

September 26, 2013 Joint Oversight Hearing on the Drug Medi-Cal Program
Statement by Cynthia A. Harding, MPH

Good morning/afternoon, I am Cynthia Harding, the Chief Deputy Director for the Los Angeles County Department of Public Health (DPH). Thank you, Chairmen Pan and Frazier and Assembly members for the opportunity to discuss California's Drug Medi-Cal program (DMC) and our efforts in LA County to ensure good stewardship of this taxpayer-funded program.

The Drug Medi-Cal program provides one of the major sources of funding for substance use disorder (SUD) treatment in LA County. Program participation and the provider network for treatment services have steadily increased in LA County over the last several years. Our current network of DMC providers consists of 91 agencies, serving approximately 17,000 clients at a cost of about \$56 Million annually. Without DMC funding, there would be limited access to SUD treatment services most particularly for vulnerable populations such as those under the age of 18 and transitional age youth (18-25). Research and experience show that DMC services provide positive treatment outcomes and reduce use of alcohol and drugs, with a seven-to-one ratio of benefits to costs for this public investment in substance abuse treatment services.

LA County's Substance Abuse Prevention and Control Program (SAPC) became a contractor for the State run DMC program in 1994. LA County has worked hard to diligently implement what is a complicated State/local program with a confusing policy and financial framework. Policies, financial oversight and certification of providers into the program are controlled by the State. The provider network, however, is implemented at the local level. LA County recognizes the need for improvement in the DMC program at both the State and the local level. We are committed to taking steps that I will describe later, in conjunction with the State, to address the issues that are being discussed here today.

Let me briefly describe LA County's provider contracting and program monitoring practices. LA County subcontracts with community based providers for DMC services and monitors these subcontracts. The challenge has been that LA County has no control over who gets certified to deliver services because it is the sole responsibility of the State. LA County's practice from program inception has been that any provider that receives DMC certification from the State and meets LA County contracting requirements is eligible to request a contract. However, in 2010, LA County, instituted additional contracting requirements for DMC providers which include:

- A minimum of 4 years' experience providing substance abuse prevention or treatment services
- Proof of financial viability

- Proof of credentialed, licensed and experienced staff as required by federal, State and County laws and guidelines
- Compliance with the County's current Narcotic Treatment Program service guidelines; and
- Good prior contractor performance.

The County conducts program monitoring for contractor performance as required by statute and its contract with the State, but not formal audits and fraud investigation. Monitoring visits are unannounced on-site visits with the goal of visiting each agency at least once during the fiscal year. Staff assesses compliance with local contract requirements and State laws, service delivery, and administration through monitoring tools specific for DMC services. Staff also conducts initial site visits and additional visits when a program requests a budget increase. As-needed visits also occur when a monitor sees evidence of fraud, has suspicions of fraud, or has received suspected fraud complaints.

When specific incidents are found such as non-existent patients or pre-generated or back-dated documents, a provider is referred to the State for investigation. From 2008-2013, LA County referred approximately 50 service providers to the State because of improper or questionable practices. LA County has not previously incorporated medical personnel or investigators with training in uncovering fraud into our DMC monitoring teams, as it was our understanding that this was the State's Auditor's role.

Indeed, LA County has taken a number of steps to improve the DMC program at the local level and in coordination with the State. These include:

- Strengthened collaboration with the State through joint audits and participation in State fraud investigations. We have been very impressed with the resolve and capacity of the State in this recent period to identify and eliminate providers with fraud and/or abuse based on their robust investigatory unit with experienced staff in a broad array of disciplines. Our Program monitors have benefitted immensely from working on joint audits with the State teams.
- Increased involvement of departmental leadership, working with the County's Auditor-Controller and other County departments, who are currently reviewing the program and will be making recommendations on best practices for improved pre-contract due diligence and enhanced monitoring.
- Increased provider training to enhance and expand our provider network to meet the increased demands for SUD treatment services in light of health care reform and the potential expansion of DMC

- Development of a new provider orientation that will better clarify DMC program expectations and reporting procedures for existing providers

In addition, we believe there is a need for continued and improved collaboration, information sharing, and communication with the State. Timely notification of provider de-certifications and suspensions along with quicker adjudication of DMC claims will enable LA County to better protect itself from financial risk and wasteful spending of SUD resources. LA County also is working with the State to better understand its practices with respect to provider certification requirements, background checks, screening of provider staff, and the extent that counties can restrict their provider networks. We also believe that a shared responsibility for provider certification based on agreed upon procedures, roles and responsibilities, would improve program integrity and minimize opportunity for fraud.

We believe that with the increased efforts by both the counties and State DHCS we can improve the ongoing oversight of the DMC program, and ensure that high-quality SUD treatment services are available to our Medi-Cal population. This is of particular importance because both the scope of covered services and size of the eligible population will substantially increase in the very near future.

Thank you and I'm happy to address your questions on these issues outlined above.