith efforts to resolve the issues raised by County. The meet and confer meeting shall be in addition to the monthly meetings described in Sections 4.6 and 4.7 above and the operations of the "**Quality**

Measures Review Committee” (as defined in Section 8.3 below), and such meet and confer meeting shall occur within thirty (30) days of County providing written notice to DMC of County's request for such meeting. For purposes of this Agreement, County Patients shall not include Medicare beneficiaries who qualify for Medi-Cal assistance (*i.e.*, “Medi-Medi patients”).

5.1.1 If seven (7) or more of the Reserved Beds remain unused for a period of at least ninety (90) consecutive days, DMC and County shall meet and confer in good faith to develop a process for the release of such unused Reserved Beds to DMC on a going-forward basis.

5.1.2 If DMC reasonably determines that a portion of the Reserved Beds should be released on a temporary basis due to a high patient census at DBHC, DMC shall notify County of the number of Reserved Beds that are being requested for a temporary release. Under no circumstances shall County be required to release Reserved Beds if County has, or reasonably foresees, a need for such beds.

5.2 All admissions of County Patients under this Agreement, with the exception of individuals admitted for “Restoration to Competency,” shall meet applicable Title 9 criteria, including without limitation Medi-Cal criteria for medical necessity as defined in Title 9, CCR §§ 1774 and 1820.205, as certified by a County psychiatrist.

5.3 County shall pay DMC for Covered Services based on per diem rates (“**Per Diem Rate**”), as follows:

5.3.1 Except for County Restoration for Competency Patients, County shall pay a per diem rate (“**Per Diem Rate**”), as described in Sections 5.12 and 5.13 below, of (i) **\$799.00** per authorized acute inpatient day for each County Patient between the Effective Date and June 30, 2010; and (ii) **\$974.00** per authorized acute inpatient day for each County Patient between July 1, 2010 and June 30, 2012. If the Short-Doyle/Medi-Cal State Maximum Allowance (“**SMA**”) for Medi-Cal psychiatric inpatient services is increased in future years during the term of this Agreement, and if the Medi-Cal Managed Care Allocation to BHRS also increases in the same year by no less than the SMA increase, the Per Diem Rate paid by County to DMC for Medi-Cal adult beneficiaries under this Section 5.3 shall be increased by the percentage increase in the SMA (*i.e.*, if the SMA Medi-Cal psychiatric inpatient per diem

rate increases from \$1,000.00 per patient day to \$1,100.00 per patient day, then the current Per Diem Rate will also increase by 10%).

- 5.3.2 During the term of this Agreement, County shall pay a Per Diem Rate of **\$600.00** per authorized acute inpatient day for each County Restoration to Competency patient.
- 5.4 County also shall pay a Per Diem Rate (as described in Sections 5.12 and 5.13 below) per authorized Medi-Cal and uninsured patient administrative day for each County Patient who is a Medi-Cal adult beneficiary or uninsured patient of Stanislaus County who meets the criteria for Medi-Cal administrative days as set forth in Title 9, CCR § 1820.220. The Per Diem Rate for each authorized administrative day shall be (i) **\$225.00** between the Effective Date and June 30, 2010; and (ii) **\$334.00** between July 1, 2010 and June 30, 2012. Notwithstanding the foregoing, payment for authorized administrative days for each County uninsured patient admission shall be limited to a maximum of three (3) days.
- 5.5 Pursuant to Title 9, CCR §1840.112, a signed "Claims Certification and Program Integrity," in the form attached hereto as **Exhibit C**, must accompany each Medi-Cal Treatment Authorization Request ("TAR"). This certification must be signed by a duly authorized official of DMC.
- 5.6 DMC and County acknowledge that the parties have informally agreed to coordinate the cash flow of payments and refunds if a County uninsured patient admitted to DBHC is subsequently determined to qualify for Medi-Cal and has been approved as a beneficiary under the Medi-Cal program (the "**Retro Patients**"). In such situations, County shall provide a monthly spreadsheet of the Retro Patients and the number of uninsured patient days paid by County to DMC, and DMC may submit a TAR and bill the Medi-Cal program consistent with the days previously approved by County. Within sixty (60) days of the receipt of each monthly spreadsheet, DMC shall refund to County such payments that it has received for all uninsured patient days reflected on the spreadsheet.
- 5.7 The Section 5.7 is omitted intentionally.
- 5.8 DMC shall not bill County Patients for any Covered Services provided to County Patients pursuant to this Agreement, except for any applicable co-payments or Medi-Cal cost sharing amounts.
- 5.9 For the Covered Services provided to Medi-Cal adult beneficiaries of Stanislaus County, DMC shall submit a TAR with appropriate chart documentation to County's

Utilization Management Unit, 800 Scenic Drive, Modesto, CA 95350. For the Covered Services provided to adult indigent uninsured residents of Stanislaus County, DMC shall also submit a TAR, clearly noting "UNINSURED PATIENTS", with appropriate chart documentation to County's Utilization Management Unit at the above address.

- 5.10 Payment by County to DMC for the Covered Services rendered to County uninsured and Restoration to Competency Patients pursuant to the terms of this Agreement shall be made within forty-five (45) days, except that County may take-up to one hundred twenty (120) days for unusual circumstances and disputed amounts.
- 5.11 Both parties acknowledge that the State of California will continue to seek State or Federal revenue enhancements throughout the term of this Agreement. If a specific strategy adopted by the State materially decreases the funding that County uses to support this Agreement, the parties agree to meet and confer in good faith to renegotiate the applicable terms of this Agreement in a manner that takes into account the decrease in State funding.
- 5.12 The Per Diem Rates set forth in Sections 5.3 and 5.4 above are inclusive of all Covered Services. The Per Diem Rates do not include physician or psychologist services, or transportation services required in providing the Covered Services or any acute non-psychiatric inpatient hospital services required for a Medi-Cal adult beneficiary of Stanislaus County that is provided at DBHC. DMC shall comply with all applicable Medi-Cal regulations for those individuals who are enrolled in the Medi-Cal program. A claim shall be sent to the Medi-Cal Fiscal Intermediary, currently Electronic Data Systems ("EDS"), for per diem payments on behalf of County. During the term of this Agreement, the payment rate for physician services provided to such Medi-Cal adult beneficiaries shall be **\$90.00** for an approved initial visit and **\$51.00** for each approved follow-up visit. Payment for physician services will be made directly to the physician upon receipt of an appropriate invoice for the approved services.
- 5.13 The Per Diem Rate set forth in Sections 5.3 and 5.4 above are inclusive of all Covered Services. The Per Diem Rates do not include physician or psychologist services, or transportation services required in providing the Covered Services or any acute non-psychiatric inpatient hospital services required for an adult indigent uninsured resident or Restoration to Competency patient of Stanislaus County that is provided at DBHC. During the term of this Agreement, the payment rate for physician

services provided to such adult indigent uninsured residents and Restoration to Competency patients of Stanislaus County shall be **\$90.00** for an approved initial visit and **\$51.00** for each approved follow-up visit. Payment for physician services will be made directly to the physician upon receipt of an appropriate invoice for the approved services.

5.14 To the extent there occur any County, State or Federal Medi-Cal audits in connection with services provided hereunder, each party shall (i) provide the other party with prompt written notice thereof and (ii) provide the other party with the right to participate in any audits or any audit appeals. For disallowances resulting from County, State or Federal Medi-Cal audits, DMC shall repay County, within thirty (30) days from the date of request, except as otherwise negotiated with County. County shall reimburse DMC for only those Covered Services that were authorized and approved by local or State entities. County shall periodically reconcile payments which have been made for the Covered Services.

5.15 In recognition of future Medi-Cal Disproportionate Share Hospital (“**DSH**”) payments made for each such State fiscal year, DMC shall credit County the following amounts towards County’s uninsured liability for uninsured beds:

Fiscal Year Ending June 30, 2010: \$375,000
Fiscal Year Ending June 30, 2011: \$600,000
Fiscal Year Ending June 30, 2012: \$600,000

5.15.1 Any DSH credit for a partial County fiscal year of this Agreement will be pro rated accordingly.

5.15.3 Payments to County under this Section 5.15 shall be made as follows: (i) by July 31, 2010, with respect to the payment for the fiscal year ending June 30, 2010; and (ii) in two (2) equal installments by January 31st and July 31st for each fiscal year thereafter.

5.15.3 This Section 5.15 shall survive the termination of this Agreement as to the fiscal years (including partial fiscal years) during which this Agreement was in effect.

6. STOP LOSS – APPLICABLE TO UNINSURED ONLY

DMC and County agree to meet and confer if, in the opinion of DMC, admission of a proposed adult indigent uninsured resident of Stanislaus County pursuant to this Agreement will require the utilization of DMC’s resources, or those purchased by DMC specifically to provide the Covered Services to the County Patient, to the extent that DMC’s daily costs for

such County Patient will exceed by 220% the Per Diem Rate (exclusive of electro-convulsive therapy (“ECT”)). DMC agrees to contact County immediately for the purpose of meeting and conferring in good faith to obtain County’s approval to DMC to generate such expenditures and to compensate DMC to the extent said documented expenditures exceed by 220% the Per Diem Rate. If County does not approve said documented expenditures, County either will remove the County Patient from DBHC, or make separate arrangements for the County Patient to receive ancillary services, in which case no additional payment by County to DMC shall be required. If County approves said documented expenditures or continues the placement of the County Patient at DBHC, County and DMC agree that County shall compensate DMC at the rate of 70% of the actual costs incurred by DMC with regard to the County Patient. In the event of the continuation of the Covered Services to a County Patient pursuant to this Section 6, County shall inform DMC of the proper procedure for submission of claims for said charges.

7. COUNTY REVENUE LOSS – RIGHT TO RENEGOTIATE

If there are material decreases in State and/or Federal funding which negatively affect County’s ability to continue the agreed upon levels of reimbursement to DMC, including but not limited to, decreases in Realignment, State General Funds/Medi-Cal Match, and/or Public Mental Health funding, DMC and County agree to meet and confer in good faith to re-negotiate the applicable terms of this Agreement in a manner that takes into account the material decrease in State and/or Federal funding.

8. STANDARD OF CARE/QUALITY IMPROVEMENT

8.1 DMC shall at all times meet all State and Federal requirements (including the criteria set forth in Title 9, CCR § 1810.425(a) and b)), as well as accreditation standards of the Joint Commission, relative to the quality of care provided to County Patients admitted to DBHC.

8.2 DMC shall provide a copy to County of all reports submitted to the State or Federal government and to the Joint Commission related to services and operations of DBHC, including without limitation (i) “adverse events” and privacy breaches at DBHC (but not sentinel event reports to the Joint Commission, or any other reports for which DMC may assert privilege or any other information protected from disclosure by law or other regulation); and (ii) licensing, certification and accreditation surveys, including routine and complaint surveys.

8.3 County, as the MHP, shall establish a “**Quality Measures Review Committee.**” The Quality Measures Review Committee shall include the BHRS Administrator (as

chairperson) and the DBHC Administrator (as vice chairperson), the BHRS and DBHC Medical Directors, and other members who may be appointed jointly by the BHRS and DBHC Administrators from time to time. The Quality Measures Review Committee shall be responsible for overseeing the monitoring and reporting obligations of DBHC under **Exhibit E** attached hereto, and for discussing issues related to the items identified in **Exhibit E**.

8.4 The Quality Assurance Committee shall meet not less than quarterly; provided, however, that special meetings may be called by either the BHRS or DBHC Administrator at any time.

8.5 All Covered Services provided pursuant to this Agreement shall be subject to the applicable provisions of Federal, State and local law and regulations.

9. CASE MANAGEMENT

Case management of the Covered Services provided to County Patients pursuant to this Agreement will be a collaborative effort between County and DMC.

10. CULTURAL COMPETENCY

DMC's staff shall be linguistically and culturally qualified to meet the current and projected needs of the County Patient community. DMC shall have available oral interpreter services in the primary language of the County Patient.

11. DISPUTE RESOLUTION

11.1 Disputes regarding Denial of Payment Authorization Requests.

11.1.1 Disputes regarding denial of requests for payment authorization and other payment disputes related to County Patients who are Medi-Cal adult beneficiaries of Stanislaus County shall be handled in accordance with Title 9, CCR §§1850.315 and 1850.320. The termination of the Prior Agreement shall not affect the right of DMC to appeal, in a timely manner, payment denials for County Medi-Cal patients rendered under the Prior Agreement.

11.1.2 Disputes regarding denial of requests for payment authorization and other payment disputes related to County Patients who are adult indigent uninsured residents of Stanislaus County or Restoration to Competency Patients shall be handled in accordance with Title 9, CCR § 1850.315. Any appeal by DMC of the dispute resolution process under this Section 11.1.2 shall be made in accordance with Section 11.2 below, including the informal dispute resolution process of Section 11.2.1 below. The termination of the Prior Agreement shall not affect the right of DMC to appeal, in a timely

manner, payment denials for services rendered on or after November 1, 2009 for County Patients who are adult indigent uninsured residents of Stanislaus County or Restoration to Competency patients.

11.2 Other Disputes and Appeals of Disputes under Section 11.1.2 above.

11.2.1 Except for disputes described in Section 11.1.1 above, and subject to the completion of the dispute resolution process set forth in Section 11.1.2 above, in the event any material controversy or dispute arises between any of the parties hereto with respect to the enforcement or interpretation of this Agreement, the parties shall use their best efforts to reach an agreement for the resolution of such controversy or dispute.

11.2.2 In the event that the parties are unable to resolve any material controversy or dispute pursuant to Section 11.2.1 above within thirty (30) days of written notice to the other party of the controversy or dispute, such controversy or dispute shall be submitted to a disinterested third party mediator mutually agreed to by the parties for non-binding mediation in Modesto, California within thirty (30) days of submission to such mediator prior to any party instituting any formal request for binding arbitration under Section 11.2.3 below.

11.2.3 Any material controversy or dispute between the parties that is not resolved through Section 11.2.2 above may, within thirty (30) days after conclusion of the mediation, be submitted to the American Arbitration Association for binding arbitration in or about Modesto, California before a single arbitrator appointed by the American Arbitration Association. The arbitrator shall have experience in health care related issues. The costs of the arbitration, including any American Arbitration Association administration fee, the arbitrator's fee, and costs for the use of facilities during the hearings, shall be borne equally by the parties to the arbitration. Attorneys' fees may be awarded to the prevailing or most prevailing party at the discretion of the arbitrator. The provisions of §§ 1282.6, 1283 and 1283.05 of the California Code of Civil Procedure shall apply to the arbitration. The arbitrator shall not have any power to alter, amend, modify or change any of the terms of this Agreement or to grant any remedy which is either prohibited by the terms of this Agreement, or not available in a court of law.

11.2.4 Nothing in this Section 11.2 shall be interpreted as preventing either party from seeking equitable relief from a court of competent jurisdiction against the other party at any time.

11.3 Neither party shall reopen or mediate the rates set forth in Section 5 above, except as required by a change in law or as otherwise may be permitted under Sections 5, 7 or 29 of this Agreement.

11.4 This Section 11 shall survive the termination of this Agreement with respect to any disputes arising prior to the termination of this Agreement.

12. PATIENTS' RIGHTS AND PROBLEM RESOLUTION PROCESS

12.1 DMC shall comply with all relevant rules, regulations, statutes, and policies and procedures related to individuals' rights to a grievance process, an appeal process, and an expedited appeal process.

12.2 DMC shall provide County Patients' Rights staff with access to DBHC's facility, and to County Patients admitted to DBHC, including patient records, as defined in W&I Code §§ 5510-5546, subject only to the confidentiality restrictions set forth in Section 13 below.

13. CONFIDENTIALITY AND INFORMATION SECURITY

13.1 DMC shall comply with applicable laws and regulations, including but not limited to §§ 14100.2 and 5328 *et seq.* of the W&I Code, and 45 CFR Parts 160, 162, and 164 regarding the confidentiality and security of individually identifiable health information ("IIHI") as required by **Exhibit B** of this Agreement pertaining to HIPAA.

13.2 Medical records, including any information whether recorded or not, pertaining to the identification, diagnosis, or treatment of any County Patient shall be confidential. All such records shall be considered confidential in accordance with W&I Code §§ 5328 *et seq.* and 14100.2, Part 2, Title 42 CFR and California Civil Code §§ 56 *et seq.* (The Confidentiality of Medical Information Act).

13.3 Such records shall be disclosed only in accordance with all applicable State and Federal laws and regulations, including those relating to the confidentiality of medical records, patient consents to release information, and the therapist-patient privilege. Such information shall be used only for appropriate claims and quality management purposes, unless specifically authorized by the County Patient. Confidentiality regulations shall apply to all electronic media.

13.4 This Section 13 shall survive the termination of this Agreement.

14. MEDICAL RECORDS

The medical records of each County Patient shall include payor information, an accounting of the Covered Services rendered, as well as evidence to support medical necessity in sufficient detail to make possible an evaluation of the Covered Services provided by DMC for the purposes of payment, as well as quality of care monitoring. Such records shall be maintained in accordance with appropriate rules and regulations. Medical records shall be retained according to timelines established by applicable laws and regulations. This Section 14 shall survive the termination of this Agreement

15. MONITORING

DMC agrees that County shall have access to facilities, program documents, records, staff, clients/patients, or other material or persons that County deems reasonably necessary to monitor Covered Services rendered to a County Patient at DBHC, and upon reasonable prior notice to DMC, to audit Covered Services rendered to a County Patient at DBHC. This Section 15 shall survive the termination of this Agreement with respect to Covered Services provided by DMC at DBHC during the term of this Agreement.

16. PERSONNEL

DMC assures County that it will comply at all times during the term of this Agreement with the Americans with Disabilities Act (“**ADA**”) of 1990, (42 U.S.C. §§ 12101 *et seq.*), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

17. WORKPLACE REQUIREMENTS

- 17.1 DMC shall maintain a safe DBHC facility that is as free from safety hazards as is reasonably possible. Any reporting of unsafe working conditions by employees or others shall be promptly appraised and addressed.
- 17.2 DMC hereby certifies that it complies with the requirements of the Drug-Free Workplace Act of 1990 (Government Code §§ 8350 *et seq.*) and provides a drug-free workplace.
- 17.3 Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement, or both, and DMC may be ineligible for award of any future Agreements if County determines that any of the following has occurred: (i) DMC has made a false certification, or (ii) violates the certification by failing to carry out the requirements as noted above.

18. REQUIRED LICENSES, CERTIFICATES AND PERMITS

Any licenses, certificates, or permits required by the Federal, State, County, or municipal governments for DMC to provide the Covered Services at DBHC pursuant to this Agreement shall be procured by DMC and be valid at the time DMC enters into this Agreement. Further, during the term of this Agreement, DMC shall maintain such licenses, certificates, and permits in full force and effect, and without material restriction. Licenses, certificates, and permits may include, but are not limited to, driver's licenses, professional licenses or certificates, and business licenses. Such licenses, certificates, and permits shall be procured and maintained in force by DMC at no direct expense to County. In addition, DMC shall at all times during the term of this Agreement maintain the designation by the County of Stanislaus as an involuntary treatment facility under the Lanterman-Petris-Short Act.

19. INDEMNIFICATION

19.1 To the fullest extent permitted by law, each party shall indemnify, hold harmless and defend the other party and its agents, officers, and employees against all claims, damages, losses, judgments, liabilities, expenses and other costs, including litigation costs and attorneys' fees, arising out of, resulting from, or in connection with the performance of this Agreement by such party or such party's officers, employees, agents, representatives or subcontractors and resulting in or attributable to personal injury, death, or damage or destruction to tangible or intangible property, including the loss of use. Notwithstanding the foregoing, each party's obligation to indemnify the other party and its agents, officers and employees for any judgment, decree or arbitration award shall extend only to the percentage of negligence or responsibility of such party in contributing to such claim, damage, loss and expense.

19.2 Each party's obligation to defend, indemnify and hold the other party and its agents, officers, and employees harmless under the provisions of this Section 19 is not limited to or restricted by any requirement in this Agreement for either party to procure and maintain a policy or policies of insurance.

20. INSURANCE

20.1 DMC shall self-insure at all times during the life of the Agreement the following policies of insurance:

20.1.1 Workers' Compensation Insurance to cover its employees, with statutory limits as required by the California Labor Code and DMC shall require all its consultants, subcontractors and other agents similarly to provide Workers'

Compensation Insurance, as required by the California Labor Code, for all their employees.

20.1.2 DMC agrees to give thirty (30) days' prior written notice to BHRS, Attention: Contract Manager, by registered mail if the program of self-insurance is materially changed or terminated.

20.2 Commercial or Comprehensive General Liability Insurance covering bodily injury and property damage utilizing an occurrence policy form, in an amount no less than One Million Dollars (\$1,000,000) combined single limit for each occurrence. Said comprehensive or commercial general liability insurance policy shall either be endorsed with the following specific language or contain equivalent language in the policy:

20.2.1 County, its officers and employees is named as additional insured or additional covered parties for all liability arising out of the operations by or on behalf of DMC in the performance of this Agreement.

20.2.2 The inclusion of more than one insured or covered party shall not operate to impair the rights of one insured or covered party against another insured or covered party, and the coverage afforded shall apply separately to each covered party except that the inclusion of the additional participant shall not operate to increase the certified limits of liability.

20.2.3 The insurance provided herein is primary coverage to County with respect to any insurance or self-insurance programs maintained by County.

20.2.4 In the event of termination or material change of this coverage, DMC will mail written notice thirty (30) days prior to BHRS, Attention: Contract Manager.

20.3 Automobile Liability Insurance covering bodily injury and property damage in an amount no less than One Million Dollars (\$1,000,000) combined single limit for each occurrence. Said insurance shall include coverage for owned, hired, and non-owned vehicles. Said policy shall be endorsed with the following language. This policy shall not be canceled or materially changed without first giving thirty (30) days prior written notice to BHRS, Attention: Contract Manager.

20.4 Hospital professional liability insurance or a program of self insurance, for all activities of DMC at DBHC arising out of or in connection with this Agreement in an amount no less than One Million Dollars (\$1,000,000) combined single limit for each occurrence, and at least Three Million Dollars (\$3,000,000) aggregate. Said policy shall be endorsed with the following specific language:

- 20.4.1 This policy shall not be canceled or materially changed without first giving thirty (30) days prior written notice to BHRS, Attention: Contract Manager.
- 20.4.2 In the event DMC cannot provide an occurrence policy, DMC shall provide insurance covering claims made as a result of performance of this Agreement and shall maintain such insurance in effect for not less than two (2) years following completion of performance of this Agreement.
- 20.5 The following documentation shall be submitted to BHRS, Attention: Contract Manager.
 - 20.5.1 Properly executed Certificates of Insurance clearly evidencing all coverages, limits, and endorsements required above. Said Certificates shall be submitted prior to the execution of this Agreement.
 - 20.5.2 Signed copies of the specified endorsements for each policy. Said endorsement copies shall be submitted within thirty (30) days of the execution of this Agreement, except to the extent that such endorsements were provided to County under the Prior Agreement.

21. NOTICE

Any notice, communication, or amendment, to this Agreement, including change of address of either party during the term of this Agreement, which DMC or County shall be required, or may desire to make, shall be in writing and may be personally served, or sent by prepaid first class mail, to the respective parties as follows:

County: County of Stanislaus
Behavioral Health and Recovery Services
Attention: Contract Manager
800 Scenic Drive
Modesto, California 95350

DMC: Chief Executive Officer
Doctors Medical Center of Modesto
1441 Florida Avenue
Modesto, California 95350

22. CONFLICTS

DMC agrees that it has no interest and shall not acquire any interest, directly or indirectly, which would conflict in any manner or degree with the performance of the work and services described in this Agreement.

23. SEVERABILITY

If any portion of this Agreement or application thereof to any person or circumstance shall be declared invalid by a court of competent jurisdiction or if it is found in contravention of any Federal, State or County statute, ordinance, regulation, the remaining provisions of this Agreement, or the application thereof, shall not be invalidated there and shall remain in full force and effect to the extent that the provisions of this Agreement are severable.

24. AMENDMENT

This Agreement may be modified, amended, changed, added to, or subtracted from by mutual consent of the parties hereto if such amendment or change is in written form and executed with the same formalities as this Agreement and attached to the original Agreement to maintain continuity.

25. ENTIRE AGREEMENT

This Agreement supersedes any and all other agreements, either oral or in writing, between any of the parties herein with respect to the subject matter hereof and contains all the agreements between the parties with respect to such matter. Each party acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding.

26. RELATIONSHIP OF PARTIES

This is an Agreement by and between two independent contractors and is not intended to, and shall not be construed to be, nor create the relationship of agent, servant, employee, partnership, joint venture, or any other similar association.

27. REFERENCES TO LAWS AND RULES

In the event any statute, regulation, or policy referred to in this Agreement is amended during the term of this Agreement; the parties shall comply with the amended provision as of the effective date of such amendment.

28. ASSIGNMENT

28.1 County shall not assign its rights or delegate its duties under this Agreement without first obtaining DMC's prior written consent.

28.2 DMC may assign this Agreement at any time to any successor/operator of DBHC, so long as (i) DMC provides at least thirty (30) days prior written notice to County of the assignment, and (ii) the successor/operator of DBHC assumes DMC's obligations

thereunder including the obligations of DMC arising prior to the date of the assignment.

29. AVAILABILITY OF FUNDS

Payment for the Covered Services provided pursuant to this Agreement is contingent upon the availability of County, State, and Federal funds. If Federal, State, and local entities do not appropriate sufficient funds for this program, County has the option in its sole discretion (i) to terminate this Agreement, or (ii) to amend the Agreement, as mutually agreed by the parties, to reflect any reduction of funds, provided that County shall be responsible to make payments under this Agreement for all Covered Services rendered at DBHC through the date of Termination or, as applicable, the date of the amendment.

30. WAIVER OF DEFAULT

Waiver of any default by either party to this Agreement shall not be deemed to be waiver of any subsequent default. Waiver or breach of any provision of this Agreement shall not be deemed to be a waiver of any other or subsequent breach, and shall not be construed to be a modification of the terms of this Agreement.

31. VENUE

This Agreement shall be deemed to be made under, and shall be governed by and construed in accordance with, the laws of the State of California. Any action brought to enforce the terms or provisions of this Agreement shall have venue in the City of Modesto, County of Stanislaus, State of California.

32. TERM

32.1 This Agreement shall commence on January 1, 2010 ("**Effective Date**"), and continue through June 30, 2012.

32.2 Either party may terminate this Agreement, with or without cause, by giving at least one hundred eighty (180) days prior written notice to the other party.

32.3 Either party may terminate this Agreement upon at least thirty (30) days prior written notice to other party if the party to whom such notice is given is in material breach of this Agreement. The party claiming the right to terminate hereunder shall set forth in the notice of intended termination the facts underlying its claim that the other party is in breach of this Agreement. Remedy of such material breach within thirty (30) days of the receipt of such notice (or within such greater time period stated in the notice or agreed upon in writing by the parties) shall revive the Agreement in effect for the remaining term.

32.4 In the event of termination or expiration of this Agreement, DMC shall assist County in the orderly transfer of County Patients to other facilities. In doing this, DMC shall make available any pertinent information necessary for efficient case management of County Patients as determined by County. In no case shall a County Patient be billed for this service.

33. NON-COMPETITION

So long as this Agreement remains in full force and effect, County shall not operate a psychiatric health facility ("PHF"), as defined in California Health & Safety Code § 1250.2. If County commences the development of, or the planning for, a PHF, County shall notify DMC in writing.

34. CHANGES IN COUNTY MENTAL HEALTH SYSTEM

Subject to the restriction contained in Section 33 above, DMC acknowledges that County will continue to develop programs to (i) manage behavioral health services to County Patients on an outpatient or other cost-effective basis within available resources; (ii) manage the level of inpatient services for County Patients; and (iii) identify alternatives for County Patient placement. DMC shall be among the invited stakeholders to meet the above objectives.

IN WITNESS WHEREOF, the parties have executed this Agreement through their duly authorized representatives as of the day and year first written above.

COUNTY OF STANISLAUS

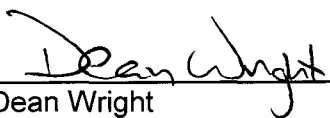
**DOCTORS MEDICAL CENTER
OF MODESTO, INC.**

Denise C. Hunt, RN, MFT
Behavioral Health Director

Dennis Litos,
President

Jean Anderson, MFT
Mental Health Plan Administrator

APPROVED AS TO FORM
John P. Doering, County Counsel



Dean Wright
Deputy County Counsel

EXHIBIT A

DEFINITIONS AND SCOPE OF WORK

1. DEFINITIONS

- 1.1 “**County Patients**” shall include all of the following: (i) Medi-Cal adult beneficiaries of Stanislaus County pursuant to a contract between County and the California Department of Mental Health, (ii) adult indigent uninsured residents of Stanislaus County; and (iii) “Restoration to Competency” patients.
- 1.2 “**Covered Services**” shall mean acute inpatient hospital psychiatric services for direct care and treatment of the acute crisis phase of a mental condition, including but not limited to routine services and all hospital-based ancillary services, at a licensed provider, as defined in Title 9, CCR § 1810.247(b) - Specialty Mental Health Services, with appropriate notification to County as defined in Title 9, CCR § 1820.225.
- 1.3 “**Excluded Services**” shall mean those services that are not Covered Services and for which the Mental Health Plan and County are not responsible pursuant to Title 9, CCR § 1810.355.
- 1.4 “**Restoration to Competency**” shall mean acute inpatient hospital psychiatric services as may be reasonably necessary to restore an individual’s competency to stand trial pursuant to Penal Code § 1370.01. For purposes of this Agreement, Restoration to Competency patients shall be included in the definition of County Patients.

2. SCOPE OF WORK

- 2.1 DMC shall furnish at DBHC the Covered Services to County Patients as provided for in the Agreement.
- 2.2 The Covered Services provided at DBHC pursuant to this Agreement shall be performed in a timely manner, pursuant to the requirements and standards established by applicable Federal, State, and County laws, ordinances, regulations, and resolutions, and pursuant to County’s obligation to County Patients.
- 2.3 DMC shall be responsible for all health care related services, including without limitation, medical-related consultations, treatment of non-psychiatric medical illnesses, specialized testing, and diagnostic work-ups which may be needed by a County Patient at DBHC. It is expressly understood by the parties that the compensation terms in Section 5 of this Agreement are intended to incorporate only the payment for the Covered Services or Restoration to Competency pursuant to the Agreement. Payment for any other services (such as ECT or any partial-hospital program) shall require DMC and County to meet and confer in good faith to discuss adding such other services as Covered Services, and if mutually agreed, to agree upon an amendment to this Agreement that includes a reasonable reimbursement rate for any such other services.

2.4 DMC shall not bill the County or any County Patient, pursuant to this Agreement, for any of those services set forth listed in Title 9, CCR § 1810.355 entitled "Excluded Services."

3. **INFORMATION NOTICES FOR THERAPEUTIC BEHAVIORAL SERVICES ("TBS") AND EARLY PERIODIC SCREENING, DIAGNOSIS AND TREATMENT ("EPSDT").**

At the time of an emergency psychiatric admission, DMC shall provide notices to any Medi-Cal adult beneficiary who is under twenty-one (21) years of age, and to such beneficiary's representatives, regarding the availability of TBS and EPSDT services.

EXHIBIT B

Confidentiality and Security of Information

1. To the extent that County would be required to comply, DMC shall comply with applicable laws and regulations, including but not limited to Sections 14100.2 and 5328 *et seq.* of the Welfare and Institutions Code and the Health Insurance Portability and Accountability Act (“**HIPAA**”), including but not limited to Section 1320d *et seq.* of Title 42, United States Code and its implementing regulations (including but not limited to Title 45, CFR, Parts 160, 162, and 164) regarding the confidentiality and security of individually identifiable health information (“**IIHI**”).
2. More specifically, except as otherwise provided in this Agreement, DMC may use or disclose IIHI to perform functions, activities or services identified in the Agreement provided that such use or disclosure would not violate federal or state laws or regulations.
3. During the term of this Agreement, DMC shall notify the BHRS Privacy Officer immediately upon discovery of any breach of IIHI and/or data, where it is reasonably believed to have been acquired by an unauthorized person or discovery of an electronic breach related to services provided under the Agreement.
4. Without limiting the rights and remedies of County elsewhere as set forth in the Agreement, County may terminate the Agreement without penalty or recourse if determined that a material breach or violation of the provisions of this section occurred by DMC.
5. DMC ensures that any agent, including subcontractors to which DMC provides IIHI received from County, or created or received by the DMC, for the purposes of the Agreement shall comply with the same restrictions and conditions that apply through the Agreement to the DMC with respect to such information.

EXHIBIT C

MHP Claims Certification and Program Integrity

TO: Stanislaus County, Behavioral Health and Recovery Services

I HEREBY CERTIFY based on best knowledge, information, and belief to the following: An assessment of all adult Medi-Cal beneficiaries were conducted in compliance with the requirements established by the Stanislaus County Mental Health Plan ("MHP"). The beneficiaries were eligible to receive Medi-Cal services at the time the services were provided to the adult Medi-Cal beneficiaries. Medical necessity was established for each adult Medi-Cal beneficiary for the Covered Services provided, and for the timeframe in which the Covered Services were provided. A plan of treatment was developed and maintained for each adult Medi-Cal beneficiary that met all requirements established by MHP. All documentation for the Covered Services meets the standards established by MHP and is in the medical record.

I also certify based on best knowledge, information, and belief that all claims for the Covered Services provided to the adult Medi-Cal beneficiaries were, in fact, provided to those beneficiaries.

I understand that payment of these claims will be from Federal and/or State funds, and any falsification or concealment of a material fact may be prosecuted under Federal and/or State laws.

Name

Date

Title

Agency

EXHIBIT D

COACHING PROGRAM GUIDELINES

INTRODUCTION

The Coaching Program is available in certain circumstances and is performed by the UM Staff on inpatient admissions to acute, psychiatric facilities utilizing the medical record. Concurrent review provides a means of monitoring inpatient psychiatric admissions. The Coaching Program includes the review of medical necessity, the plan of care and discharge planning.

On the days that the Coaching Program is scheduled, the UM Staff will make good faith efforts to provide same-day notification to DBHC staff and physicians of any observations.

The Coaching Program also involves assisting DBHC staff to identify and coordinate alternatives to inpatient care, based on the medical necessity criteria established in Title 9, CCR §1820.205.

The Coaching Program is mainly used as an education and coaching tool and is not intended to replace the payment authorization functions of County.

PURPOSE

The purpose of the Coaching Program is:

- A. To provide feedback to DBHC staff and physicians regarding the evidence of medical necessity (or lack thereof) present in the medical record.
- B. To assist in the promotion and maintenance of quality care through the review of clinical documentation.

STRUCTURE

County UM Staff who perform concurrent review:

- A. are employees or personal service contractors of County and work under the supervision of BHRS;
- B. are registered nurses with experience and training in the medical necessity criteria for inpatient psychiatric care articulated in Title 9, CCR §1820.205; and
- C. will not be involved in payment authorization decisions.

FUNCTIONS

The functions of the UM Staff are:

- A. to review the documentation as it relates to medical necessity.
- B. to establish and maintain effective communication between DBHC and BHRS as it relates to the UM Staff's observations regarding documentation of medical necessity.

- C. to identify documentation-related problems, including but not limited to the appropriateness of, and the medical necessity for, admission and for continued stay services, based upon the patient's medical record.

METHOD

- A. Under the supervision of the BHRS UM Coordinator, the UM Staff will review the admissions and continued stays of all County Patients on a concurrent basis.
- B. Access to records will be provided by DBHC.
- C. DBHC shall identify the DBHC staff with whom the UM Staff should communicate. All communication shall be documented in a confidential record and maintained according to current regulation. All telephone and facsimile communication shall be completed in accordance with DBHC policies on confidentiality.
- D. UM Staff review for all County Patients shall be conducted Monday through Friday, with the exception of County holidays. For days falling on weekends and holidays, retrospective review will be completed on the next business day.
- E. If the UM Staff believe that the documentation on any day that the Coaching Program is scheduled fails to substantiate medical necessity, the UM Staff will make good faith efforts to inform the DBHC staff and physicians of this determination through a same-day notification, as well as in writing using the Concurrent Review Form Work Sheet.
- F. A County Patient who the UM Staff previously observed as meeting medical necessity criteria may no longer meet the criteria. If a County Patient is awaiting placement in a non-acute residential treatment facility, the County Patient may be placed on administrative stay status. The UM Staff will review whether appropriate documentation of placement attempts is present in the medical record according to Title 9, CCR §1820.220 to satisfy administrative day status for that County Patient.

RECORDS OF THE CONCURRENT REVIEW PROCESS

- A. The UM Staff will maintain records for each patient reviewed, documenting medical necessity findings on the Concurrent Review Form Work Sheet. The Concurrent Review Form Worksheet shall include, but not be limited to, the following information: admit date, patient name, and medical record number, date of birth, admission criteria met, diagnosis, current medical problems, and observations as to documentation regarding the medical necessity requirements for admission, continued stay, and/or administrative stay. If the UM Staff questions whether sufficient medical necessity documentation appears to be present, this shall be noted by the UM Staff on the Concurrent Review Form Work Sheet and communicated back to the DBHC staff and physicians on a same-day basis. All documentation shall be maintained in a confidential manner in accordance with current regulations and standards.
- B. The UM Staff will be responsible for maintaining aggregate patient data with respect to admission certification and continued stay reports. The reports shall include but not be limited to: Concurrent Review in a Weekly, Monthly, and Quarterly Activity Report, which includes number of charts reviewed, total days reviewed, number of days referred to DBHC as not meeting medical necessity, number of administrative

days referred for review and number of days referred to DBHC as not meeting administrative day standards.

- C. A copy of the Concurrent Review Weekly, Monthly and Quarterly Activity Report shall be submitted to the Managed Care Chief and to the DBHC Administrator on a weekly, monthly or quarterly basis, respectively.

CONFIDENTIALITY

- A. Information and data will be maintained, as required, so as to assure patient confidentiality and compliance with all appropriate laws, regulations and payment of claims. All records shall be maintained in an area with secured access.
- B. UM Staff will also be required to adhere to DBHC confidentiality standards.

EXHIBIT E

QUALITY MEASURES PROGRAM

DMC shall demonstrate positive outcomes for services provided at DBHC for County Patients in the manner specified in Title 9, CCR, § 1810.425.

A. Monitoring. DMC, under the oversight of the Quality Measures Review Committee, shall monitor the following outcomes and activities related to services provided to County Patients:

- Patient complaints/grievances
- Patient satisfaction
- Length of stay of County Patients as compared to non-County Patients
- Readmissions within thirty (30) days of discharge
- Seclusion and restraint data on County Patients
- Services provided in the preferred language of County Patients, including the amount of interpreter services used in the absence of the bilingual staff.
- Number of monolingual admissions and preferred language of these County Patients.
- Evidence of work with County Patients, their families and other providers in a collaborative and supportive manner.
- Percentage of treatment plans signed by County Patients or their families
- Other items that are brought to the Quality Measures Review Committee and for which an action plan is developed

B. Reports. Commencing March 1, 2010 and continuing monthly thereafter, reports of the above activities shall be available for review by County. The Quality Measures Review Committee shall meet to develop reasonable benchmarks for each of the above outcomes or activities, as well as develop appropriate reporting formats for the above outcomes or activities.

C. PIPs. DBHC, under the oversight of the Quality Measures Review Committee, shall be responsible administering one (1) performance improvement project (“PIP”) on an annual basis. It is anticipated that the identification of initial PIP shall be accomplished by July 1, 2010 with the final report, in a format reasonably acceptable to County, will be due no later than June 30, 2011. The second PIP shall be identified by July 1, 2011 with the final report due no later than June 30, 2012. The Quality Measures Review Committee shall meet to identify and discuss each PIP. County shall be available for technical assistance in the planning and execution of the PIPs. The Quality Measures Review Committee will consider as a possible PIP the coordination of care for County Patients with co-occurring substance abuse issues as reflected in the discharge planning and follow-up to BHRS substance abuse services.

SETTLEMENT AND RELEASE AGREEMENT

THIS SETTLEMENT AND RELEASE AGREEMENT (the "*Settlement*") is made and entered into effective as of the ____ day of December, 2009 (the "*Effective Date*"), by and between **County of Stanislaus**, a political subdivision of the State of California ("*County*") and **Doctors Medical Center of Modesto, Inc.**, a California corporation ("*DMC*").

RECITALS

A. County and DMC are the only parties to that certain Provider Agreement dated November 1, 2007 (the "*Provider Agreement*") (under which County acts, among other things, as the fiscal intermediary on behalf of the California Medi-Cal program and is the delegated Mental Health Plan for the County of Stanislaus), that certain Physician Services Agreement dated November 1, 2007 (the "*Physician Services Agreement*"), that certain Asset Purchase Agreement dated October 31, 2007 (the "*Purchase Agreement*"), that certain Inpatient Hospital Services Agreement dated November 30, 1997, as amended by that certain Amendment to Inpatient Hospital Services Agreement dated November 1, 2007 (collectively, the "*Inpatient Agreement*"), and that certain Omnibus Agreement dated November 30, 1997, as amended by that certain Amendment to Omnibus Agreement dated November 1, 2007 (collectively, the "*Omnibus Agreement*").

B. By letter dated August 6, 2009 (the "*August 6th Letter*"), DMC officially notified the County that it was formally initiating the dispute resolution process as outlined in the Provider Agreement by seeking mediation to resolve the issues identified in the August 6th Letter. County responded to the August 6th Letter with its own letter to DMC dated September 11, 2009 (the "*September 11th Letter*"). DMC responded to the September 11th Letter with a second letter to County dated October 19, 2009, and County responded to DMC's second letter with its own second letter dated November 5, 2009.

C. In-person mediation between County and DMC was held for two (2) full days on November 16, 2009 and November 17, 2009 in Modesto, California resulting in the resolution of a substantial portion of the mediated dispute. Telephonic mediation and alternative proposals negotiated via e-mail occurred during November 18, 2009 and November 19, 2009 resulting in a resolution of the remaining mediated issues.

D. County and DMC desire to enter into this Settlement in order to (1) mutually terminate the Physician Services Agreement, (2) terminate the Provider Agreement and enter into a new Provider Agreement (the "*New Provider Agreement*"), (3) amend the Inpatient Services Agreement, (4) amend the Omnibus Agreement, (5) have DMC release County from all claims related to the denial of County uninsured patient claims for services rendered on or prior to October 31, 2009, (6) have County release DMC from the obligation to pay County certain amounts ("*DSH Credit Payments*") owing the County pursuant to Section 5.15 of the Provider Agreement for fiscal year 2007-2008, fiscal year 2008-2009, and half of fiscal year 2009-2010, and (7) have each party, except as provided in this Settlement, release the other party from any and all claims, known and unknown, asserted or unasserted, as of the Effective Date, related to

the performance by the other party of its obligations arising under the Provider Agreement, the Physician Services Agreement or the Purchase Agreement.

E. County and DMC have entered into this Settlement with the express understanding that this Settlement is not intended to induce or require, and is not conditioned upon any referral, purchase, ordering or arranging for any item or medical service by either party to the other party.

NOW, THEREFORE, in consideration of the above recitals, the terms and conditions hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and for their mutual reliance, County and DMC do hereby agree to enter into this Settlement in accordance with the following:

1. Mutual Terminations.

(a) Physician Services Agreement. County and DMC hereby mutually agree to terminate the Physician Services Agreement as of the Effective Date.

(b) Provider Agreement. County and DMC hereby mutually agree to terminate the Provider Agreement effective as of 11:59 p.m. on December 31, 2009. The survival of certain terms of the Provider Agreement are set forth in the New Provider Agreement.

2. New Documents.

(a) Provider Agreement. As of the Effective Date, County and DMC shall execute and deliver to the other party the New Provider Agreement in the form attached hereto as **Exhibit A** and incorporated herein by this reference. The New Provider Agreement shall have an effective date of 12:01 a.m. on January 1, 2010.

(b) Omnibus Agreement Amendment. As of the Effective Date, County and DMC shall execute and deliver to the other party a new "*Amendment No. 2 to Omnibus Agreement*" to be effective as of January 1, 2010, which Amendment No. 2 to Omnibus Agreement will establish an Administrative Oversight Committee and describe a collaborative process to identify opportunities for the parties to seek new special funding for indigent care. Amendment No. 2 to Omnibus Agreement will be in the form attached hereto as **Exhibit B** and incorporated herein by this reference.

(c) Inpatient Agreement Amendment. As of the Effective Date, County and DMC shall execute and deliver to the other party a new "*Amendment No. 2 to Inpatient Agreement*" to be effective as of January 1, 2010, which Amendment No. 2 to Inpatient Agreement will update Exhibit A to the Inpatient Agreement. Amendment No. 2 to Inpatient Agreement will be in the form attached hereto as **Exhibit C** and incorporated herein by this reference.

(d) Affiliation Agreement. County and DMC are the only parties to that certain Amended and Restated Affiliation Agreement dated October 10, 2000 (the "*Affiliation*

Agreement”). County and DMC hereby mutually agree to collaborate (together with their respective legal counsel) on amendments to the Affiliation Agreement to reflect the cooperative efforts of the parties with respect to (i) the establishment of a new family medicine residency program to be sponsored by the Valley Consortium for Medical Education, which transition is anticipated to be complete as of July 1, 2010; and (ii) the respective obligations for the parties with respect to post-closing matters for the existing family medicine program. Accordingly, County and DMC hereby mutually agree to commence the discussions on the amendments to the Affiliation Agreement during the first calendar quarter of 2010.

3. Costs and Expenses. Each party shall bear its own costs and expenses in connection with this Settlement, the negotiations that have transpired prior to the execution of this Settlement (including the pursuit and defense of claims triggering the mediation between the parties), and all costs and expenses associated with the other actions described in this Settlement.

4. Additional Actions. County and DMC hereby agree to take all further actions reasonably necessary to effect the requirements of this Settlement.

5. Release of All Claims. County and DMC, including their respective affiliates, officers, employees and agents (collectively, the “*Releasing Party*”), each hereby fully releases and forever discharges, to the fullest extent permissible by law, the other party, including its respective affiliates, officers, employees and agents (collectively, the “*Released Party*”), from any and all claims and liabilities, whether known or unknown, asserted or unasserted, in contract, tort or otherwise, and for any and all past, present and future damages, actual or exemplary, that the Releasing Party has, or may have, against the Released Party relating either directly or indirectly to (a) the performance or non-performance by the Releasing Party of any of its duties or obligations under the Provider Agreement, the Physician Services Agreement or the Purchase Agreement, arising on or prior to the Effective Date, including without limitation all claims raised by the Releasing Party during the mediation in connection with the Provider Agreement, the Physician Services Agreement or the Purchase Agreement, (b) the waiver by the County of its right to Three Hundred Thousand Dollars (\$300,000) in DSH Credit Payments for fiscal year 2007-08, Seven Hundred Fifty Thousand Dollars (\$750,000) in DSH Credit Payments for fiscal year 2008-2009, and Three Hundred Seventy-Five Thousand Dollars (\$375,000) in DSH Credit Payments for fiscal year 2009-10, as otherwise described in Section 5.15 of the Provider Agreement, and (c) the waiver by DMC of its right to appeal any denial by County of uninsured patient claims for services rendered by DMC on or prior to October 31, 2009; provided, however, that nothing herein intended to be a release by DMC of any denial by County of uninsured patient claims for services rendered on and after November 1, 2009, or any right of DMC to appeal past, existing or future denials of County Medi-Cal patient claims (Sections 5(a), 5(b) and 5(c) hereinabove are collectively referred to herein as the “*Released Claims*”), and County and DMC each hereby further covenants not to sue or to institute or cause to be instituted or allow (to the extent possible) any action in any federal, state or local agency or any court or other tribunal against the other party, concerning the Released Claims. For purposes of this Settlement, “*affiliate*” shall mean any entity or subdivision controlled by, controlling or under common control with either a Releasing Party or any Released Party. Nothing in this Section 5 shall be deemed to be a release or waiver by the Releasing Party of (i) a claim for fraud or any illegal act by a Released Party; (ii) third-party claims against one or more of the Releasing

Parties, including rights of indemnification related to such claims; and (iii) processing of claims and repayments for uninsured patients admitted to Doctors Behavioral Health Center prior to the Effective Date who are subsequently determined to be Medi-Cal eligible; provided, however, that the coordination of the cash flow of payments and refunds will be made in accordance with Section 5.6 of the New Provider Agreement. In the event of any conflict between the release of claims under this Section 5 and the terms of the New Provider Agreement with respect to the terms of the Provider Agreement that survive its termination, the terms of the New Provider Agreement shall take precedence.

6. Acknowledgement. County and DMC hereby expressly acknowledge that each party has read and understood this Settlement and has entered into it voluntarily and without coercion. County and DMC further acknowledge and represent that each party is entering into this Settlement with full knowledge and understanding that in exchange for the benefits to be received as described herein, each party is giving up certain valuable rights that such party may now have or may later acquire, and is fully and completely waiving any and all rights which such party has or may have under California Civil Code Section 1542, which states:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor.”

7. Confidentiality. Except as otherwise required by California open meeting and public records laws, or as otherwise required by law, neither party shall disclose this Settlement or any of its terms to any third party without the prior written consent of the other party. To the extent that any information contained in this Settlement becomes part of the public domain, either party may thereafter freely disclose such information to third parties without the other party's prior written consent. Notwithstanding the foregoing, all aspects of the mediation proceedings shall remain confidential in accordance with applicable California law.

8. Representations and Warranties. County and DMC each have all requisite power and authority to execute and enter into this Settlement. The execution, delivery and performance by County and DMC of this Settlement have been duly authorized by all necessary action on the part of each party, and when executed and delivered by each party to the other party, this Settlement shall be a legal, valid and binding agreement between the parties, enforceable against each party in accordance with its terms. The execution, delivery and performance of this Settlement does not and will not violate any obligation of either party under any other instrument or agreement to which either party is a party or by which either party is bound.

9. Integration Provisions. County and DMC hereby agree that the foregoing is a true and correct statement of the settlement and release of claims between the parties and that this Settlement supersedes and replaces any and all previous understandings, commitments or agreements, oral or written, relating to the release of the Released Claims.

10. Applicable Law. This Settlement shall be construed and any disputes as to its performance shall be determined in accordance with the laws of the State of California.

11. Attorneys' Fees. In the event of any litigation concerning this Settlement, the prevailing party shall be entitled to recover its costs and expenses, including expert witness fees and reasonable attorneys' fees.

12. Waiver. Waiver of one breach of the provisions of this Settlement shall not be deemed a waiver of any other breach of any provision of this Settlement.

13. Amendments. The terms of this Settlement can be amended or modified in writing only, and must be signed by a duly authorized representative of each party.

14. No Admission. This Settlement is the result of a compromise and shall never at any time for any purpose be considered as an admission of liability on the part of either party hereto, and each party hereto denies any liability to the other party, and each party hereto further agrees not to represent to any other person or entity that this Settlement, or any of the provisions contained herein, represents an admission of any liability on the part of the other party.

15. Notices. Any notice, demand or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by telegraphic or other electronic means (including facsimile) or overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

| | |
|-----------------|--|
| If to County: | County of Stanislaus 1010 10th Street, Suite 6800 Modesto, California 95354 Attention: Chief Executive Officer Facsimile No.: (209) 525-4033 |
| With a copy to: | Stanislaus County Counsel 1010 10th Street, Suite 6400 Modesto, California 95354 Attention: County Counsel Facsimile No.: (209) 525-4473 |
| If to DMC: | Doctors Medical Center of Modesto, Inc. 1441 Florida Avenue Modesto, California 95352 Attention: Chief Executive Officer Facsimile No.: (209) 576-3680 |
| With a copy to: | Tenet Healthcare Corporation 1445 Ross Avenue, Suite 1400 Dallas, Texas 75202 Attention: General Counsel Facsimile No.: (469) 893-3442 |

or at such other address as one party may designate by written notice hereunder to the other party.

16. Counterparts. This Settlement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures sent by facsimile or electronic transmission shall be deemed to be originals for all purposes of this Settlement.

IN WITNESS WHEREOF, the parties hereto have executed this Settlement through their duly authorized representatives effective as of the Effective Date.

COUNTY:

County of Stanislaus, a political subdivision of the State of California

DMC:

Doctors Medical Center of Modesto, Inc., a California corporation

By: _____
Richard W. Robinson,
Chief Executive Officer

By: _____
Dennis M. Litos,
President

APPROVED AS TO FORM:
John P. Doering, County Counsel

By: Dean Wright
Dean Wright,
Deputy County Counsel

EXHIBIT A

NEW PROVIDER AGREEMENT

EXHIBIT B

OMNIBUS AGREEMENT AMENDMENT

EXHIBIT C

INPATIENT AGREEMENT AMENDMENT

**AMENDMENT NO. 2
TO
OMNIBUS AGREEMENT**

THIS AMENDMENT NO. 2 TO OMNIBUS AGREEMENT (the "*Omnibus Agreement Amendment No. 2*") is made and entered into effective as of the 1st day of January, 2010 (the "*Effective Date*") by and between **County of Stanislaus**, a political subdivision of the State of California ("*County*") and **Doctors Medical Center of Modesto, Inc.**, a California corporation ("*DMC*").

R E C I T A L S

A. County and DMC are the only parties to that certain Omnibus Agreement dated November 30, 1997, as amended by that certain Amendment to Omnibus Agreement dated November 1, 2007 (collectively, the "*Omnibus Agreement*").

B. County and DMC desire to modify the Omnibus Agreement in order to (1) establish an "*Administrative Oversight Committee*" for the purpose of managing and overseeing the collaborative relationship of the parties and the oversight of the existing agreements between the parties for health care services, (2) set forth collaboration efforts to identify opportunities for the parties to seek new special funding for indigent care, and (3) update the addresses described in the notice provision at Section 13.5 of the Omnibus Agreement.

C. County and DMC desire that this Omnibus Agreement Amendment No. 2 constitute a written modification to the Omnibus Agreement signed by both parties in accordance with Section 13.1 of the Omnibus Agreement.

NOW, THEREFORE, in consideration of the above recitals, the terms and conditions hereinafter set forth, and for their mutual reliance, the parties hereto agree as follows:

1. Administrative Oversight Committee. A new Section 1.6 to the Omnibus Agreement is hereby added as follows:

"1.6 Administrative Oversight Committee. County and DMC hereby create and establish an "*Administrative Oversight Committee*" for the purpose of (a) managing and overseeing the collaborative relationship of the parties as described in this Agreement, and (b) overseeing the existing contractual agreements between the parties. The Administrative Oversight Committee shall consist of (x) DMC's chief executive officer, chief operations officer and chief medical officer, as well as the administrator and the medical director of DMC's Doctors Behavioral Health Center, and (y) County's chief executive officer, the administrative director and the medical director of the County's Health Services Agency, as well as the administrative director and the medical director of the County's Behavioral Health and Recovery Services. Others persons may be invited to the meetings of the Administrative Oversight Committee as may be mutually agreed to by County's chief executive officer and DMC's chief executive officer from time to time. The Administrative Oversight Committee shall meet

quarterly; provided, however, that either County's chief executive officer or DMC's chief executive officer may call special meetings from time to time in their sole discretion."

2. Collaboration Efforts Re: Special Funding For Indigent Care. A new Section 1.7 to the Omnibus Agreement is hereby added as follows:

"1.7 Collaboration Efforts Re: Special Funding For Indigent Care. County and DMC hereby mutually agree to collaborate to identify opportunities for the parties to seek new special health care funding for indigent care (defined as including Medi-Cal, uninsured and other indigent patients), especially with regard to federal matching funds programs. Subject to applicable laws and regulations and any funding limitations, (i) the cost of any consultants retained by mutual agreement of the parties in connection with such collaborative efforts shall be borne by DMC; provided, however, that DMC shall be reimbursed for all of such consultant costs out of the proceeds of any additional special funding for indigent care secured by the parties; and (ii) County and DMC hereby agree that the parties shall share in the proceeds of any special funding for indigent care secured by the parties through their collaborative efforts under this Section 1.7 in a manner consistent with the relative resources that each party provided directly or provided indirectly through outside vendors and consultants. County and DMC also desire to collaborate in other efforts to obtain additional outside funding for indigent care residents of Stanislaus County; provided, however, that any such additional collaborative efforts shall require the prior approval of the governing boards of each of County and DMC. Nothing in this Section 1.7 shall prevent either party from seeking available funding, including without limitation the County seeking funding that is available only to County, or DMC seeking funding that is available only to DMC, for health care services provided to their respective indigent care patients."

3. Notices. Section 13.5 of the Omnibus Agreement is hereby modified to delete the existing addresses of County and DMC and replace such addresses with the following new addresses:

| | |
|-----------------|--|
| "If to County: | County of Stanislaus 1010 10th Street, Suite 6800 Modesto, California 95354 Attention: Chief Executive Officer Facsimile No.: (209) 525-4033 |
| With a copy to: | Stanislaus County Counsel 1010 10th Street, Suite 6400 Modesto, California 95354 Attention: County Counsel Facsimile No.: (209) 525-4473 |
| If to DMC: | Doctors Medical Center of Modesto, Inc. 1441 Florida Avenue Modesto, California 95352 Attention: Chief Executive Officer Facsimile No.: (209) 576-3680 |

With a copy to: Tenet Healthcare Corporation
1445 Ross Avenue, Suite 1400
Dallas, Texas 75202
Attention: General Counsel
Facsimile No.: (469) 893-3442”

3. Integration. This Omnibus Agreement Amendment No. 2 shall constitute and shall be interpreted as a written modification to the Omnibus Agreement signed by both parties in accordance with Section 13.1 of the Omnibus Agreement.

4. Other Terms. Except as set forth in paragraphs 1, 2 and 3 above, this Omnibus Agreement Amendment No. 2 shall not modify any terms, conditions, rights or responsibilities contained in the Omnibus Agreement, all of which shall remain the same and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Omnibus Agreement Amendment No. 2 through their duly authorized representatives effective as of the Effective Date.

COUNTY:

County of Stanislaus, a political subdivision of the State of California

DMC:

Doctors Medical Center of Modesto, Inc., a California corporation

By: _____
Richard W. Robinson,
Chief Executive Officer

By: _____
Dennis M. Litos,
President

APPROVED AS TO FORM:
John P. Doering, County Counsel

By: Dean Wright
Dean Wright,
Deputy County Counsel

**AMENDMENT NO. 2
TO
INPATIENT HOSPITAL SERVICES AGREEMENT**

THIS AMENDMENT NO. 2 TO INPATIENT HOSPITAL SERVICES AGREEMENT (the "*Inpatient Agreement Amendment No. 2*") is made and entered into effective as of the 1st day of January, 2010 (the "*Effective Date*") by and between **County of Stanislaus**, a political subdivision of the State of California ("*County*") and **Doctors Medical Center of Modesto, Inc.**, a California corporation ("*DMC*").

RECITALS

A. County and DMC are the only parties to that certain Inpatient Hospital Services Agreement dated November 30, 1997, as amended by that certain Amendment to Inpatient Services Agreement dated November 1, 2007 (collectively, the "*Inpatient Agreement*").

B. County and DMC desire to update (1) Exhibit A to the Inpatient Agreement to reflect the current locations of the network of County operated ambulatory outpatient clinics and the correct listing of the County-provided specialty clinical services and the ancillary services which support the clinical services, and (2) the addresses described in the notice provision at Section 12.7 of the Inpatient Agreement.

C. County and DMC desire that this Inpatient Agreement Amendment No. 2 constitute a written modification to the Inpatient Agreement signed by both parties in accordance with Section 12.2 of the Inpatient Agreement.

NOW, THEREFORE, in consideration of the above recitals, the terms and conditions hereinafter set forth, and for their mutual reliance, the parties hereto agree as follows:

1. Exhibit A. Exhibit A to the Inpatient Agreement is hereby deleted in its entirety and replaced by the new Exhibit A attached to this Inpatient Agreement Amendment No. 2.

2. Notices. Section 12.7 of the Inpatient Agreement is hereby modified to delete the existing addresses of County and DMC and replace such addresses with the following new addresses:

"If to County: County of Stanislaus
1010 10th Street, Suite 6800
Modesto, California 95354
Attention: Chief Executive Officer
Facsimile No.: (209) 525-4033

With a copy to: Stanislaus County Counsel
1010 10th Street, Suite 6400
Modesto, California 95354
Attention: County Counsel
Facsimile No.: (209) 525-4473

If to DMC: Doctors Medical Center of Modesto, Inc.
1441 Florida Avenue
Modesto, California 95352
Attention: Chief Executive Officer
Facsimile No.: (209) 576-3680

With a copy to: Tenet Healthcare Corporation
1445 Ross Avenue, Suite 1400
Dallas, Texas 75202
Attention: General Counsel
Facsimile No.: (469) 893-3442

3. Integration. This Inpatient Agreement Amendment No. 2 shall constitute and shall be interpreted as a written modification to the Inpatient Agreement signed by both parties in accordance with Section 12.2 of the Inpatient Agreement.

4. Other Terms. Except as set forth in paragraphs 1 and 2 above, this Inpatient Agreement Amendment No. 2 shall not modify any terms, conditions, rights or responsibilities contained in the Inpatient Agreement, all of which shall remain the same and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Inpatient Agreement Amendment No. 2 through their duly authorized representatives effective as of the Effective Date.

COUNTY:

County of Stanislaus, a political subdivision of the State of California

DMC:

Doctors Medical Center of Modesto, Inc., a California corporation

By: _____
Richard W. Robinson,
Chief Executive Officer

By: _____
Dennis M. Litos,
President

APPROVED AS TO FORM:
John P. Doering, County Counsel

By: Dean Wright
Dean Wright,
Deputy County Counsel

EXHIBIT A
to
Inpatient Hospital Services Agreement

- I. Primary and Urgent Care Clinics. The County currently operates an outpatient primary and urgent care clinic system at the locations listed below. As of September 20, 2007, the below listed clinics have the Federally Qualified Health Centers Look-Alike designation. While the County intends to continue operating multiple clinics in Modesto and surrounding communities, future primary and urgent care location determinations will be subject to the Community Health Center Board and community need requirements, as well as subject to any requirements set forth in the Inpatient Agreement.

Current locations:

McHenry Medical Office
1209 Woodrow Avenue
Modesto, California 95350

Pediatric Center
830 Scenic Drive, Suite A
Modesto, California 95350

Paradise Medical Office
401 East Paradise Road
Modesto, California 95351

Turlock Medical Office
800 Delbon Avenue, Suite A
Turlock, California 95380

Ceres Medical Office
3109 East Whitmore
Ceres, California 95307

Hughson Medical Office
2412 3rd Street
Hughson, California 95326

Urgent Care Center
401 East Paradise Road
Modesto, California 95351

- II. Other Services.

Specialty Clinic
830 Scenic Drive, Suite B
Modesto, California 95350

Specialties currently include:

Gastroenterology
Neurology
Oncology
Ophthalmology
Orthopedics
Otolaryngology
Podiatry
Surgery (minor)
Urology

Rehabilitation Clinic
830 Scenic Drive, Suite B
Modesto, California 95350

Outpatient Pharmacy
830 Scenic Drive, Suite A
Modesto, California 95350

Point of Care Laboratory Testing (clinic sites)

Plain Film X-Ray – (Orthopedic clinic)

Approval to Finalize and Execute Various Agreements Between Stanislaus County and Doctors Medical Center of Modesto

**Board of Supervisors
December 22, 2009**

PowerPoint – B14



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

Current Provider Agreement: Fee for Service Inpatient Psychiatric Services

- **Effective October 31, 2007, Stanislaus County sold its 67-bed acute psychiatric hospital to Doctors Medical Center – DBHC**
- **Provider Agreement reserves 35 beds on a daily basis for County patients (MediCal, adult uninsured patients, and Restoration to Competency patients)**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

Current Provider Agreement: Fee for Service Inpatient Psychiatric Services

- **Documentation issues: 40% denial rate, amounting to \$2,368,336 through June 30, 2009**
- **County and DMC met cooperatively to resolve these issues, resulting in today's recommendations to terminate existing agreements along with negotiation of a new Provider Agreement**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

New Provider Agreement: Fee for Service Inpatient Psychiatric Services – Terms

- Effective January 1, 2010 – June 30, 2012**

From January 1, 2010 – June 30, 2010:

- 25 beds reserved**
- \$799/day for authorized County patients**
- \$600/day for Restoration patients**
- \$225/day for administrative days**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

New Provider Agreement: Fee for Service Inpatient Psychiatric Services - Terms

- **Effective July 1, 2010, rates will increase:**

\$974/day for authorized County patients

\$600/day for Restoration patients

\$334/day for administrative days



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

New Provider Agreement: Fee for Service Inpatient Psychiatric Services – Terms

•In recognition of future MediCal Disproportionate Share (DSH) payments, in new Provider Agreement DMC will credit toward County's uninsured liability, with specific payment dates:

| | |
|-------------------------------|------------------|
| Fiscal Year 2009-2010: | \$375,000 |
| Fiscal Year 2010-2011: | \$600,000 |
| Fiscal Year 2011-2012: | \$600,000 |



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

New Provider Agreement: Fee for Service Inpatient Psychiatric Services - Terms & Fiscal Impact

In existing Provider Agreement, DSH credits were to be received as follows:

| | | | |
|-----------------|------------------|-------------------|------------------|
| Year One | \$300,000 | Year Three | \$750,000 |
| Year Two | \$750,000 | Year Four | \$600,000 |

These funds were neither budgeted nor received; the new Provider Agreement DSH credit schedule replaces the above entirely



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

New Provider Agreement: Fee for Service Inpatient Psychiatric Services - Terms & Fiscal Impact

- In Fiscal Year 2009-2010, BHRS is estimating budgeted costs will increase by \$224,666 for a total budget of \$2,539,776 for inpatient services, to be made as a midyear adjustment**
- Costs will increase in subsequent years by approximately \$1,240,000 per year, which will be included in budget processes and paid from existing program revenues**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

New Provider Agreement: Fee for Service Inpatient Psychiatric Services - Terms

- County will provide a Coaching Program to the DBHC clinical staff and physicians related to documentation of medical necessity of services provided**
- DMC will reimburse 50% of this cost**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

New Provider Agreement: Fee for Service Inpatient Psychiatric Services - Terms

- The recommended agreement provides for the continued use of acute inpatient hospital programming through Fiscal Year 2012
- The County will continue to move toward a more prevention based community approach encouraged by Mental Health Services Act
- This may include alternative placement options such as a Psychiatric Health Facility



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

New Provider Agreement: Fee for Service Inpatient Psychiatric Services - Terms

- The County shall not operate a Psychiatric Health Facility (PHF) while these agreements are in place and will notify DMC in writing if the County commences development or planning for a PHF**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

Settlement and Release Agreement - Terms

- The County and DMC release one another from any and all past, present and future claims and liabilities arising under the terminating Provider Agreement, the Physicians Services Agreement, or the Purchase Agreement
- County is released from obligations arising from uninsured patient claims prior to November 1, 2009



Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services

Settlement and Release Agreement – Fiscal Impact

- Funds are budgeted for claim expenses that may be considered appropriate by the State during the MediCal appeal review process
- Prior DSH payment schedule is replaced by new Provider Agreement payment schedule



Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services

Omnibus Agreement: Second Amendment

- **Administrative Oversight Committee for managing and overseeing the collaborative relationship between County and DMC:**
 1. **Overseeing contractual agreements**
 2. **Collaborating to identify opportunities for seeking new special health care funding for indigent care**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

Inpatient Hospital Services Agreement: Second Amendment

- **Update list of Health Services Agency Clinical Services Retained with Closure of Stanislaus Medical Center (Exhibit A), to reflect current clinical services and locations of Health Services Agency**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

Recommended Actions

- 1. Authorize the Chief Executive Officer and the Director of Behavioral Health & Recovery Services to negotiate and execute a new Provider Agreement for Fee for Service Inpatient Psychiatric Services with Doctors Medical Center of Modesto effective January 1, 2010 through June 30, 2012**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

Recommended Actions

- 2. Authorize the Chief Executive Officer and the Director of Behavioral Health & Recovery Services to negotiate and execute a Settlement and Release Agreement for previous claims with Doctors Medical Center of Modesto effective December 23, 2009**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

Recommended Actions

3. **Authorize the Chief Executive Officer to negotiate and execute the second amendment to the Omnibus Agreement with Doctors Medical Center effective January 1, 2010**
4. **Authorize the Chief Executive Officer to negotiate and execute the second amendment to the Inpatient Hospital Services Agreement with Doctors Medical Center effective January 1, 2010**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**

Recommended Actions

5. Approve the termination of the Physician Services Agreement with Doctors Medical Center of Modesto for the provision of psychiatrists' services, effective December 31, 2009
6. Approve the termination of the prior Provider Agreement with Doctors Medical Center of Modesto for Acute Psychiatric Services effective December 31, 2009



Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services

Recommended Actions

7. Authorize and direct the Chief Executive Officer to execute, acknowledge and deliver the Agreements in the name and on behalf of the County; and to accept on behalf of the County any further amendments to the Agreements so long as the further revisions do not materially modify the terms thereof or the conditions set forth in this approval and authorization



Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services

Recommended Actions

8. Authorize and direct the Chief Executive Officer to take such steps, to waive such conditions in whole or in part, to do other acts and things, and to execute and deliver such documents, including the Agreements and related agreements, exhibits, schedules and similar instruments, that are contemplated by, consistent with and that do not materially (cont.)



Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services

Recommended Actions

8. (cont.) **modify the terms of the Agreements heretofore approved, as he may deem necessary or appropriate to carry out the terms and provisions of this approval and authorization and to otherwise consummate the transactions authorized thereby.**



**Stanislaus County Chief Executive Office
Behavioral Health & Recovery Services**