Contra Costa
Health Services

CONTRA COSTA COUNTY
MENTAL HEALTH
COMMISSION

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"The MHSA/Finance Committee will review and assess the County's mental health funding for the Mental Health Commission to ensure effective mental health programs. This Committee will prepare the Commission to fulfill its role of providing the Yearly Public Hearing of the MHSA Plan." (pending approval from the Mental Health Commission)

MHSA/Finance Committee Meeting
Thursday February 15, 2018 ♦ 1:00-3:00 pm

1340 Arnold Drive, suite 200, in Martinez
Second floor, large conference room

AGENDA

I. **Call to order/Introductions**

II. **Public Comment**

III. **Commissioner Comments**

IV. **Chair Announcements**

V. **APPROVE Minutes from January 18, 2018 meeting**

VI. **DISCUSS and affirm Committee members and elect Chair and Vice Chair**

VII. **DISCUSS and REVIEW the COFY Program and Fiscal Review, with the purpose to obtain current information from Behavioral Health Services staff, pertaining to billing and other issues raised in the report, for summarizing and reporting to the Mental Health Commission**

VIII. **DISCUSS and REVIEW the FIRST HOPE Program Review, with the purpose to obtain current information from Behavioral Health Services staff**

IX. **DISCUSS JOINTLY Telecare- Hope House Program Review with the Quality of Care Committee, utilizing as a tool for quality improvement and discuss potential recommendations regarding the following areas:**
   i. **Funding**
   ii. **Psychiatry services**
   iii. **Billing and operating costs**

X. **Adjourn**

MHSA-FINANCE Committee
MONTHLY MEETING MINUTES
January 18, 2018 – First Draft

Agenda Item / Discussion	Action /Follow-Up
I. Call to Order / Introductions Chair, Lauren Rettagliata called the meeting to order at 1:08 pm. **<u>Commissioners Present</u>:** Chair- Lauren Rettagliata, District II Vice-Chair-Douglas Dunn, District III (arrived @1:32pm) Sam Yoshioka, District IV Diana MaKieve, District II **<u>Commissioners Absent</u>:** Duane Chapman, District I **<u>Other Attendees</u>:** Margaret Netherby (MHC applicant) Leslie May, (MHC applicant) Teresa Pasquini Barbara Serwin (arrived @1:15pm/left @2:31pm) Stephani Chenard, MHSA program Jennifer Bruggeman, PEI (Prevention and Early Intervention) Program Supervisor Betsy Orme, LCSW Program Manager Hazel Lee, Liaison for Adult Programs Adam Down-MH Project Manager Jill Ray, Field Representative, District II Liza A. Molina-Huntley, Executive Assistant	**Executive Assistant:** • **Transfer recording to computer.** • **Update Committee attendance**
II. Public comments: •	
III. Commissioners comments: • none	
IV. Chair announcements/comments: • The BOS retreat, on January 30- time, location and agenda TBD. Requests to be informed and forward information to Committee/Commission. New BOS Chair organizes annual event. New Chair is Karen Mitchoff from District IV. • Reviewed minutes- Adam Down will follow up items pending in minutes • Chair (Lauren) will rewrite the 2017 Year End Report, stating for EA to forward to Committee members for editing • Noted that since new EA started 12/2016, all Committee's final minutes have been posted on the website: http://cchealth.org/mentalhealth/mhc/agendas-minutes.php . Prior to date, only the Mental Health Commission meeting minutes were posted on the website. Thanked EA for additional postings of all Committee meeting minutes. • Celebration of Life for Janet Wilson	***EA will forward agenda to MHC, regarding BOS retreat, upon receiving notification (**posting is 96 hours before event)**
V. Approve minutes from November 16, 2017 meeting- no corrections required **MOTION to approve minutes made by Sam Yoshioka, seconded by Diana MaKieve** **VOTE: 3-0-0** **YAYS: Lauren, Sam and Diana** **NAYS: none ABSTAIN: none ABSENT: Duane Chapman and Douglas Dunn**	***Executive Assistant will post finalized minutes on website at:** **http://cchealth.org/mentalhealth/mhc/agendasminutes.php**
VI. DISCUSS and affirm Committee members, elect Chair and Vice Chair	***The election of Committee members**

	for 2018 • Current Chair, Lauren Rettagliata, read aloud the preferences of Commission members to participate in the Committee: (*the election of members has been postponed to the next meeting on February 15) ♦ Douglas Dunn – Chair or Vice Chair for 2018 (requested to postpone the vote to next month) ♦ Lauren- would not like to continue on as the Chair of the Committee but will stay on as a member for 2018 ♦ Sam Yoshioka- would like to continue his membership in the Committee for 2018 ♦ Barbara Serwin, as Chair of MHC, will become a member for 2018, in place of Duane Chapman (*) ♦ Diana MaKieve- no longer desires to continue on as a member of the MHSA/FINANCE Committee and would like to transfer her interests and membership for 2018 to the Justice Systems Committee ♦ Current Chair, Lauren Rettagliata, stated to maintain the Committee's membership structure, as is, for one more month Lauren- Chair Doug-Vice Chair Duane-member (change in February to Barbara) Sam-member Diana-will no longer be a member of the MHSA/Finance Committee, transferred to the Justice Systems Committee	**has been postponed to the next meeting on February 15.** ***Interested Commissioners for the 2018 MHSA/Finance Committee are:** **Douglas Dunn (Chair or Vice Chair)** **Lauren Rettagliata** **Sam Yoshioka** **Barbara Serwin (MHC Chair)** ***After the Committee election, the new Chair will forward to the MHC at the next meeting**
VII.	**DISCUSS and ACCEPT Committee's Mission Statement and 2018 goals** • **<u>The new Mission Statement for the MHSA/Finance Committee will be as follows and forwarded to the Mental Health Commission for approval:</u>** ➢ "The MHSA/Finance Committee will review and assess the County's mental health funding for the Mental Health Commission to ensure effective mental health programs. This Committee will prepare the Commission to fulfill its role of providing the Yearly Public Hearing of the MHSA Plan." • **Diana MaKieve moved to motion, Sam seconded the motion VOTE: 3-0-0 YAYS: Diana, Lauren and Sam NAYS: none ABSTAIN: none ABSENT: Douglas Dunn and Duane Chapman** • **<u>The adopted 2018 goals for the MHSA/Finance Committee are as follows:</u>** **1) Review and educate ourselves, and the Commission, regarding all mental health services revenue streams and expenditures** **2) What potential is there for change?** **3) What are the potential gaps and weaknesses to anticipate/identify?** **4) The MHSA budget and MHSA program fiscal reviews: educate ourselves, and the Commission, regarding improvement to outcomes for consumers.** **5) Identify/anticipate gaps in services or funding to continue the improvement of outcomes** • Discussion pertaining to some of the differences between CPAW and the MHC, both are advisory bodies but MHC is mandated • CPAW is different from MHC and can make recommendations to the Behavioral Health Director • **The Mental Health Commission is a required mandate and makes recommendations to both the Behavioral Health Director and to the Board of Supervisors**	***MHSA/Finance Committee motioned to Adopt the new Mission Statement, goals and strategies to achieve goals for 2018** ***The EA will document the new MHSA/Finance Committee Mission Statement to be forwarded to the next Mental Health Commission meeting for approval** ***The EA will document the new MHSA/Finance goals and the Strategies to Achieve the 2018 goals, forward to the Chair and members and include in the next meeting's packet.**

	Lauren moved to motion and Doug seconded the motion to accept the 2018 goals. **VOTE: 4-0-0 YAYS: Lauren, Doug, Diana and Sam** **NAYS: none ABSTAIN: none ABSENT: Duane Chapman** • **<u>MHSA/Finance Strategies to achieve the 2018 goals:</u>** ❖ **Note: first strategy was struck from original list** **1. Make intelligent advisory budget recommendations to the Mental Health Commission-** **A. In order to fulfill our goals, on an ongoing basis, consistently receive the following per contract summary budget and expenditure information:** **a) Financial Federal Participation (FFP)(Medicare/Medi-Cal)** **b) Realignment (1991 and 2011)** **c) Mental Health Services Act (MHSA)** **d) Other funding streams (grants and county general budget contribution** **e) Locked facility (LPS conservatorship, state hospital, detention, and juvenile hall) costs of care for the severely mentally ill. Receive baseline information on the number of Contra Costa specialty mental health clients who reside in locked facilities** **2. Understand AOD funding streams and how issues intersect into MHSA/Finance Committee discussions** **A. Obtain budget information for 1115 Medi-Cal Drug waiver (publically available online)** **B. Obtain "Whole Person Care budget information (publically available online)** **3. In our budget oversight role, advocate for additional dual diagnosis care facilities throughout the county by leveraging funding streams in order to reduce "revolving door" crisis care** • Noted that all information stated is available, publically and posted on the County's website at: http://www.co.contra-costa.ca.us/ • **Diana MaKieve moved to adopt the strategies to achieve the 2018 goals, Sam Yoshioka seconded the motion** **VOTE: 4-0-0 YAYS: Lauren, Doug, Diana and Sam NAYS: none ABSTAIN: none ABSENT: Duane Chapman**	
VIII.	**DEVELOP REPORT for the Mental Health Commission regarding:** **i. Review the following, MHSA funded, Program Reviews: COFY, COPE, FIRST HOPE, LA CLINICA, LINCOLN** **ii. Utilize Program Reviews as a tool for quality improvement** **iii. Report gaps and identify potential solutions** • Chair noted that there is a Program and Fiscal Review template • Asks how to use the Program Reviews to improve the quality of the program, "What would be the next step?" • When issues are identified in the Program and Fiscal Reviews, updates regarding the "corrective action" be provided to the Committee/Commission • The Program Review process and template have been updated and improved • Previous Program Reviews are viewed, prior to commencing a new review, to check for issues and improvements. Once the new report is finalized, the information, from previous years, is acknowledged in the new report, for comparison • There are approximately 60 programs that receive MHSA funding. It takes approximately three years to review all the programs. There are one to two programs reviewed per month, approximately 20 programs are reviewed per year	*** Chair, Lauren Rettagliata, moved to motion that the Committee be informed, by Behavioral Health Administration, pertaining to the follow up and/or corrective action to be taken, regarding Program Reviews that have not met or have partially met program standards. Douglas Dunn seconded the motion** **VOTE: 4-0-0 YAYS: Lauren, Doug, Sam, Diana NAYS: none ABSTAIN: none ABSENT: Duane Chapman**

	• The listed Program Reviews are the last to be completed in the review process, completing the three year process of Program and Fiscal Reviews • The Program Reviews are made public, upon completion, at the CPAW meeting first. After which, they are forwarded to the MHC • Chair asked what will be done by the Behavioral Health Administration to make sure that the program standards are met. When the program standards are not met or partially met, can the Committee/Commission be informed of the corrective process? • Depending on the findings identified during the Program Review process, the report will be forwarded to the corresponding department. In addition to the Program Review process, there are other mechanisms in place to provide oversight of the programs. For example, for PEI and Innovations programs, there is a biannual reporting that the programs complete. • **Chair, Lauren Rettagliata, moved to motion that the Committee/Commission be informed, by Behavioral Health Administration, pertaining to the follow up and/or corrective action to be taken, regarding Program Reviews that have not met or have partially met program standards. Douglas Dunn seconded the motion** **VOTE: 4-0-0 YAYS: Lauren, Doug, Sam, Diana NAYS: none ABSTAIN: none ABSENT: Duane Chapman** • Discussion noted that, although the request made is reasonable, compliance of the request depends on the contract made with each program • Commission members should participate in site visits. The site visit protocol and reporting has not been finalized by the Mental Health Commission • It was noted that a summary is provided in each Program Review, including a fiscal review. The MHSA Program Manager may provide further information, upon request.	
IX.	**DISCUSS JOINTLY Telecare- Hope House Program Review with the Quality of Care Committee** • Members and attendees had mixed reviews and shared their personal experiences pertaining to the program, the staff and the Program Review. • Previous employee of Hope House shared her thoughts pertaining to the program and report • It was noted that the Program Review was done 11 months ago and a lot of changes have transpired since then. • Behavioral Health Services staff stated that they are and have been addressing the findings stated in the Program Review for the past 11 months to help make the program better • Hazel Lee, a previous employee of Hope House, has been hired as a liaison working for Behavioral Health Services • The referral process is being streamlined • All agreed that they would like the program to succeed so that it could benefit those who are in need of this type of program	* **The Quality of Care Committee not present for discussion** ***Discussion will be continued and forwarded to the Committee's February agenda** ***Public and members, who have received emails pertaining to Hope House, can forward the emails to Adam Down at Behavioral Health Services Administration**
X.	**Adjourned at 3:02pm**	

Minutes completed by
Liza Molina-Huntley
Executive Assistant to the Mental Health Commission
CCHS-Behavioral Health Administration

Mental Health Services Act (MHSA)

Program and Fiscal Review

I. **Date of On-site Review:** March 24, April 11 and April 14, 2017
Date of Exit Meeting: August 30, 2017

II. **Review Team:** Stephanie Chenard, Warren Hayes, Helen Kearns, Faye Ny, and Miu Tam

III. **Name of Program/Plan Element:**
Community Options for Families and Youth
3478 Buskirk Avenue, Suite 260
Pleasant Hill, CA 94523

IV. **Program Description.** Community Options for Families and Youth ("COFY") is a multi-disciplinary provider of mental health services. COFY's mission is to work with youth whose high-intensity behaviors place them at risk of hospitalization or residential treatment. Mental health clinicians work collaboratively with caregivers, educators, and social service professionals to help exasperated families restore empathic relationships and maintain placement for their children.

COFY provides a Full Service Partnership (FSP) Program funded by the Mental Health Services Act. The program serves youth (12-18) and their families through a Multisystemic Therapy ("MST") model. MST is an intensive family and community based treatment that addresses the multiple determinants of serious anti-social behavior. The MST approach views individuals as being surrounded by a network of interconnected systems that encompasses individual, family, and extra familial (peers, school, community) factors. Intervention may be necessary in any one or a combination of these systems, and using the strengths of each system to facilitate positive change. The intervention strives to promote behavioral change in the youth's natural environment. Family sessions are provided over a three to five month period. These sessions are based on nationally recognized evidence based practices designed to decrease rates of anti-social behavior, improve school performance and interpersonal skills, and reduce out-of-home placements. The ultimate goal is to empower families to build a healthier environment through the mobilization of existing child, family, and community resources.

V. Purpose of Review. Contra Costa Behavioral Health Services (CCBHS) is committed to evaluating the effective use of funds provided by the Mental Health Services Act. Toward this end a comprehensive program and fiscal review was conducted of the above program. The results of this review are contained herein, and will assist in a) improving the services and supports that are provided, b) more efficiently support the County's MHSA Three Year Program and Expenditure Plan, and c) ensure compliance with statute, regulations and policy. In the spirit of continually working toward better services we most appreciate this opportunity to collaborate together with the staff and clients participating in this program/plan element in order to review past and current efforts, and plan for the future.

VI. Summary of Findings.

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Met	Consumers and family members indicated program meets the values of MHSA
2. Serve the agreed upon target population.	Met	Program only serves clients that meet criteria for the County's children's full service partnership admission criteria.
3. Provide the services for which funding was allocated.	Met	MHSA only funds services consistent with Three Year Plan
4. Meet the needs of the community and/or population.	Met	Services are consistent with Three Year Plan
5. Serve the number of individuals that have been agreed upon.	Partially Met	Program is in their target number range, but should work on being fully staffed, and strengthen referral relationships.
6. Achieve the outcomes that have been agreed upon.	Partially Met	Program meets most outcomes
7. Quality Assurance	Partially Met	Utilization review indicated program meets most quality assurance standards

8. Ensure protection of confidentiality of protected health information.	Met	The program is HIPAA compliant
9. Staffing sufficient for the program	Partially Met	Current staffing provides full services, but cannot meet their target number of consumers at current levels.
10. Annual independent fiscal audit	Met	No material or significant weaknesses were noted.
11. Fiscal resources sufficient to deliver and sustain the services	Met	COFY has increasing net assets each year.
12. Oversight sufficient to comply with generally accepted accounting principles	Met	Experienced staff implement sound check and balance system.
13. Documentation sufficient to support invoices	Under Review	CCBHS Finance staff in the process of reconciling submitted annual cost reports with independent auditor's report.
14. Documentation sufficient to support allowable expenditures	Met	Clear audit trail established between allowable expenses and billing.
15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year	Met	No billings noted for previous fiscal year expenses.
16. Administrative costs sufficiently justified and appropriate to the total cost of the program	Under Review	Reported allocation method across programs appears appropriate. COFY to submit written methodology for construction of indirect rate and reconcile their financial documents.
17. Insurance policies sufficient to comply with contract	Met	Necessary insurance is in place
18. Effective communication between contract manager and contractor	Met	The County and program meet regularly.

VII. Review Results. The review covered the following areas:

1. **Deliver services according to the values of the Mental Health Services Act** (California Code of Regulations Section 3320 – MHSA General Standards). Does the program/plan element collaborate with the community, provide an integrated service experience, promote wellness, recovery and resilience, be culturally competent, and be client and family driven.
   Method. Consumer, family member and service provider interviews and consumer surveys.
   Discussion. The results of 8 consumer surveys were received. The majority of the survey responses were consistent with consumer interviews; namely, they show a positive evaluation of the program; and that the program adheres to MHSA values.

Questions	Responses: n=8				
Please indicate how strongly you agree or disagree with the following statements regarding persons who work with you:	Strongly Agree 4	Agree 3	Disagree 2	Strongly Disagree 1	I don't know n/a
1. Help me improve my health and wellness.	Average score: 3.72 **(n=7)**				
2. Allow me to decide what my own strengths and needs	Average score: 3.72 **(n=7)**				
3. Work with me to determine the services that are most helpful	Average score: 3.75 **(n=8)**				
4. Provide services that are sensitive to my cultural background.	Average score: 3.72 **(n=7)**				
5. Provide services that are in my preferred language	Average score: 4.00 **(n=8)**				
6. Help me in getting needed health, employment, education and other benefits and services.	Average score: 3.88 **(n=8)**				
7. Are open to my opinions as to how services should be provided	Average score: 3.88 **(n=8)**				
8. What does this program do well?	• Listen attentively, help me to think outside of the box and allows me to communicate my concerns and input. • Helps me and son form a better, healthier relationship • Identifying problems with my child and setting up rewards and consequences • Comes up with ways to pinpoint problems and teaches families how to solve issues.				

<table>
<tr><td>9. What does this program need to improve upon?</td><td colspan="4">Scheduling</td></tr>
<tr><td>10. What needed services and supports are missing?</td><td colspan="4">Support that includes the entire family.</td></tr>
<tr><td rowspan="2">11. How important is this program in helping you improve your health and wellness, live a self-directed life, and reach your full potential?</td><td>Very Important
4</td><td>Important
3</td><td>Somewhat Important
2</td><td>Not Important
1</td></tr>
<tr><td colspan="4">Average score: 3.75 (n=8)</td></tr>
<tr><td>12. Any additional comments?</td><td colspan="4">I have seen improvement with the tools that have been set up.
I really like this program and I’m really looking forward to learn more about the future and improving my household.</td></tr>
</table>

Consumer Interview

Due to the nature of the services being delivered almost exclusively in the field, and because of the time commitments of the families and consumers, we were only able to meet with one family member for a face-to-face interview. The family member was a mother of a 17 year old son who was referred to the program through the Juvenile Court system. The child referred for services was the second oldest of four children, and the oldest of the children in the home. She indicated that her family had previously received therapy, but did not achieve the level of success that the MST program finally brought.

Overall, this mother was extremely appreciative of the services provided by COFY. During the interview, some of the things specifically identified as positives of the program were:

- The whole family approach engaged not only the son referred to the program, but her and other children in the home as well.
- Getting her son engaged in other interests and social activities, which has had a positive ripple effect out to the extended family as well.

These positives clearly speak to several of the MHSA values. However, the mother also identified some areas of improvement that were largely focused on addressing the needs of the Spanish-speaking community. She mentioned that it was harder to connect with a Spanish-speaking clinician than an English-speaking one, and that the wait time was longer for Spanish-speaking families. She also mentioned more outreach and information to the Spanish-speaking community about the program would be extremely beneficial to the community. The shortage of Spanish-speaking services is reflective of a larger issue in the region. Spanish-speaking clinicians are considered hard-to-fill and retain throughout the county. It is recommended that the program work with the County and other agencies to explore options and strategies to attract bilingual clinicians to help serve this need.

Staff Interview:
Six individuals attended the staff interview – all clinicians for the MST program, and the program manager. Staff shared that the program receives referrals from the County, often through the juvenile probation department and truancy court, but also can come from other full-service partnership providers. The clinicians provide care to the child and family in a top-down approach, according to the MST model: the clinician working with the family works with the parents and the child to look at the family dynamic as a whole. Staff reported spending most of their time working with their clients through daily challenges, such as reducing their isolation and re-integrating them into the community, providing support to youth in court or in schools, and providing support to the family to build and empower them. According to program staff, one of the principal strengths of the program is the ability to match clients to culturally appropriate staff, and advocate for the child and family with various institutions

During the interview, staff also shared hindrances they faced in providing services to the youth, such as rocky hand-offs from County probation into their program (i.e., missing information, or no direct contact with the referring service providers), difficulty setting them up for aftercare, and referring them to other County services. Staff also shared that they felt like the rigid structure of the model limits their exposure to other methods and techniques, and did not give them enough time/space to support each other with issues like compassion fatigue and vicarious traumatization. However, staff did indicate that overall they felt like they were meeting the needs of their clients, and appreciated their ability to provide advocacy, the space to be creative in interventions, and capacity to support in all areas of the clients' lives.

Results. Interviews with program participants and service providers as well as program participant survey results all support that COFY delivers programming in accordance with the values of MHSA.

2. **Serve the agreed upon target population.** For Community Services and Supports, does the program serve children or youth with a serious emotional disturbance. Does the program serve the agreed upon target population (such as age group, underserved community).
   Method. Compare the program description and/or service work plan with a random sampling of client charts or case files.
   Discussion. The COFY Full Service Partnership program accepts referrals from the County, often through the juvenile probation department and truancy court, but also can come from other full-service partnership providers. The MHSA chart review conducted by the MHSA Program and Fiscal Review team confirms the agreed upon target population for full service partnerships.

   Contra Costa Behavioral Health Services also performs a utilization review on all programs which bill Medi-Cal, including COFY. On September 26, 2016 a Level 2 Centralized Utilization Chart Review was conducted. For all of the charts reviewed, clients met medical necessity for specialty mental health services as specified in the Welfare and Institutions Code (WIC) Section 5600.3(a).
   Results. The program serves the agreed upon population.

3. **Provide the services for which funding was allocated.** Does the program provide the number and type of services that have been agreed upon.
   Method. Compare the service work plan or program service goals with regular reports and match with case file reviews and client/family member and service provider interviews.
   Discussion. Monthly service summaries and 931 and 864 Reports from CCBHS's billing system show that the COFY Full Service Partnership program is providing the number and type of services that have been agreed upon. Services include MST program delivery, case management, individual and family outpatient mental health services, crisis intervention, collateral services, and flexible funds. Both program staff and participants indicated services are available on a 24-7 basis via an after-hours crisis phone line.
   Results. The program provides the services for which funding was allocated.

4. **Meet the needs of the community and/or population.** Is the program meeting the needs of the population/community for which it was designed. Has the program been authorized by the Board of Supervisors as a result of a community program planning process. Is the program consistent with the MHSA Three Year Program and Expenditure Plan.
   Method. Research the authorization and inception of the program for adherence to the Community Program Planning Process. Match the service work plan or

program description with the Three Year Plan. Compare with consumer/family member and service provider interviews. Review client surveys.
Discussion. The Full Service Partnership programs were included in the original Community Services and Supports plan that was approved in May 2006 and included in subsequent plan updates. The program has been authorized by the Board of Supervisors and is consistent with the current MHSA Three-Year Program and Expenditure Plan. Interviews with service providers and program participants support the notion that the program meets its goals and the needs of the community it serves.
Results. The program meets the needs of the community and the population for which they are designated.

5. **Serve the number of individuals that have been agreed upon.** Has the program been serving the number of individuals specified in the program description/service work plan, and how has the number served been trending the last three years.
Method. Match program description/service work plan with history of monthly reports and verify with supporting documentation, such as logs, sign-in sheets and case files.
Discussion. Upon initial award of the children's FSP contract, COFY's MST target enrollment number was 100 clients. The program launched in the 13/14 FY, and during the ramp-up time COFY was below their target. However, at the end of the 14/15 FY COFY was reporting serving 93 clients – much closer to their target. Conversations with COFY's County contract monitor revealed that they have been under their target goal in the last 12 months, although this may be primarily due to staffing turnover and the rigorous training and onboarding for new clinicians.
Results. Annually the program has not yet served the number of individuals specified in the service work plan, due to the program ramping-up. It is recommended that COFY work with their County Contract Monitor, and to examine staffing, capacity, and referral sources to achieve the target for which they are budgeted.

6. **Achieve the outcomes that have been agreed upon.** Is the program meeting the agreed upon outcome goals, and how has the outcomes been trending.
Method. Match outcomes reported for the last three years with outcomes projected in the program description/service work plan, and verify validity of outcome with supporting documentation, such as case files or charts. Outcome domains include, as appropriate, incidence of restriction, incidence of psychiatric crisis, meaningful activity, psychiatric symptoms, consumer satisfaction/quality of

life, and cost effectiveness. Analyze the level of success by the context, as appropriate, of pre- and post-intervention, control versus experimental group, year-to-year difference, comparison with similar programs, or measurement to a generally accepted standard.

Discussion. Because COFY's FSP program started late in FY 13/14, an annual outcomes report was not produced for their first contract of providing FSP services. The program has three overall program objectives as part of the service work plan. The program has provided an annual report summarizing their progress towards meeting their three program outcomes. However, there is not a stated quantitative goal in the Service Work Plan with which to compare these outcomes.

Results. Overall, the program achieves its primary objectives. However, success indicators should be better quantified in the Service Work Plan. It is recommended that COFY work with their contract monitor to establish baselines to effectively measure their success indicators.

7. **Quality Assurance.** How does the program assure quality of service provision.
Method. Review and report on results of participation in County's utilization review, quality management incidence reporting, and other appropriate means of quality of service review.
Discussion. Contra Costa County did not receive any grievances associated with COFY's Full Service Partnership program. The program has an internal grievance procedure in place and clients receive information on how to file complaints as part of the agency's Notice of Privacy Practices. The program undergoes regular Level 1 and Level 2 utilization reviews conducted by the County Mental Health utilization review teams to ensure that program services and documentation meet regulatory standards. Level 1 and Level 2 utilization review reports indicate that COFY is generally in compliance with documentation and quality standards.

On September 26, 2016, a Level Two Centralized Utilization Chart Reviews and a Focused Review was conducted by CCBHS. The results show that charts generally met documentation standards, but there were a few compliance issues, including missing or misfiled forms (Consumer Guide confirmation, Level 1 worksheet), documentation language (re: Spanish-speaking family vs. English forms), other incomplete or incorrect forms that were identified in the review. There were a few other findings related to disallowances for billable notes for missing progress or treatment notes, incomplete notes, mis-categorized notes, assessments and collateral (family therapy), and other related issues. Utilization Review staff provided feedback regarding administrative issues, as well as

standardized notes and weekly treatment plans. COFY submitted an appeal on October 20, 2016 for one of the disallowances, which was granted by the County. COFY's MST Clinical Supervisor submitted a Plan of Correction to the County dated November 10, 2016 indicating the new protocols for quality assurance and training to address the issues in the Focused Review.
Results. The program has a quality assurance process in place.

8. **Ensure protection of confidentiality of protected health information.** What protocols are in place to comply with the Health Insurance Portability and Accountability Assurance (HIPAA) Act, and how well does staff comply with the protocol.
Method. Match the HIPAA Business Associate service contract attachment with the observed implementation of the program/plan element's implementation of a protocol for safeguarding protected patient health information.
Discussion. COFY has written policies and provides staff training on HIPAA requirements and safeguarding of patient information. Client charts are kept in locked file cabinets, behind a locked door and comply with HIPAA standards. Clients and program participants are informed about their privacy rights and rules of confidentiality.
Results. The program complies with HIPAA requirements.

9. **Staffing sufficient for the program.** Is there sufficient dedicated staff to deliver the services, evaluate the program for sufficiency of outcomes and continuous quality improvement, and provide sufficient administrative support.
Method. Match history of program response with organization chart, staff interviews and duty statements.
Discussion. The nature of the team approach of MST evidence-based treatment and program staff training allows COFY to provide the services outlined in the Service Work Plan with current staffing. However, the current staffing does not fully allow the agency to serve the targeted number of clients. At the time of the site visit, COFY's MST team was short two clinicians. Due to the intensity, rigor and fidelity to the MST model, COFY is currently unable to match the numbers in the Service Work Plan. Moreover, it has been indicated that there are waiting lists, particularly for Spanish-speaking families to obtain services.
Results. Staffing is in place to provide the full range of services, but not serve the number of clients outlined in the Service Work Plan. Moreover, the turnover of program staff is a potential cause for concern as it may affect the program's ability to effectively serve clients. The MST model takes time to get a clinician trained to take on their own caseload. Additionally, it takes time for service

providers to learn about the various resources available through Contra Costa Behavioral Health's System of Care. Knowledge of the System of Care is critical when serving clients with complex behavioral health service needs who may need to be referred to other providers for additional care. The agency may want to examine how it recruits and retains staff and consider offering additional incentives to ensure qualified individuals are retained and able to offer the full spectrum of services.

10. **Annual independent fiscal audit.** Did the organization have an annual independent fiscal audit performed and did the independent auditors issue any findings.
Method. Obtain and review audited financial statements. If applicable, discuss any findings or concerns identified by auditors with fiscal manager.
Discussion. COFY is a California public benefit corporation organized in 2007 for the purpose of providing services to families and youth with emotional disturbances in order to enable these youth to maintain family and community relationships. Patient services revenue from contracts with CCBHS and over 20 educational institutions provides 97% of the revenue. With approximately 34 employees and a total operating budget of $2.8 million the available fiscal audits indicate COFY not to be at risk for adverse fiscal consequences due to their fiscal and accounting systems.
Results. Annual independent fiscal audits for FY 2013-14, 14-15 and 15-16 were provided and reviewed. No material or significant findings were noted.

11. **Fiscal resources sufficient to deliver and sustain the services.** Does organization have diversified revenue sources, adequate cash flow, sufficient coverage of liabilities, and qualified fiscal management to sustain program or plan element.
Method. Review audited financial statements and Board of Directors meeting minutes. Interview fiscal manager of program.
Discussion. The organization appears to be operating within the budget constraints provided by their authorized contract amount, and thus appears to be able to sustain their stated costs of delivering FSP services for the entirety of this fiscal year. According to COFY's leadership their increasing net assets at the end of each fiscal year are due to their fee based educational contracts that net them a profit. Their contracts with CCBHS are reported to be a full cost recovery of their expenses.
Results. Fiscal resources are currently sufficient to deliver and sustain services.

12. **Oversight sufficient to comply with generally accepted accounting principles.** Does organization have appropriate qualified staff and internal controls to assure compliance with generally accepted accounting principles.
Method. Interview with fiscal manager.
Discussion. The Business Manager is well qualified, and has been with COFY for many years. Staff described established protocols that are in place to enable a check and balance system to assure compliance with generally accepted accounting principles. The organization uses Clinitrak and QuickBooks software for entry and aggregation to enable accurate summaries for billing and payment. Supporting documentation is kept in hard copies for storage and retrieval.
Results. Sufficient oversight exists to enable compliance with generally accepted accounting principles.

13. **Documentation sufficient to support invoices.** Do the organization's financial reports support monthly invoices charged to the program and ensure no duplicate billing.
Method. Reconcile financial system with monthly invoices. Interview fiscal manager of program.
Discussion. A randomly selected invoice for each of the last three years was matched with supporting documentation provided by the agency. A clear and accurate connection was established between documented hours/types of mental health services and submitted invoices. COFY's FSP program is a specialty mental health service contract with CCBHS that is based upon established rates and billed monthly according to the documented level of service provided. At the end of the fiscal year a reconciliation process takes place that determines final payment for the year. This amount is the total of the mental health services established by rates, or the actual cost of delivering the services, whichever is lower. Because this is a rate based contract the reviewers additionally compared yearly submitted cost reports to the financial statements constructed in the independent auditor's reports. The two reports did not appear to match. The Business Manager explained that these two methods of depicting actual organizational costs were done independent of each other by separate individuals at different points in time.
Results. Supporting documentation supports invoices, but does not match the independent auditor's annual financial statement. Reviewer staff will research and attempt to better understand the phenomena.

14. **Documentation sufficient to support allowable expenditures.** Does organization have sufficient supporting documentation (payroll records and timecards, receipts, allocation bases/statistics) to support program personnel and operating expenditures charged to the program.
    Method. Match random sample of one month of supporting documentation for each fiscal year (up to three years) for identification of personnel costs and operating expenditures invoiced to the County.
    Discussion. Line item personnel and operating costs were reviewed for appropriateness. All line items submitted were consistent with line items that are appropriate to support the service delivery. However, the amounts in the professional fees, travel and training costs considerably exceeded normal amounts seen in similar contracts. COFY staff explained that these high costs were due to MST being a SAMHSA approved evidence based practice with one professional organization having proprietary ownership of the training and certification of organizations and staff, as well as active participation in the ongoing fidelity and evaluation of the model. Thus these costs were necessary in order for COFY to continue to contract with CCBHS for delivery of MST.
    Results. Method of allocation of percentage of personnel time and operating costs appear to be justified and documented. It is suggested that CCBHS leadership review the cost and need for ensuring organizational fidelity to the MST model.

15. **Documentation sufficient to support expenditures invoiced in appropriate fiscal year.** Do organization's financial system year end closing entries support expenditures invoiced in appropriate fiscal year (i.e., fiscal year in which expenditures were incurred regardless of when cash flows).
    Method. Reconcile year end closing entries in financial system with invoices. Interview fiscal manager of program or plan element.
    Discussion. Total contract billing was within contract limits, with no billing by this agency for expenses incurred and paid in a previous fiscal year. However, closing entries for the last three years were reviewed and indicate that significantly more money was billed to the MHSA cost center than was approved by the Board of Supervisors. This will be corrected by CCBHS and County Finance staff.
    Results. COFY appears to be implementing an appropriate year end closing system. CCBHS will implement administrative procedures with Finance staff to ensure contract costs charged to the MHSA cost center do not exceed County Board of Supervisor authorization.

16. **Administrative costs sufficiently justified and appropriate to the total cost of the program.** Is the organization's allocation of administrative/indirect costs to the program commensurate with the benefit received by the program.
Method. Review methodology and statistics used to allocate administrative/indirect costs. Interview fiscal manager of program.
Discussion. The COFY FY 2015-16 Cost Report submitted to CCBHS was utilized to determine the percentage of indirect costs reported by the agency. Personnel and operating costs were reported at a total of $2,239,857, with $598,573 reported as indirect costs. This reflects an indirect rate of 26.7%, which is significantly higher than what would be expected of an organization of this nature and size. The indirect costs reflected on the cost report are at variance with the management and general costs reflected in the independent auditor's report, which is at 14.9%. The Business Manager explained that the certified public accountant provided guidance as to construction of the indirect rate and a formula for equitably allocating indirect costs for each of their four programs. The allocation methodology appears appropriate. However the indirect rates on the two documents do not match.
Results. It is recommended that COFY provide a written methodology that justifies their indirect rate, how it is allocated across programs, and that this expense category amount in their cost report either match their independent auditor's report, or the variance be sufficiently explained and justified.

17. **Insurance policies sufficient to comply with contract.** Does the organization have insurance policies in effect that are consistent with the requirements of the contract.
Method. Review insurance policies.
Discussion. The program provided certificate of commercial general liability insurance, automobile liability, umbrella liability, professional liability and directors and officers liability policies that were in effect at the time of the site visit.
Results. The program complies with the contract insurance requirements.

18. **Effective communication between contract manager and contractor.** Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise.
Method. Interview contract manager and contractor staff.
Discussion. To date contract management duties have been centralized within CCBHS's children's system. Moreover, the contract manager and Children's Chief meet with the program for regular monthly meetings. However, many of the

referrals have come from other County staff who may not have full knowledge of activities and invoicing related to MHSA as well as pertaining to program issues. **Results.** The program regularly meets with its County contract manager. However, it is recommended that the County contract monitor and the program take advantage of their regular meetings to identify areas of opportunity to strengthen communications with other departments to maximize the efficacy of referrals.

VIII. Summary of Results.

COFY is committed to serving the needs of youth whose high-intensity behaviors place them at risk of hospitalization or residential treatment. Their intensive family and community-based treatment and has been successful in supporting these youth and their families in connecting more fully to their community. The COFY Full Service Partnership adheres to the values of MHSA. COFY appears to be a financially sound organization that follows generally accepted accounting principles, and maintains documentation that supports agreed upon service expenditures.

IX. Findings for Further Attention.

- COFY should continue to work with their County contract manager to examine staffing, capacity, and referral sources to hit the target they were budgeted for.

- COFY should work with their contract manager to establish baselines to effectively measure their success indicators.

- COFY should examine how it recruits and retains staff and consider offering additional incentives to ensure qualified individuals are retained and that the full spectrum of service is available to clients.

- It is recommended that COFY, in concert with CCBHS, reconcile the differing dollar amounts reflected in the annual Cost Report versus the independent auditor's report. This would include submission and approval of an indirect rate that reflects costs commensurate with the benefit received by the program.

- The County contract monitor should take advantage of their regular meetings with COFY to identify areas of opportunity to strengthen communications with other departments to maximize the efficacy of referrals.

X. Next Review Date. March 2020

XI. Appendices.

Appendix A – Program Description/Service Work Plan

Appendix B – Service Provider Budget

Appendix C – Yearly External Fiscal Audit

Appendix D – Organization Chart

XII. Working Documents that Support Findings.

Consumer Listing

Consumer, Family Member Surveys

Consumer, Family Member, Provider Interviews

County MHSA Monthly Financial Report

County Utilization Review Report

Progress Reports, Outcomes

Monthly Invoices with Supporting Documentation (Contractor)

Indirect Cost Allocation Methodology/Plan (Contractor)

Board of Directors' Meeting Minutes (Contractor)

Insurance Policies (Contractor)

MHSA Three Year Plan and Update(s)

Mental Health Services Act (MHSA)

Program and Fiscal Review

I. **Date of On-site Review:** June 29, 2017
Date of Exit Meeting: September 26, 2017

II. **Review Team:** Stephanie Chenard, Warren Hayes, Jennifer Bruggeman

III. **Name of Plan Element:** First Hope
1034 Oak Grove Road
Concord, CA 94518

IV. **Program Description.** The Behavioral Health Services Division of Contra Costa Health Services combines Mental Health, Alcohol & Other Drugs and Homeless Program into a single system of care. The First Hope program operates within Contra Costa Mental Health's Children's System of Care that serves children and young adults.

First Hope uses the PIER Model evidence-based practice focused on treatment of mental illness in young people. The model includes Multifamily Group treatment and is published, disseminated, and managed through the PIER Training Institute.

The mission of the First Hope program is to reduce the incidence and associated disability of psychotic illnesses in Contra Costa County through:

- Early Identification of young people between ages 12 and 25 who are showing very early signs of psychosis and are determined to be at risk for developing a serious mental illness.
- Engaging and providing immediate treatment to those identified as "at risk", while maintaining progress in school, work and social relationships.
- Providing an integrated, multidisciplinary team approach including psychoeducation, multi-family groups, individual and family counseling, case management, occupational therapy, supported education and vocation and psychiatric management within a single service model.
- Outreach and community education with the following goals: 1) identifying all young people in Contra Costa County who are at risk for developing a psychotic disorder and would benefit from early intervention services; and 2) reducing stigma and barriers that prevent or delay seeking treatment through educational presentations.

V. Purpose of Review. Contra Costa Behavioral Health Services (CCBHS) is committed to evaluating the effective use of funds provided by the Mental Health Services Act. Toward this end a comprehensive program and fiscal review was conducted of the above program. The results of this review are contained herein, and will assist in a) improving the services and supports that are provided, b) more efficiently support the County's MHSA Three Year Program and Expenditure Plan, and c) ensure compliance with statute, regulations and policy. In the spirit of continually working toward better services we most appreciate this opportunity to collaborate together with the staff and clients participating in this plan element in order to review past and current efforts, and plan for the future.

VI. Summary of Findings.

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Met	Consumers and family members indicate the program meets the values of MHSA
2. Serve the agreed upon target population.	Met	Program improves timely access to an underserved population.
3. Provide the services for which funding was allocated.	Met	Funds services consistent with the agreed upon Service Work Plan.
4. Meet the needs of the community and/or population.	Met	Services are consistent with the Three Year Plan
5. Serve the number of individuals that have been agreed upon.	Unmet	The number of individuals to be served has not been specified but should be identified for future evaluation
6. Achieve the outcomes that have been agreed upon.	Met	Program meets its outcomes
7. Quality Assurance	Partially Met	Utilization review indicated program meets most quality assurance standards
8. Ensure protection of confidentiality of protected health information.	Met	The program is HIPAA compliant

9. Staffing sufficient for the program	Met	Staffing levels support service provision as outlined in the Three Year Plan
10. Annual independent fiscal audit	N/A	This is a County operated program.
11. Fiscal resources sufficient to deliver and sustain the services	Met	MHSA funded share is appropriate for existing programming.
12. Oversight sufficient to comply with generally accepted accounting principles	Met	The process has sufficient quality control to support expenditures.
13. Documentation sufficient to support invoices	Not Met	Allocation to appropriate cost centers needs correction, regular review and adjustment if needed.
14. Documentation sufficient to support allowable expenditures	Met	The program is in conformity with authorized. budgeted amount.
15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year	Met	Documentation supports that funds are expended in the appropriate fiscal year
16. Administrative costs sufficiently justified and appropriate to the total cost of the program	N/A	The County does not apply indirect costs to the program.
17. Insurance policies sufficient to comply with contract	N/A	This is a County program
18. Effective communication between contract manager and contractor	Met	Regular communication between MHSA staff and program manager

VII. Review Results. The review covered the following areas:

1. **Deliver services according to the values of the Mental Health Services Act** (California Code of Regulations Section 3320 – MHSA General Standards). Does the plan element collaborate with the community, provide an integrated service experience, promote wellness, recovery and resilience, be culturally competent, and be client and family driven.

Method. Consumer, family member and service provider interviews and consumer surveys.
Discussion.

Survey Results
We received 18 responses to the survey. The majority of the survey responses were consistent with consumer interviews; namely, they show a positive evaluation of the program; and that the program adheres to MHSA values.

Questions	**Responses: n=18**				
Please indicate how strongly you agree or disagree with the following statements regarding persons who work with you:	Strongly Agree 4	Agree 3	Disagree 2	Strongly Disagree 1	I don't know n/a
1. Help me improve my health and wellness.	Average score: 3.61 **(n=18)**				
2. Allow me to decide what my own strengths and needs	Average score: 3.59 **(n=17)**				
3. Work with me to determine the services that are most helpful	Average score: 3.65 **(n=17)**				
4. Provide services that are sensitive to my cultural background.	Average score: 3.53 **(n=17)**				
5. Provide services that are in my preferred language	Average score: 3.89 **(n=18)**				
6. Help me in getting needed health, employment, education and other benefits and services.	Average score: 3.65 **(n=17)**				
7. Are open to my opinions as to how services should be provided	Average score: 3.65 **(n=17)**				
8. What does this program do well?	• Provide help necessary for my communication in co-parenting • It really helps me with any problems I have and people are very patient. • This program does a good job providing a welcoming, friendly environment for me and other patients as well as providing great services to help aid with therapy, medication, etc. • Educating parents and patients alike and helping patients overcome their symptoms.				

<table>
<tr><td></td><td colspan="4">Help me feel better, confident, stronger, and teach me and explain what I'm going through.
This program helps me to understand what my child is going through and how I can support her.</td></tr>
<tr><td>9. What does this program need to improve upon?</td><td colspan="4">They really should get a working kitchen.
Automating the calendar for appointments.
Trying to explain more detailed what one might feel.</td></tr>
<tr><td>10. What needed services and supports are missing?</td><td colspan="4">Give more support for parents going through transition (divorce, etc.) so that they can co-parent better.
I think this place needs to be shown to the public more.</td></tr>
<tr><td rowspan="2">11. How important is this program in helping you improve your health and wellness, live a self-directed life, and reach your full potential?</td><td>Very Important
4</td><td>Important
3</td><td>Somewhat Important
2</td><td>Not Important
1</td></tr>
<tr><td colspan="4">Average score: 3.72 (n=18)</td></tr>
<tr><td>12. Any additional comments?</td><td colspan="4">[This program] saved our family.
If it wasn't for First Hope, I don't know how we would have made it. We were very ignorant about psychosis.
This program is very helpful and the people here are very kind and respectful.</td></tr>
</table>

Consumer Interview

The consumer interview session was attended by eleven consumers and family members. The length of times that each consumer/family had been involved with the program ranged from one to three years. Consumers reported their initial referrals to First Hope came from a variety of areas such as, psychiatric emergency services, therapists from private hospitals or county clinics, NAMI, and from church. Overall, the consumers and family members were very appreciative of the services provided by First Hope. They all felt strongly that there was cultural grounding for them in their treatment, and that their input was solicited and valued as part of the treatment plan. During the interview, some of the other things specifically identified as positives of the program were:

- Parents were better able to develop tools to recognize and handle the onset of an episode.
- The "whole family" approach of First Hope was useful – previous experience had been parents seeking "a la carte" services. The "one-stop-shop" programming of First Hope meant they didn't have to keep retelling their stories or situation each time they saw a new service provider or specialist.
- The flexibility of the program was key – able to help with IEP meetings at school, could get services in their home, flexibility of times for appointments and groups.
- Multi-family groups were very helpful in reducing isolation and having peer perspective.

These positives clearly speak to several of the MHSA values. However, the families also identified some areas of improvement. Several consumers voiced a desire for separate peer support groups and other activities focused solely on youth without family members present. Both consumers and family members also felt there was a gap in after care – they weren't quite sure what next steps or supports were available once the program concluded. Lastly, several participants indicated they thought the program could use more outreach to let more families know that the resource was there and available.

<u>Staff Interviews</u>

Eleven line staff were interviewed in a group session. There was a breadth of staff, including an employment and education specialist, occupational therapist, community support worker, several clinicians, and a team lead. They have worked with First Hope ranging from a few weeks, to when the program first launched. Notably, there were several bilingual staff members to serve the County's Latino population. The staff had many positive things to contribute about the program, including the ability to serve clients regardless of insurance; the family-based treatment model is very effective, particularly in cultures that are very family-centric; flexibility of the model to help "meet (clients) where they are;" fidelity to the model gives strong guidance to newer clinicians and helps all practitioners feel grounded in treatment strategies.

Staff also identified several areas of improvement. The limited space in the program has presented challenges to treatments, particularly when meeting with clients; the frequent shifting of meeting spaces due to lack of availability was called out as hindrance to the stabilizing factor of treatment. Staff also indicated a desire for more possible locations in different regions of the county to host group sessions, citing transportation challenges as a barrier. Staff also noted a gap in discharge and post-discharge planning. They indicated that the transition out of the program is often difficult due to the lack of step-down programming and support; lack of family support or programming after discharge may often bring symptoms back to the youth consumer. This challenge is also echoed in the consumer and family feedback.

First Hope strives to be a supportive community where individuals and families learn how to manage their challenges, and serve as a provider of direct early intervention services.

Results. First Hope delivers services according to the values of the MHSA. The program delivers programming at locations that are generally accessible to participants; staff is culturally and linguistically competent and maintains close ties to the community it serves.

2. **Serve the agreed upon target population.** For Prevention and Early Intervention, does the program serve individuals and families who are at risk for developing a serious mental illness or serious emotional disturbance. Does the program serve the agreed upon target population (such as age group, underserved community).
   Method. Compare the program description and/or service work plan with a random sampling of client charts or case files.
   Discussion. First Hope's target population is 12-25 year old transition age youth Contra Costa County residents experiencing early symptoms of psychosis, and their families. The program also serves Hispanic families, many of whom are monolingual.
   Results. The program serves the agreed upon target population.

3. **Provide the services for which funding was allocated.** Does the program provide the number and type of services that have been agreed upon.
   Method. Compare the service work plan or program service goals with regular reports and match with case file reviews and client/family member and service provider interviews.
   Discussion. Monthly service summaries as well as semi-annual reports show that the program is consistently engaged in outreach and screening activities, is providing support groups and individual navigation supports.
   Results. The program provides the services for which funding was allocated.

4. **Meet the needs of the community and/or population.** Is the program meeting the needs of the population/community for which it was designed. Has the program been authorized by the Board of Supervisors as a result of a community program planning process. Is the program consistent with the MHSA Three Year Program and Expenditure Plan.
   Method. Research the authorization and inception of the program for adherence to the Community Program Planning Process. Match the service work plan or program description with the Three Year Plan. Compare with consumer/family member and service provider interviews. Review client surveys.
   Discussion. Programming for *Building Connection in Underserved Cultural Communities* was included in the original PEI plan that was approved in May 2009 and included in subsequent plan updates. The program has been authorized by the Board of Supervisors and is consistent with the current MHSA Three-Year Program and Expenditure Plan as well as the proposed PEI regulations on prevention programs. Program strategies pursue timely access and linkage to mental health services for individuals and families from underserved populations, which are non-stigmatizing and non-discriminatory. Interviews with service providers and program participants support the notion that the program meets its goals and the needs of the community it serves.
   Results. The program meets the needs of the community and the population for which it is designated.

5. **Serve the number of individuals that have been agreed upon.** Has the program been serving the number of individuals specified in the program description/service work plan, and how has the number served been trending the last three years.
   Method. Match program description/service work plan with history of monthly reports and verify with supporting documentation, such as logs, sign-in sheets and case files.
   Discussion. While First Hope consistently reports numbers served through monthly and semi-annual annual reports, there are no specified numbers of individuals to be served First Hope.
   Results. The program needs to define the number of individuals to be served.

6. **Achieve the outcomes that have been agreed upon.** Is the program meeting the agreed upon outcome goals, and how has the outcomes been trending.
   Method. Match outcomes reported for the last three years with outcomes projected in the program description, and verify validity of outcome with supporting documentation, such as case files or charts. Outcome domains include, as appropriate, incidence of restriction, incidence of psychiatric crisis,

meaningful activity, psychiatric symptoms, consumer satisfaction/quality of life, and cost effectiveness. Analyze the level of success by the context, as appropriate, of pre- and post-intervention, control versus experimental group, year-to-year difference, comparison with similar programs, or measurement to a generally accepted standard.

Discussion. First Hope has identified its primary program objectives including: help clients manage prodromal symptoms; help clients maintain progress in school, work, relationships; reduce the stigma associated with symptoms; prevent development of psychotic illnesses; reduce necessity to access psychiatric emergency serves/ inpatient care. The program provides monthly and semi-annual reports summarizing their progress towards meeting their program outcomes.

Results. Overall, the program achieves its primary objectives.

7. **Quality Assurance.** How does the program assure quality of service provision.

   Method. Review and report on results of participation in County's utilization review, quality management incidence reporting, and other appropriate means of quality of service review.

   Discussion. No grievances were filed related to the clinic services that are the subject of this review. All clinic programs undergo Level One and Level Two Utilization Reviews on a regular basis. Percentage of disallowances found during Level Two Utilization Reviews of charts sampled from each County billing reporting unit are reported to the Quality Management Committee on a quarterly basis and findings are addressed at the clinic level. Additionally, staff from the First Hope participate on the Quality Management Committee. Implementation of the "Evidence-Based Practices" plan element is part of Behavioral Health Services' annual Quality Improvement Plan. Level 1 and Level 2 utilization review reports indicate that the First Hope Program generally meets documentation and quality standards.

   On April 28, 2017, a Level Two Centralized Utilization Chart Review and a Focused Review was conducted by the CCBHS Utilization Review team. The results show that charts generally met documentation standards, with a few compliance issues, to include incorrect insurance coverage (private vs. Medi-Cal), incomplete assessments, incomplete partnership plans, and improperly corrected progress notes. There were several other findings related to disallowances for services outside of provider's scope of practice, missing progress notes, missing partnership plan and/or assessment, and incorrectly billed activities.

First Hope submitted an appeal on June 1, 2017 for several of the disallowances, with significant discussion on the progress notes determined to be out of scope for the provider at issue. The discussion focuses on the actual language in the notes that depict that the services delivered were in the scope allowable for the provider's licensure status. The County's Quality Improvement Coordinator granted the majority of their appeal. An additional plan of correction was submitted for the few follow-up items that remained in this review process.

Results. The program has a quality assurance process in place. However, it is recommended that First Hope continue to provide training to their clinical staff on consistent clinical documentation.

8. **Ensure protection of confidentiality of protected health information.** What protocols are in place to comply with the Health Insurance Portability and Accountability Assurance (HIPAA) Act, and how well does staff comply with the protocol.
   Method. Match the HIPAA Business Associate service contract attachment with the observed implementation of the plan element's implementation of a protocol for safeguarding protected patient health information.
   Discussion. Staff observe HIPAA requirements. All staff are required to complete HIPAA training on an annual basis. The County also has a Privacy Officer in charge of protecting client information.
   Results. First Hope ensures the protection of confidential protected health information.

9. **Staffing sufficient for the program.** Is there sufficient dedicated staff to deliver the services, evaluate the program for sufficiency of outcomes and continuous quality improvement, and provide sufficient administrative support.
   Method. Match history of program response with organization chart, staff interviews and duty statements.
   Discussion. All positions for which funding was allocated are filled.
   Results. There is sufficient staffing for the program.

10. **Annual independent fiscal audit.** Did the organization have an annual independent fiscal audit performed and did the independent auditors issue any findings.
    Method. Obtain and review audited financial statements. If applicable, discuss any findings or concerns identified by auditors with fiscal manager.
    Results. The program is County operated and does not conduct an annual financial audit.

Discussion. Not applicable.

11. **Fiscal resources sufficient to deliver and sustain the services.** Does organization have diversified revenue sources, adequate cash flow, sufficient coverage of liabilities, and qualified fiscal management to sustain plan element.
Method. Interview fiscal manager of program.
Results. First Hope has been authorized by the County with sufficient resources to maintain the existing program.
Discussion. Fiscal resources are sufficient.

12. **Oversight sufficient to comply with generally accepted accounting principles.** Does organization have appropriate qualified staff and internal controls to assure compliance with generally accepted accounting principles.
Method. Interview with fiscal manager of program.
Results. The lead Clerk Specialist was interviewed and demonstrated the process by which personnel and operating costs are entered and tracked.
Discussion. First Hope operates in accordance with prescribed County policies and procedures.

13. **Documentation sufficient to support invoices.** Does the organization's financial reports support monthly invoices charged to the program and ensure no duplicate billing.
Method. Reconcile financial system with monthly invoices. Interview fiscal manager of program.
Results. Expenses were reviewed for allocation to the appropriate County cost centers. The monthly MHSA financial cost summaries indicate that while costs are appropriate, the allocation to appropriate cost centers need review and action at CCBHS Administration. Charges for contract psychiatry time are being charged 100% cost center 5727 (MHSA), when the costs should be split between 5727 and 5948 (Children's Realignment). Also all operating costs are being charged to 5727, when differential cost centers should be considered and applied at CCBHS Administration, depending upon the particular expense.
Discussion. Allocation of First Hope personnel and operating costs to the appropriate cost centers should be reviewed and adjusted on a regular basis at CCBHS Administration.

14. **Documentation sufficient to support allowable expenditures.** Does organization have sufficient supporting documentation (payroll records and timecards, receipts, allocation bases/statistics) to support program personnel and operating expenditures charged to the program.

Method. Match random sample of one month of supporting documentation for each fiscal year (up to three years) for identification of personnel costs and operating expenditures charged to the cost center (county) or invoiced to the county (contractor).
Results. Several random transactions were validated against supporting documentation for the program. Expenditures are in conformity with authorized amounts for both personnel and operating costs. .
Discussion. The program is in conformity with the authorized budgeted amounts for both personnel and operating costs.

15. **Documentation sufficient to support expenditures invoiced in appropriate fiscal year.** Do organization's financial system year end closing entries support expenditures invoiced in appropriate fiscal year (i.e., fiscal year in which expenditures were incurred regardless of when cash flows).
Method. Reconcile year end closing entries in financial system with invoices. Interview fiscal manager of program.
Results. This is a County operated program and complies with the accrual basis of accounting.
Discussion. There is sufficient documentation to support expenditures invoiced in the appropriate year.

16. **Administrative costs sufficiently justified and appropriate to the total cost of the program.** Is the organization's allocation of administrative/indirect costs to the program commensurate with the benefit received by the program.
Method. Review methodology and statistics used to allocate administrative/indirect costs. Interview fiscal manager of program.
Results. The County does not apply an indirect cost to the program.
Discussion. Not applicable

17. **Insurance policies sufficient to comply with contract.** Does the organization have insurance policies in effect that are consistent with the requirements of the contract.
Method. Review insurance policies.
Discussion. The program is part of the County and is not subject to maintaining separate insurance policies.
Results. Not applicable.

18. **Effective communication between contract manager and contractor.** Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise.

Method. Interview contract manager and contractor staff.
Discussion. Program staff and MHSA staff communicate regularly and in recent months increasingly to discuss outcomes and reporting requirements.
Results. The program has good communication with the contract manager.

VIII. Summary of Results.

First Hope is committed to delivering culturally and linguistically appropriate mental health services to Contra Costa County young people between ages 12 and 25 who are showing very early signs of psychosis and are determined to be at risk for developing a serious mental illness. Their prevention and early intervention services seek to reduce the incidence and associated disability of psychotic illness by engaging the youth and their families. The First Hope program is appropriately staffed, adheres to the values of MHSA, and serves their target population. The program is meeting the outcomes detailed in the program description. Clients fully endorsed the positive impact the programs have had on their health and wellbeing.

IX. Findings for Further Attention.

- First Hope should work with the CCBHS administration to define the number of individuals to be served.
- It is recommended that First Hope continue to provide training to their clinical staff on consistent clinical documentation.
- Allocation of First Hope personnel and operating costs to the appropriate cost centers should be reviewed and adjusted on a regular basis at CCBHS Administration.

X. Next Review Date. June 2020

II. Appendices.

Appendix A – Program Description

III. Working Documents that Support Findings.

Consumer, Family Member Surveys

Consumer, Family Member, Provider Interviews

County MHSA Monthly Financial Report

County Utilization Review Report

Progress Reports, Outcomes

MHSA Three Year Plan and Update(s)

Mental Health Services Act (MHSA)

Program and Fiscal Review

I. **Name of Program:** Telecare – Hope House
300 Ilene Street, Martinez, CA 94553

II. **Review Team:** Stephanie Chenard, Betsy Orme, Warren Hayes

III. **Date of On-site Review:** February 10 and 15, 2017
Date of Exit Meeting: July 27, 2017

IV. **Program Description:** Telecare Corporation operates Hope House, a voluntary, highly structured 16-bed Short-Term Crisis Residential Facility (CRF) for adults. Hope House serves individuals who require crisis support to avoid hospitalization, or are discharging from the hospital or long-term locked facilities, and need step-down care to transition back to community living. The focus is client-centered and recovery-focused, and underscores the concept of personal responsibility for the resident's illness and independence. The program supports a social rehabilitation model, which is designed to enhance an individual's social connection with family and community so that they can move back into the community and prevent a hospitalization. Services are recovery based, and tailored to the unique strengths of each individual resident. The program offers an environment where residents have the power to make decisions, are supported as they look at their own life experiences, set their own paths toward recovery, and work towards the fulfillment of their hopes and dreams. Telecare's program is designed to enhance client motivation to actively participate in treatment, provide clients with intensive assistance in accessing community resources, and assist clients develop strategies to maintain independent living in the community and improve their overall quality of life. The program's service design draws on evidence-based practices such as Wellness Action and Recovery Planning (WRAP), motivational interviewing, and integrated treatment for co-occurring disorders.

V. **Purpose of Review.** Contra Costa Behavioral Health Services (CCBHS) is committed to evaluating the effective use of funds provided by the Mental Health Services Act (MHSA). Toward this end a comprehensive program and fiscal review was conducted of Telecare's Hope House Crisis Residential Program. The results of this review are contained herein, and will assist in a) improving the services and supports that are provided; b) more efficiently support the County's MHSA Three Year Program and Expenditure Plan; and c) ensure compliance with statute, regulations and policy. In the spirit of continually working toward better services we most appreciate this opportunity to collaborate together with the staff and clients participating in this program in order to review past and current efforts, and plan for the future.

VI. Summary of Findings.

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Met	Services promote recovery, wellness and resiliency.
2. Serve the agreed upon target population.	Met	Residents meet target population.
3. Provide the services for which funding was allocated.	Met	All MHSA funds directly support approved crisis residential services.
4. Meet the needs of the community and/or population.	Met	Residents verify services meet their needs.
5. Serve the number of individuals that have been agreed upon.	Not Met	Hope House does not meet their target monthly census goal.
6. Achieve the outcomes that have been agreed upon.	Partially Met	Hope House is currently meeting several of its outcomes.
7. Quality Assurance	Partially Met	The County needs to assist in implementing Level 1 utilization review process.
8. Ensure protection of confidentiality of protected health information.	Met	The program is HIPAA compliant
9. Staffing sufficient for the program	Not Met	Staffing level not sufficient to support targeted service numbers
10. Annual independent fiscal audit performed.	Met	No audit findings were noted.

11. Fiscal resources sufficient to deliver and sustain the services	Met	Resources appear sufficient.
12. Oversight sufficient to comply with generally accepted accounting principles	Met	Experienced staff implements sound check and balance system.
13. Documentation sufficient to support invoices	Met	Uses established software program with appropriate supporting documentation protocol.
14. Documentation sufficient to support allowable expenditures	Met	Method of accounting for personnel time and operating costs appear to be supported.
15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year	Met	No billings noted for previous fiscal year expenses.
16. Administrative costs sufficiently justified and appropriate to the total cost of the program	Met	Methodology supports indirect rate of 16%.
17. Insurance policies sufficient to comply with contract	Met	Necessary insurance is in place
18. Effective communication between contract manager and contractor	Partially Met	County needs to solidify roles of Transition Team and contract manager to enable regular, coordinated program and contract communication.

VII. Review Results. The review covered the following areas:

1. **Deliver services according to the values of the Mental Health Services Act** (California Code of Regulations Section 3320 – MHSA General Standards). Does the program/plan element collaborate with the community, provide an integrated service experience, promote wellness, recovery and resilience, be culturally competent, and be client and family driven.
   Method. Consumer, family member and service provider interviews and consumer surveys.
   Discussion. As part of the site visits 10 consumers were interviewed as a group, and additional input was obtained by 7 consumers who completed a written survey prior to the site visits. We also spoke to several different staff

members, including staff from the organization management team, program management staff, administrative staff, and line staff.

Survey Results:

Questions	Responses: n=7				
Please indicate how strongly you agree or disagree with the following statements regarding persons who work with you:	Strongly Agree 4	Agree 3	Disagree 2	Strongly Disagree 1	I don't know n/a
1. Help me improve my health and wellness.	Average score: 3.42 **(n=7)**				
2. Allow me to decide what my own strengths and needs	Average score: 3.14 **(n=7)**				
3. Work with me to determine the services that are most helpful	Average score: 2.86 **(n=7)**				
4. Provide services that are sensitive to my cultural background.	Average score: 2.8 **(n=5)**				
5. Provide services that are in my preferred language	Average score: 3.29 **(n=7)**				
6. Help me in getting needed health, employment, education and other benefits and services.	Average score: 3.17 **(n=6)**				
7. Are open to my opinions as to how services should be provided	Average score: 2.86 **(n=7)**				
8. What does this program do well?	• Helped with school • Non-judgmentally (sic) • Providing quality meals & shelter				
9. What does this program need to improve upon?	• Help with housing • Expression of desires • Staff being interrupted by their cell phones while working with clients.				
10. What needed services and supports are missing?	• Housing • Transportation • Being treated with respect not like a problem. Staff doing things in a timely manner.				

11. How important is this program in helping you improve your health and wellness, live a self-directed life, and reach your full potential?	Very Important 4	Important 3	Somewhat Important 2	Not Important 1
	Average score: 3.00 (n=4)			
12. Any additional comments?	• I really appreciate the help			

<u>Consumer Interview</u>

The resident consumer group interview was attended by approximately 10 consumers of mixed genders, ethnicities, and ages. The individuals interviewed had been staying at Hope House from a couple of days to a few weeks.

Overall, the interview participants were very appreciative of the services provided by Hope House and most reported that Hope House staff are very responsive to their needs. During the interviews, things that the residents specifically identified as positives of the program were:

- Feeling safe and secure
- Assistance with things like haircuts, new clothes/shoes, and other grooming and hygiene needs
- The schedule of classes and activities felt manageable – the residents did not feel rushed, or like they were forced to participate.
- The Hope House staff and County worked together to help create a safe support system
- The program helped some residents improve their relationships with their families.

These positives speak squarely to the MHSA values. However, there were also some areas identified by the residents for improvement. Some of these issues were:

- More time with the doctor who came to conduct assessments and evaluations
- More focused one-on-one time with staff
- A few residents noted that staff were often on their cell phones, which felt like a distraction
- More assistance with getting connected with County case managers
- Some of the resource materials made available were out of date.

Staff Interview:

Five program staff members were interviewed during the site visit. Staff shared that each of them have had some kind of personal background with mental illness and recovery in their lives, several of whom had been with Telecare in other capacities for a number of years. Most of the staff have specific roles (administration, medical, counseling, etc.) and shifts are staggered to ensure adequate coverage and support for residents 24/7. The residential counselors are trained in the Telecare curriculum to be able to offer the various classes. Staff also indicated that a portion of the classes and activities are driven by resident request.

Results. Hope House staff appear to implement services according to the values of the Mental Health Services Act.

2. **Serve the agreed upon target population.** For Community Services and Supports, does the program serve adults with a serious mental illness. Does the program serve the agreed upon target population (such as age group, underserved community).

   Method. Compare the program description and/or service work plan with a random sampling of client charts or case files.

   Discussion. As a matter of regular practice Hope House staff verify with County staff that all residents meet medical necessity, experience serious mental illness, and are in need of crisis stabilization. This referral and billing practice was matched by verifying observation of residents participating in the consumer group meeting.

   Results. The program serves the agreed upon target population.

3. **Provide the services for which funding was allocated.** Does the program provide the number and type of services that have been agreed upon.

   Method. Compare the service work plan or program service goals with regular reports and match with case file reviews and client/family member and service provider interviews.

   Discussion. A review of the monthly report shows that the program appears to provide the number and type of services that have been agreed upon in the Service Work plan, and discussion with the staff and residents reveals that the program is providing a clear level of crisis stabilization services around medication support, basic living tasks, crisis mitigation techniques, and other intensive mental health services.

   Results. Appropriate crisis residential services are provided by Hope House with appropriate intensive mental health specialty services for the residents.

4. **Meet the needs of the community and/or population.** Is the program meeting the needs of the population/community for which it was designed. Has the program been authorized by the Board of Supervisors as a result of a community program planning process. Is the program consistent with the MHSA Three Year Program and Expenditure Plan.
   Method. Research the authorization and inception of the program for adherence to the Community Program Planning Process. Match the service work plan or program description with the Three Year Plan. Compare with consumer/family member and service provider interviews. Review client surveys.
   Discussion. These crisis residential services have been authorized by the Board of Supervisors after a community program planning process identifying crisis housing services as a priority need. Consumer interviews and surveys indicate that Hope House is meeting their needs.
   Results. Hope House appears to be meeting the needs of the population for which it was designed.

5. **Serve the number of individuals that have been agreed upon.** Has the program been serving the number of individuals specified in the program description/service work plan, and how has the number served been trending the last three years.
   Method. Match program description/service work plan with history of monthly reports and verify with supporting documentation, such as logs, sign-in sheets and case files.
   Discussion. Supporting documentation indicates that there are 16 possible beds open to the County. Due to the short-term nature of the program, the average census for each month can vary, however, the established census goal is a monthly average of 12. This allows them to be immediately responsive to consumers in high-need situations. In FY 15/16, Hope House achieved 11.25, and monthly and quarterly reports in the FY 16/17 indicate between 10 to 12. While Hope House often comes close to this outcome goal, they frequently do not meet this outcome. Hope House works with several programs for referrals, including the County Psychiatric Emergency Services, the County hospital in-patient psychiatric unit, other psychiatric hospitals in the Bay Area, and other community referrals. Discussions with several County departments and programs that have contact with Hope House revealed that there have been enough referrals from the County recently and there is demonstrated need for Hope House beds; enough to hit or exceed their goal census. However, Hope House's admission process has been slow and has delayed placements, often for several days. This may be due to recent staff turnover, as well as the referral/admission process itself. County staff from these departments have

indicated the necessity for greater flexibility and responsiveness in the Hope House admission process to more smoothly place consumers in high-need situations. County staff have also indicated a desire for more clarity and shared definitions on admission criteria for potential referrals.
Results. The program does not meet the target number of individuals that have been referred to their facility by Contra Costa County. It is recommended that Hope House work with the County on a process to streamline their admission process in order to be more responsive to the referrals in a timely manner.

Please see Appendix A for Program Response

6. **Achieve the outcomes that have been agreed upon.** Is the program meeting the agreed upon outcome goals, and how has the outcomes been trending.
Method. Match outcomes reported for the last three years with outcomes projected in the program description/service work plan, and verify validity of outcome with supporting documentation, such as case files or charts. Outcome domains include, as appropriate, incidence of restriction, incidence of psychiatric crisis, meaningful activity, psychiatric symptoms, consumer satisfaction/quality of life, and cost effectiveness. Analyze the level of success by the context, as appropriate, of pre- and post-intervention, control versus experimental group, year-to-year difference, comparison with similar programs, or measurement to a generally accepted standard.
Discussion. Outcome goals are reported in terms of “MHSA Mandated Objectives” and “Contra Costa County Mandated Objectives.” The MHSA-specific objectives/outcomes for Hope House center on “supporting family members and significant others” as a key part of the treatment plan. To address this, Hope House welcomes family members into the treatment whenever possible. In FY 15/16, they worked with 154 resident’s families and facilitated 113 face-to-face sessions with family members at the facility. The program employed 2 Peer Counselors to help better serve this objective. They are presently on-track to meet goals for the current fiscal year.

Contra Costa Behavioral Health Services outcomes focus on 1) maintaining a monthly average census of at least 12 residents, and 2) an average length of stay of 14 days or less. Please see above discussion for the census topic. As for the average length of stay, Hope House reported for FY 15/16 an average stay of 18 days – higher than the stated outcome. However, at the time of the review, it was revealed that County Case Managers were having difficulties finding placements before the 30 day closing time period for the program.

Moreover, it was also disclosed that many consumers can benefit from a longer stay. In recent monthly reports, Hope House has indicated average lengths of stay being reduced down to 11 days, meeting this outcome measure.
Results. Hope House appears to be partially meeting the prescribed outcomes in the service agreement. It is recommended that the County revisit the Service Work Plan to adjust the 14 day stay outcome to better reflect the needs of the consumers. Recommendations for the census outcome have been previously noted.

Please see Appendix A for Program Response

7. **Quality Assurance.** How does the program assure quality of service provision.
   Method. Review and report on results of participation in County's utilization review, quality management incidence reporting, and other appropriate means of quality of service review.
   Discussion. CCBHS did not receive any grievances associated with Hope House's crisis residential program. The program has an internal grievance procedure in place, and clients receive information on how to file complaints as part of the agency's Notice of Privacy Practices. The program has not undergone a regular Level 1 utilization review conducted by the County Mental Health utilization review teams to ensure that program services and documentation meet regulatory standards. On October 13, 2016, a Level Two Centralized Utilization Chart Reviews and a Focused Review were conducted by County Mental Health on Hope House's charts. The results show that charts generally met documentation standards, but there were several compliance issues, including missing forms (consent for treatment, consumer guide, etc.), and other incomplete or incorrect forms that were identified in the review. There were several other findings related to disallowances for Initial Assessments that were not completed, illegible, improperly billed, or unclear on diagnosis. There were also significant disallowances based on Partnership Plans that were missing, incomplete, or not updated to accurately reflect a resident's length of stay. There were additional, smaller disallowances regarding a variety of issues with progress notes: missing progress notes, incomplete notes, not documenting billable services, mis-categorized notes, and other related issues. Hope House's Program Director submitted a Plan of Correction to the County November 26, 2016 indicating the new protocols for quality assurance, training, and increased communication with the County to address the issues in the Focused Review. The newly implemented processes were confirmed during the chart review process at the site visit by the review team.

Further, with the recent implementation of the DSM-V, the County Transition team has expressed that Hope House's clinical documentation frequently does not match the new DSM-V diagnostic criteria, which impacts the utilization review compliance for these charts.

Results. The program has a quality assurance process in place. However, it is recommended that the County's Transition Team work with Hope House to institute regular Level 1 reviews to ensure compliance criteria are communicated with the program. It is also recommended that Hope House work with the Transition Team to get current with DSM-V guidelines.

Please see Appendix A for Program Response

8. **Ensure protection of confidentiality of protected health information.** What protocols are in place to comply with the Health Insurance Portability and Accountability Assurance (HIPAA) Act, and how well does staff comply with the protocol.
   Method. Match the HIPAA Business Associate service contract attachment with the observed implementation of the program's implementation of a protocol for safeguarding protected patient health information.
   Discussion. Hope House staff demonstrated their protocol as well as provided their written policy for protection of patient health information. All were in accordance with the HIPAA Business Associate service contract attachment.
   Results. Hope House appears to be in compliance with HIPAA requirements.

9. **Staffing sufficient for the program.** Is there sufficient dedicated staff to deliver the services, evaluate the program for sufficiency of outcomes and continuous quality improvement, and provide sufficient administrative support.
   Method. Match history of program response with organization chart, staff interviews and duty statements.
   Discussion. Telecare has an organizational structure of filled positions indicating a sufficient number and type of staff to support their operations, and particularly for the Hope House program. The Program Director recently left, and the organization restructured the administrative configuration by hiring a Clinical Director to oversee the clinical programmatic portions, and the Program Administrator oversees the administrative and business duties. This restructuring and redefining of duties and roles seems to have streamlined Hope House's management process.

The experience level of the line staff appeared to range toward a more experienced level of mental health care. Telecare has a robust internal training program, and is still aiming to identify and address a variety of mental health issues in their training process. However, there were some areas of improvement that staff identified could help improve service offerings. This was mostly in the area of increasing bilingual staffing. There was at least one person who was bilingual in Spanish, but an additional staffer fluent in Spanish would be a benefit to their community, or someone fluent in an Asian language, such Tagalog or Cantonese. Lastly, there was a desire expressed for possible consultation with a dietician to help more effectively plan meals for residents with specialty needs, such as diabetic or vegetarian meals.

It was noted, however, that there were no mental health clinical staff present during the staff interviews. The roster indicated 3 licensed, or license eligible clinicians, but none were present during the day of the site visit. It was later indicated that a short time after the site visit, two of these staff resigned, leaving only one clinician and the Clinical Director to conduct clinical duties. This may contribute to the delay in processing referral admissions as well as other programing. A written response dated May 22, 2017 from the Hope House management detailed a plan to help cover service gaps including engaging an outside agency to provide contract clinician time, as well as "borrowing" a clinician from another Telecare facility.

Moreover, interviews with County staff have revealed episodes where a few clients have experienced reactions to medications while at Hope House. Medication programs for consumers are normally prescribed through their normal system of care or hospital staff outside of Hope House; however, with more engaged monitoring from the licensed and clinical staff at Hope House, early indicators may possibly be identified more quickly and communicated promptly to County staff to reduce instances and severity of complications with medications.

Results. Staffing is not sufficiently in place to serve the number of clients outlined in the Service Work Plan. It is recommended that Hope House review its recruiting and retention practices to ensure adequate coverage of clinical staff. It is further recommended that the County work with Hope House to create a plan for stronger coordination of care for consumers' medication regimens.

Please see Appendix A for Program Response

10. **Annual independent fiscal audit.** Did the organization have an annual independent fiscal audit performed and did the independent auditors issue any findings.
Method. Obtain and review audited financial statements. If applicable, discuss any findings or concerns identified by auditors with fiscal manager.
Discussion. Audited financial statements for Telecare were reviewed for fiscal years ending 2014, 15 and 16. Telecare Corporation operates behavioral health treatment programs in ten states and several California counties under cost reimbursed and fee for service contracts, primarily with government agencies. The corporation has been steadily growing over the years, and it's totally owned subsidiary, TLC Behavioral Health and Psychology Corporation operates in California through a management agreement. The contract for operation of the Hope House is the only contract that Telecare has with Contra Costa County. The independent auditors did not any report any material or significant weaknesses.
Results. No audit findings were noted.

11. **Fiscal resources sufficient to deliver and sustain the services.** Does the organization have diversified revenue sources, adequate cash flow, sufficient coverage of liabilities, and qualified fiscal management to sustain program or plan element.
Method. Review audited financial statements. Review Board of Directors meeting minutes. Interview fiscal manager of program.
Discussion. Telecare is an S Corporation that owns and issues significant stocks and stock options, has diversified resources, significant operating reserves, and a line of credit. Telecare is in the first year of a two year contract with CCBHS, and staff report that budgeted amounts for the two year period appear sufficient to cover operating expenses.
Results. Resources appear sufficient.

12. **Oversight sufficient to comply with generally accepted accounting principles.** Does organization have appropriate qualified staff and internal controls to assure compliance with generally accepted accounting principles.
Method. Interview with fiscal manager of program.
Discussion. The Budget Manager and Senior Financial Analyst were both interviewed and described the processes that staff utilized to implement generally accepted accounting principles. Both have extensive experience managing accounting staff for organizations of this size. Supporting documentation to monthly invoicing depict appropriate time keeping documents for tracking staff time, proper allocation of operating costs, and segregation of duties.

Results. Experienced staff implements sound check and balance system.

13. **Documentation sufficient to support invoices.** Do the organization's financial reports support monthly invoices charged to the program and ensure no duplicate billing.
Method. Reconcile financial system with monthly invoices. Interview fiscal manager of program or plan element.
Discussion. Supporting documentation for a randomly selected monthly invoice for each of the last three years were provided and analyzed. Telecare utilizes Crystal Reports as the database for reconciling staff payroll. Staff budgeted as part-time to this contract and other contracts periodically reconcile and document actual time spent to ensure that only actual time is billed.
Results. Uses established software program with appropriate supporting documentation protocol.

14. **Documentation sufficient to support allowable expenditures.** Does organization have sufficient supporting documentation (payroll records and timecards, receipts, allocation bases/statistics) to support program personnel and operating expenditures charged to the program or plan element.
Method. Match random sample of one month of supporting documentation for each fiscal year (up to three years) for identification of personnel costs and operating expenditures invoiced to the county.
Discussion. Supporting documentation reviewed for monthly invoices appeared to support the method of allocating appropriate costs to agreed-upon budget line items.
Results. Method of accounting for personnel time and operating costs appear to be supported.

15. **Documentation sufficient to support expenditures invoiced in appropriate fiscal year.** Do organization's financial system year end closing entries support expenditures invoiced in appropriate fiscal year (i.e., fiscal year in which expenditures were incurred regardless of when cash flows).
Method. Reconcile year end closing entries in financial system with invoices. Interview fiscal manager of program or plan element.
Discussion. The County Auditor's expense summaries for the last three fiscal years were reviewed. Expenses were allocated to the correct fiscal year, and close out appeared timely, as no expenditures surfaced after the County's closeout date.
Results. No billings noted for previous fiscal year expenses.

16. **Administrative costs sufficiently justified and appropriate to the total cost of the program.** Is the organization's allocation of administrative/indirect costs to the program commensurate with the benefit received by the program or plan element.
Method. Review methodology and statistics used to allocate administrative/indirect costs. Interview fiscal manager of program.
Discussion. Telecare produced its methodology that justifies the 16% indirect rate charged to the contract.
Results. Indirect rate justified as per OMB Circular A-122.

17. **Insurance policies sufficient to comply with contract.** Does the organization have insurance policies in effect that are consistent with the requirements of the contract.
Method. Review insurance policies.
Discussion. The program provided general liability insurance policies that were in effect at the time of the site visit**.**
Results. The program complies with the contract insurance requirements.

18. **Effective communication between contract manager and contractor.** Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise.
Method. Interview contract manager and contractor staff.
Discussion. The County has multiple staff interacting with Hope House staff. This includes Adult Services management negotiating care, analysts to generate and process Hope House contracts and sign and forward submitted invoices, case managers to interact with Hope House staff regarding residents, the hospital or psychiatric emergency services to refer potential residents or to refer back for emergent care, County Public Works or Behavioral Health Services Purchasing to address facility maintenance and needs, County Housing Coordinators to attend to facility compliance issues, and MHSA staff performing program and fiscal reviews and issuing a report with finding and recommendations. This has resulted in challenges for Hope House staff when issues arise needing a timely, coordinated response with follow-up toward resolution.

    Results. It is recommended that the County re-visit how it communicates with Hope House with the objective of strengthening the County's Transition team, and the contract manager roles as a central program and fiscal points of contact.

    <u>Please see Appendix A for Program Response</u>

VIII. Summary of Results.

Telecare's Hope House provides appropriate crisis residential services to adults challenged with serious mental illness. It is a voluntary service facility that is part of a large, national for profit organization consisting of a wide variety of mental health programs in several states. Staff and clients alike agree that service response is based on strength based psychosocial rehabilitation principles that promote recovery, wellness and resiliency. Staffing appears sufficient and qualified to meet self-prescribed service objectives. Support from Hope House's corporate and administrative headquarters appears sufficient to enable the program to focus on service delivery.

Issues for attention pertain to the communication with the County, and staff recruitment and retention.

IX. Findings for Further Attention.

- The County's Transition Team should work with Hope House to institute regular Level 1 reviews to ensure compliance criteria are communicated with the program, and to get current with DSM-V guidelines.

- It is recommended that Hope House work on a process to streamline their admission process in order to be more responsive to the referrals in a timely manner.

- It is recommended that the County revisit the Service Work Plan to adjust the 14 day stay outcome to better reflect the needs of the consumers.

- It is recommended that Hope House review its recruiting and retention practices to ensure adequate coverage of clinical staff.

- It is further recommended that Hope House work with the County to create a plan for stronger coordination of care for consumers' medication regimens.

- The County should also strengthen the County's Transition team, and the contract manager roles as a central program and fiscal points of contact, as well as provide assistance and oversight for connectivity and transition to the County's adult system of care.

X. Next Review Date.
February 2020

XI. Appendices.

Appendix A – Response from Program to Report

Appendix B – Program Description/Service Work Plan

Appendix C – Service Provider Budget

Appendix D – Yearly External Fiscal Audit

Appendix E – Organization Chart

XII. Working Documents that Support Findings.

Consumer Listing

Consumer, Family Member Surveys

Consumer, Family Member, Provider Interviews

County MHSA Monthly Financial Report

Progress Reports, Outcomes

Centralized Utilization Review Reports

Program's Response to UR Report

Monthly Invoices with Supporting Documentation

Indirect Cost Allocation Methodology/Plan

Board of Directors' Meeting Minutes

Insurance Policies

MHSA Three Year Plan and Update(s)

APPENDIX A

Service Provider's Response to Report

TELECARE Hope House
300 Ilene Street
Martinez, CA 94553
(925) 313-7980

TELECARE
CORPORATION

August 10th, 2017

Stephanie Chenard, MBA
Analyst/ASA III, Mental Health Services Act
MHSA Workforce Education and Training Coordinator
Contra Costa Behavioral Health Services
Mental Health Administration
1340 Arnold Drive, Suite 200
Martinez, CA 94553

Re: Plan of Correction for Hope House MHSA Program and Fiscal Review dated February 10 and 15, 2017

Dear Ms. Chenard,

Below is the plan of correction to the Hope House MHSA Program and Fiscal Review dated February 10 and 15, 2017.

Summary of Findings:

Section 5. Serve the number of individuals that have been agreed upon.

Results. The program does not meet the target number of individuals that have been referred to their facility by Contra Costa County. It is recommended that Hope House work with the County on a process to streamline their admission process in order to be more responsive to the referrals in a timely manner.

Response:

1. Hope House already started the process of streamlining our admission process. We have reduced response times to 2 hours during regular business hours upon receiving a hospital referral.
2. We are teaming with our County consultant on implementing a process by which our referral sources inform us of planned discharges with a 2-day advance notice; this will facilitate a "warm handoff" of our residents between agencies.

3. Hope House target number of individuals is dependent upon the number of referrals we receive. There have been extended periods in which we have had minimal referrals, resulting in a lower census. This may have impacted Hope House serving the target number of individuals that have been agreed upon.

Section 6. Achieve the outcomes that have been agreed upon.

Results. Hope House appears to be partially meeting the prescribed outcomes in the service agreement. It is recommended that the County revisit the Service Work Plan to adjust the 14 day stay outcome to better reflect the needs of the consumers. Recommendations for the census outcome have been previously noted.

Response:

1. Starting in January 2017, we have greatly reduced the length of stay of our residents. Over the past 6 months, we have been working closely with county case management agencies to facilitate a faster discharge process. This has resulted in the monthly average length of stay being reduced to 11 to 14 days over the past 6 months. We plan to continue this process to ensure timely discharges of our residents.
2. We are working with our county partners to revise the Hope House Service Plan to modify IX. Outcome Measures to state that the average length of stay will be 14 days, not to exceed 30 days.

Section 7. Quality Assurance.

Results. The program has a quality assurance process in place. However, it is recommended that the County's Transition Team work with Hope House to institute regular Level 1 reviews to ensure compliance criteria are communicated with the program. It is also recommended that Hope House work with the Transition Team to get current with DSM-V guidelines.

Response: We are currently working with the County's transition Team to institute regular Level 1 reviews to ensure that Hope House meets compliance criteria. The County implemented the new DSM-V guidelines on April 1, 2017; Hope House was not informed of these changes until June 15, 2017. Upon learning of the new DSM-V guidelines, we immediately implemented the changes in the documentation process. Hope House is current with all DSM-V guidelines.

Section 9. Staffing sufficient for the program.

Results. Staffing is not sufficiently in place to serve the number of clients outlined in the Service Work Plan. It is recommended that Hope House review its recruiting and retention practices to ensure adequate coverage of clinical staff. It is further recommended that the County work with Hope House to create a plan for stronger coordination of care for consumers' medication regimens.

Response:

1. From Hope House's perspective, we have had sufficient staffing in place to serve the number of clients outlined in the Service Work Plan. Residents report a very high level of satisfaction with the services provided by Hope House. Over the past year, the clinical team has consisted

of 2-3 clinicians, supervised and supported by the Clinical Director. There was a brief period between April and May, 2017 during which there was a single clinician working with the Clinical Director; the Clinical Director performed clinician duties as well as his regular duties, ensuring excellent quality of care for our residents. Hope House has since hired new clinicians to complete the clinical team.

2. Hope House follows all Telecare guidelines in recruiting and retaining staff. Telecare advertises on several major recruiting websites; in addition, the Clinical Director have attended several job fairs at local universities to recruit qualified clinicians. We have also utilized a social work temporary agency to fill one of the positions when we were short-staffed. Overall, we thoroughly vet our staff to ensure that our facilities maintain excellent quality of care.
3. Hope House is currently working on implementing a process by which our psychiatrist more closely works with psychiatrists from our local referral sources and case management teams. It must be noted that there was only one instance of a severe medication reaction from one resident, not several. This reflected a resident who was refusing abilify; her case management team was notified. After a week of refusing abilify, she started to become psychotic; she was sent to the CCRMC Emergency Department after having severe vertigo. It was only later discovered, after she had been assessed by both the Emergency Department as well as Psychiatric Emergency Services, that she also had high levels of lithium in her system, which may have compounded her psychosis after refusing her abilify. Hope House's first priority is to provide quality psychiatric and medical care for all our residents.

Section 18. Effective communication between contract manager and contractor.

Results. It is recommended that the County re-visit how it communicates with Hope House with the objective of strengthening the County's Transition team, and the contract manager roles as a central program and fiscal points of contact.

Response:

1. The Clinical Director of Hope House has been attending ongoing County meetings, such as the monthly System of Care meeting, to better coordinate communication and care of our residents. The Clinical Director also has multiple daily contacts with Betsy Orme, the supervisor of the Transition Team.
2. The Program Administrator of Hope House is now currently meeting monthly with the Adult/Older Adult Mental Health Program Chief to facilitate ongoing communication.

APPENDIX B

Program Description/Service Work Plan

Telecare Corporation

Point of Contact: Clearnise Bullard, Program Administrator
Jim Christopher, Clinical Director
Contact Information: 300 Ilene Street, Martinez, CA 94553, (925) 313-7980
cbullard@telecarecorp.com, jchristopher@telecarecorp.com

1. **General Description of the Organization**
Telecare Corporation was established in 1965 in the belief that persons with mental illness are best able to achieve recovery through individualized services provided in the least restrictive setting possible. Today, they operate over 100 programs staffed by more than 2,500 employees in California, Oregon, Washington, Arizona, Nebraska, North Carolina, Texas, New Mexico and Pennsylvania and provide a broad continuum of services and supports, including Inpatient Acute Care, Inpatient Non-Acute/Sub-Acute Care, Crisis Services, Residential Services, Assertive Community Treatment (ACT) services, Case Management and Prevention services.
2. **Program: Hope House Crisis Residential Facility - CSS**
Telecare Corporation operates Hope House, a voluntary, highly structured 16-bed Short-Term Crisis Residential Facility (CRF) for adults between the ages of 18 and 59. Hope House is serves individuals who require crisis support to avoid hospitalization, or are discharging from the hospital or long-term locked facilities and need step-down care to transition back to community living. The focus is client-centered and recovery-focused, and underscores the concept of personal responsibility for the resident's illness and independence. The program supports a social rehabilitation model, which is designed to enhance an individual's social connection with family and community so that they can move back into the community and prevent a hospitalization. Services are recovery based, and tailored to the unique strengths of each individual resident. The program offers an environment where residents have the power to make decisions and are supported as they look at their own life experiences, set their own paths toward recovery, and work towards the fulfillment of their hopes and dreams. Telecare's program is designed to enhance client motivation to actively participate in treatment, provide clients with intensive assistance in accessing community resources, and assist clients develop strategies to maintain independent living in the community and improve their overall quality of life. The program's service design draws on evidence-based practices such as Wellness Action and Recovery Planning (WRAP), motivational interviewing, and integrated treatment for co-occurring disorders.

a. <u>Scope of Services</u>:

- Individualized assessments, including, but not limited to, psychosocial skills, reported medical needs/health status, social supports, and current functional limitations within 72 hours of admission.
- Psychiatric assessment within 24 hours of admission.
- Treatment plan development with 72 hours of admission.
- Therapeutic individual and group counseling sessions on a daily basis to assist clients in developing skills that enable them to progress towards self-sufficiency and to reside in less intensive levels of care.
- Crisis intervention and management services designed to enable the client to cope with the crisis at hand, maintaining functioning status in the community, and prevent further decompensation or hospitalization.
- Medication support services, including provision of medications, as clinically appropriate, to all clients regardless of funding; individual and group education for consumers on the role of medication in their recovery plans, medication choices, risks, benefits, alternatives, side effects and how these can be managed; supervised self-administration of medication based on physician's order by licensed staff; medication follow-up visit by a psychiatrist at a frequency necessary to manage the acute symptoms to allow the client to safely stay at the Crisis Residential Program, and to prepare the client to transition to outpatient level of care upon discharge.
- Co-occurring capable interventions for substance use following a harm reduction modality in addition to weekly substance abuse group meetings as well as availability of weekly AA and NA meetings in the community.
- Weekly life skills groups offered to develop and enhance skills needed to manage supported independent and independent living in the community.
- A comprehensive weekly calendar of activities, including physical, recreational, social, artistic, therapeutic, spiritual, dual recovery, skills development and outings.
- Peer support services/groups offered weekly.
- Engagement of family in treatment, as appropriate.
- Assessments for involuntary hospitalization, when necessary.
- Discharge planning and assisting clients with successful linkage to community resources, such as outpatient mental health clinics, substance abuse treatment programs, housing, full service partnerships, physical health care, and benefits programs.
- Follow-up with client and their mental health service provider following discharge to ensure that appropriate linkage has been successful.
- Daily provision of meals and snacks for residents.
- Transportation to services and activities provided in the community, as well as medical and court appointments, if the resident's case manager or county worker is unavailable, as needed.

b. Target Population: Adults ages 18 to 59 who require crisis support to avoid psychiatric hospitalization, or are discharging from the hospital or long-term locked facilities and need step-down care to transition back to community living.
c. Payment Limit: FY 16/17: $2,077,530.00
d. Number served: Number to be served yearly: 200. Hope House served 193 clients in FY 15/16.
e. Outcomes:
   - Reduction in severity of psychiatric symptoms: Discharge at least 90% of clients to a lower level of care.
   - Consumer Satisfaction: Maintain an overall client satisfaction score of at least 4.0 out of 5.0.

APPENDIX C

Service Provider Budget

CONTRACTOR DETAILED BUDGET

Telecare Corporation

Program Budget FY 2016-2017

Term: July 1, 2016 - June 30, 2017

CONTRACT # 24-712

Organization Name: Telecare Hope House Crisis Residential Center

Personnel Costs	Proposed Budget	Cash Match/ In-kind Budget (if applicable)	Total Proposed Budget	Budget Justification
Regional Operations Director ($155,389 @ .10FTE)	15,539		15,539	
Program Director ($133,679 @ 1.0 FTE)	133,679		133,679	
Clinician ($56,465 @ 3.20 FTE)	193,196		193,196	
LVN/LPT ($50,296 @ 2.80 FTE)	140,828		140,828	
PSC III ($56,987 @ 1.0 FTE)	56,987		56,987	
Residential Counselor ($35,295 @ 7.0 FTE)	247,062		247,062	
Peer ($32,216 @ 1.40 FTE)	45,103		45,103	
Clinical Director ($94,560 @ 1.0 FTE)	88,230		88,230	
Business Office Manager/HR ($70,344 @ 1.0 FTE)	70,344		70,344	
Clerk Typist ($32,185 @ 1.0 FTE)	32,185		32,185	
Total Salaries	**1,023,153**	**-**	**1,023,153**	
Benefits @ 33%	337,593		337,593	
Total Salaries and Benefits	**1,360,745**	**-**	**1,360,745**	
Operating Costs				
Office Space	12		12	
Printing/Photocopies	3,000		3,000	
Supplies	14,596		14,596	
Postage/Communications	13,467		13,467	
Travel/Training	19,902		19,902	
Clinical Services	206,850		206,850	
Physical Plant	39,983		39,983	
Dietary Services	51,394		51,394	
Consultant	-		-	
General & Administrative	60,688		60,688	
Medical Records Services	1,075		1,075	
Depreciation	6,041		6,041	
Vehicle Lease	6,222		6,222	
Ancillary	7,000		7,000	
Total Operating Costs	**430,228**	**-**	**430,228**	
Total Expenses	**1,790,974**	**-**	**1,790,974**	
Indirect Costs @ 16%	286,556		286,556	
Total Project Costs	**2,077,530**	**-**	**2,077,530**	
Projected Medi-Cal & Medicaid Expansion	**618,920**	**-**	**618,920**	
Total County Cost	**1,458,609**	**-**	**1,458,609**	

APPENDIX D

Yearly External Fiscal Audit

Telecare Corporation and Subsidiaries

Consolidated Financial Statements
June 30, 2016 and 2015

pwc

Telecare Corporation and Subsidiaries
Index
June 30, 2016 and 2015

pwc

Independent Auditor's Report

To the Board of Directors
of Telecare Corporation

We have audited the accompanying consolidated financial statements of Telecare Corporation and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of income and comprehensive income, of stockholders' equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
T: (415) 498 5000, F: (415) 498 7100, www.pwc.com/us

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Telecare Corporation and subsidiaries at June 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

San Francisco, California
September 22, 2016

Telecare Corporation and Subsidiaries
Consolidated Balance Sheets
June 30, 2016 and 2015

(in thousands of dollars except per share amounts)	**2016**	**2015**
Assets		
Current assets		
Cash and cash equivalents	$ 11,217	$ 9,928
Restricted cash	114	102
Accounts receivable, net of allowance for doubtful accounts of $673 in 2016 and $372 in 2015, respectively	35,565	29,828
Prepaid expenses and other current assets	2,545	2,082
Total current assets	49,441	41,940
Property and equipment, net	23,620	21,109
Other assets	7,318	7,215
Total assets	$ 80,379	$ 70,264
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 31,700	$ 27,738
Current maturities of long-term debt	630	495
Contract advances	3,330	3,064
Total current liabilities	35,660	31,297
Long-term debt, net of current maturities	13,696	8,424
Other liabilities	13,102	12,856
Total liabilities	62,458	52,577
Commitments and contingencies (Notes 4 and 14)		
Stockholders' equity		
Common stock, no par value; 12,000,000 shares authorized; 2,003,127 and 2,025,057 shares issued and outstanding at June 30, 2016 and 2015, respectively	6,438	5,254
Retained earnings	12,176	12,963
Accumulated other comprehensive loss	(693)	(530)
Total stockholders' equity	17,921	17,687
Total liabilities and stockholders' equity	$ 80,379	$ 70,264

The accompanying notes are an integral part of these consolidated financial statements.

Telecare Corporation and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
Years Ended June 30, 2016 and 2015

(in thousands of dollars)	**2016**	**2015**
Revenue		
Net patient service revenue	$ 276,272	$ 255,715
Provision for doubtful accounts	619	515
Net patient service revenue less provision for doubtful accounts	275,653	255,200
Costs and expenses		
Patient care services	152,032	146,345
General and administrative	105,797	91,493
Rent	9,064	8,359
Depreciation and amortization	3,409	3,248
Interest	700	641
	271,002	250,086
Income from continuing operations before income taxes	4,651	5,114
Income tax expense	86	98
Income from continuing operations	4,565	5,016
Other comprehensive (loss) income		
Unrealized (loss) gain on interest rate swap	(425)	373
Comprehensive income	$ 4,140	$ 5,389

The accompanying notes are an integral part of these consolidated financial statements.

Telecare Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity
Years Ended June 30, 2016 and 2015

	Common Stock			Accur Ot Compr Lo
(in thousands of dollars except per share amounts)	Shares Outstanding	Amount	Retained Earnings	
Balances at June 30, 2014	2,046,146	$ 4,438	$ 12,010	$
Net income	-	-	5,016	
Unrealized gain on interest rate swap	-	-	-	
Vesting of 15,000 shares of restricted common stock	-	543	-	
Issuance of common stock				
Vested	10,000	365	-	
Restricted unvested	10,000	-	-	
Exercise of stock options	39,000	540	-	
Stock repurchase	(80,089)	(632)	(2,291)	
Dividend distribution	-	-	(1,772)	
Balances at June 30, 2015	2,025,057	5,254	12,963	
Net income	-	-	4,565	
Unrealized loss on interest rate swap	-	-	-	
Termination of interest rate swap	-	-	-	
Vesting of 17,500 shares of restricted common stock	-	516	-	
Issuance of common stock				
Vested	20,100	806	-	
Restricted unvested	20,000	-	-	
Exercise of stock options	27,764	448	-	
Stock repurchase	(89,794)	(586)	(3,033)	
Dividend distribution	-	-	(2,319)	
Balances at June 30, 2016	2,003,127	$ 6,438	$ 12,176	$

The accompanying notes are an integral part of these consolidated financial statements.

Telecare Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

(in thousands of dollars)	**2016**	**2015**
Cash flows from operating activities		
Net income	$ 4,565	$ 5,016
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,400	3,240
Amortization of debt issuance costs	9	8
Provision for doubtful accounts	619	515
Loss on disposal of property and equipment	479	10
Stock-based compensation expense	2,737	1,803
Changes in assets and liabilities		
Accounts receivable	(4,877)	(816)
Prepaid expenses and other current assets	(463)	691
Accounts payable and accrued liabilities	2,547	1,828
Contract advances	266	637
Other assets and liabilities	(29)	673
Net cash provided by operating activities	9,253	13,605
Cash flows from investing activities		
Purchase of property and equipment	(6,390)	(5,749)
Change in restricted cash	(12)	10
Net cash used in investing activities	(6,402)	(5,739)
Cash flows from financing activities		
Net repurchase of stock	(3,171)	(2,383)
Dividend distribution to stockholders	(2,319)	(1,772)
Additional borrowings	9,748	-
Principal payments on debt	(5,820)	(465)
Net cash used in financing activities	(1,562)	(4,620)
Net increase in cash and cash equivalents	1,289	3,246
Cash and cash equivalents		
Beginning of year	9,928	6,682
End of year	$ 11,217	$ 9,928
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 708	$ 640
Cash paid for income taxes	33	70
Supplemental disclosure of noncash investing and financing activities		
Asset acquisition financed with payable to seller	$ 1,479	$ 225

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of dollars except per share amounts)

1. Business and Organization

Telecare Corporation and subsidiaries (the "Company") operate behavioral health treatment programs in California, North Carolina, Oregon, Washington, Arizona and Nebraska under cost reimbursed and fee for service contracts primarily with governmental agencies. The Company also manages psychiatric units under contracts with acute care hospitals in California, New Mexico, Pennsylvania, Oklahoma, and Texas.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Telecare Corporation, its wholly owned subisidiaries and TLC Behavioral Health and Psychology Corporation ("TLC"), an affiliated company in which Telecare has a long-term relationship through a Management Agreement. TLC is a professional organization that engages psychologists, psychiatrists and allied health professionals to provide professional services in the state of California. Telecare engages TLC under a professional services agreement to provide professional services to their programs. Telecare is TLC's sole customer.

Under a management service agreement, Telecare provides administrative and management support services to TLC. The management service agreement is permanent, subject only to the termination rights stated in the agreement. The management fee charged by Telecare to TLC is calculated based on the actual cost of the services provided.

TLC is a variable interest entity for which the Company is the primary beneficiary and, therefore, the results of TLC are consolidated with those of the Company. All significant intercompany accounts and transactions, including the management fee and professional services revenue, have been eliminated in consolidation. Patient care service expenses of TLC are presented in the accompanying statement of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with an original maturity of three months or less at the time of purchase.

Restricted Cash

At June 30, 2016 and 2015, the Company maintained restricted cash balances of $114 and $102, respectively, which represents escrow amounts held at financial institutions designated for employee flexible spending accounts.

(in thousands of dollars except per share amounts)

Fair Value of Financial Instruments
Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value investment.

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts represents the Company's estimate of the amount of probable credit losses in existing accounts receivable. The Company reviews the allowance for doubtful accounts monthly and determines the allowance based on historical write-off experience. Past due balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when management believes it is probable the receivable will not be collected.

The following are the changes in the allowance for doubtful accounts during the years ended June 30:

	2016	2015
Balances at beginning of year	$ 372	$ 543
Additions	619	515
Write-offs	(318)	(686)
Balances at end of year	$ 673	$ 372

(in thousands of dollars except per share amounts)

Concentration of Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables and cash and cash equivalents. The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral. The Company maintains an allowance for doubtful accounts to provide for potential credit losses.

For the years ended June 30, 2016 and 2015, two government entities accounted for approximately 29% and 31% of the Company's consolidated revenue, respectively. At June 30, 2016, one government entity accounted for approximately 16% of the Company's gross accounts receivable. At June 30, 2015, two government entities accounting for approximately 23% of the Company's gross accounts receivable. No other single customer accounted for 10% or more of the Company's consolidated revenue or accounts receivable as of or for the years ended June 30, 2016 and 2015.

At times, the Company maintains cash deposits in excess of the United States Federal Deposit Insurance Corporation coverage of $250,000 in an institution, but does not expect any losses due to the financial stability of these financial institutions.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful life of the improvements, whichever is shorter. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

The estimated useful lives of depreciable asset classifications are:

Building and improvements	5–30 years
Furniture and fixtures	3–10 years
Equipment	3–10 years
Vehicles	3–5 years

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment charge was recognized for the years ended June 30, 2016 and 2015.

Contract Advances
Contract advances represent both payments received in excess of net allowable reimbursement under contracts with certain government agencies and payments received in advance that are expected to be recognized as revenue in future periods.

(in thousands of dollars except per share amounts)

Derivatives
The Company has engaged in interest rate swap contracts which are derivative instruments recognized on the balance sheet at settlement value (Note 5 and 7). The Company has designated the interest rate swap contracts as cash flow hedges and accounts for them using the simplified hedge accounting approach. The interest rate swap liability is presented as a component of other liabilities on the accompanying balance sheet and amounted to $693 and $530 at June 30, 2016 and 2015, respectively. Changes in the settlement value of the interest swaps are recorded to other comprehensive income (loss).

Net Patient Service Revenue
Net patient service revenue is reported at the estimated net realizable amounts. The Company has agreements with third-party payors that provide for reimbursement to the Company at contracted rates. Final determination of amounts reimbursable by third-party payors is subject to audits by the payors. Adequate provisions have been made for any adjustment that may result from such audits. Differences between estimated provisions and final settlements are applied to revenue in the period final settlements are determined.

Income Taxes
As described in Note 8, the Company elected S corporation status for both federal and state tax purposes, effective July 1, 2005. Pursuant to this election, the Company's income, deductions, and credits are reported on the individual shareholders' income tax returns for federal and state purposes. Accordingly, no provision for federal income taxes has been made for the years ended June 30, 2016 and 2015. California assesses a corporate level income tax on S corporations which is included in the 2016 and 2015 tax provision.

The U.S. GAAP standard for unrecognized tax benefits requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company establishes a reserve for the tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Company believes that certain positions might be challenged despite the Company's belief that the tax return positions are fully supportable. The reserves are adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

Stock-based Compensation
The Company has stock-based compensation plans available to grant stock options, stock appreciation rights, restricted common stock and restricted common stock units to key employees as described in Notes 9 and 11. Share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the service period (generally the vesting period of the award).

Comprehensive Income
The Company reports comprehensive income, which includes net income plus other comprehensive income, which for the Company consists of unrealized gain or loss on its interest rate swaps.

(in thousands of dollars except per share amounts)

Recently Adopted Accounting Pronouncements
In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-03, *Derivatives and Hedging*, for nonpublic companies to have the option to use a simplified hedge accounting approach to account for swaps that are entered into for the purpose of economically converting a variable-rate borrowing into a fixed-rate borrowing. The simplified hedge accounting approach provides nonpublic companies with a practical expedient to qualify for cash flow hedge accounting based on certain criteria being met. Under the simplified hedge accounting approach, a nonpublic company has the option to measure the designated swap at settlement value instead of fair value. The Company early adopted this standard for the year ended June 30, 2015 and elected to use the full retrospective approach. There was no impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall Recognition and Measurement of Financial Assets and Liabilities*, which impacts the recognition and measurement of equity instruments, liabilities under the fair value option and the presentation and disclosure of financial instruments. The guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for the omission of fair value disclosures for financial instruments reported at amortized cost. The Company early adopted this standard for the year ended June 30, 2016, but is still in the process of assessing the impact of the remaining provisions in the financial statements.

3. Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Land	$ 4,496	$ 3,193
Buildings and improvements	29,583	29,308
Furniture and fixtures	2,089	2,329
Equipment	17,856	17,919
Vehicles	91	91
	54,115	52,840
Less: Accumulated depreciation and amortization	(35,655)	(34,777)
	18,460	18,063
Capital projects in progress	5,160	3,046
Property and equipment, net	$ 23,620	$ 21,109

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was $3,400 and $3,240, respectively.

(in thousands of dollars except per share amounts)

4. Commitments

Operating Leases

The Company's administrative offices, the majority of its operating facilities, and a portion of its equipment are leased under non-cancelable operating leases which expire at various dates through 2036.

Future minimum annual lease payments required under non-cancelable operating leases as of June 30, 2016 are as follows:

Years Ending		
2017	$	7,674
2018		6,141
2019		4,777
2020		3,461
2021		637
Thereafter		1,143
	$	23,833

(in thousands of dollars except per share amounts)

5. Long-term Debt

Long-term debt consists of the following at June 30:

	2016	2015
Bank note payable at 30 day LIBOR (to be no less than 2.0%) plus 2.1% (4.10% at June 30, 2016), collateralized by the property located in the County of Multnomah, Oregon; principal payments of $4 plus interest are due monthly with the remaining balance due December 2023, as amended.	$ 857	$ 906
Bank note payable at 30 day LIBOR plus 1.91%, collateralized by property located in Oakland, County of Alameda, California. The remaining balance was paid in full in December 2015.	-	5,401
Bank note payable at 30 day LIBOR plus 2.0% (2.46% at June 30, 2016), effective interest rate swap at a fixed rate at 4.0% collateralized by property located in Oakland, County of Alameda, California; principal and interest payments of $50 are due monthly with the remaining balance due December 2022.	8,138	-
Bank note payable at 30 day LIBOR plus 2.0% (2.46% at June 30, 2016), effective interest rate swap at a fixed rate at 7.03% collateralized by property located in Oakland, County of Alameda, California; principal and interest payments of $23 are due monthly with the remaining balance due June 2018.	2,273	2,389
Note payable collateralized by property located in Portland, County of Multnomah, Oregon; no principal or interest payments are due monthly and the note is due in a prorated amount if called upon by demand prior to October 2044.	213	223
Note payable collateralized by property located in Federal Way, County of King, Washington; no principal or interest payments are due monthly and the note is due in a prorated amount if called upon by demand prior to April 2037.	1,479	-
Subordinated notes payable to retirees; principal and interest payments of $50 including simple interest at the rate of 1.85% per annum are due quarterly with the remaining balance due July 2023.	1,366	-
Total long-term debt	14,326	8,919
Less: Current maturities of long-term debt	(630)	(495)
Long-term debt, net of current maturities	$ 13,696	$ 8,424

In December 2015, the Company refinanced a bank note payable with the outstanding balance of $5,401 at June 30, 2015 with a new note payable in the amount of $8,250. As part of this refinance, the Company terminated its interest rate swap contract attached to the refinanced note payable. The termination of the swap contract resulted in a $116 charge to interest expense during 2016.

The use of floating rate debt exposes the Company to fluctuations in market interest changes creating volatility in interest charges and cash flows. Accordingly, the Company manages a portion of its interest rate risk related to floating rate debt by entering into interest rate swaps in which the Company collects floating rate payments and disburses fixed rate payments.

(in thousands of dollars except per share amounts)

In June 2009, the Company entered into an interest rate swap contract with a financial institution to limit its exposure from interest rate volatility by converting variable rate debt to an all-in fixed rate of 7.03%. The interest rate swap contract notional principal amount was $2,273 and $2,389 at June 30, 2016 and 2015, respectively. Total swap liability associated with this swap was $195 and $268 at June 30, 2016 and 2015, respectively.

In December 2015, the Company entered into an interest rate swap contract with a financial institution to limit its exposure from interest rate volatility by converting variable rate debt to an all-in fixed rate of 4.0%. The interest rate swap contract notional principal amount was $8,138 at June 30, 2016. Total swap liability associated with this swap was $498 at June 30, 2016.

As of June 30, 2016, the Company estimates that none of the net derivative losses related to its cash flow hedges included in accumulated other comprehensive income will be reclassified into earnings within the next twelve months.

The Company has a revolving credit agreement which provides for borrowings up to $15,000 on a revolving basis with interest at the bank's 30 day LIBOR plus 2.5% (2.96% at June 30, 2016), collateralized by accounts receivable and machinery and equipment. There were standby letters of credit issued under the revolving credit agreement as required by the Company's workers' compensation insurance carrier and in connection with security deposits for lease agreements in the amount of $4,548 and $4,448 at June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the Company had no outstanding borrowings under this agreement.

The Company has an additional revolving credit agreement which provides for borrowings of up to $3,120 with interest at the bank's 30 day LIBOR plus 2.5% (2.96% at June 30, 2016), collateralized by property located in Oakland, California. At the Company's option, it may convert any portion of advances made under this agreement to a 48 month term loan with interest at the bank's prime rate less 0.25%, the 30 day LIBOR rate plus 2.5%, or a fixed rate at the conversion date equal to 2.5% above the cost of funds rate determined by the bank. At June 30, 2016 and 2015, the Company had no outstanding borrowings under this agreement.

The Company has certain credit agreements which contain various restrictive covenants, which include maximum levels of debt to net worth, maximum credit extensions and minimum cash flow coverage, as defined. As of June 30, 2016, management believes that the Company was in compliance with such covenants.

Scheduled principal repayments on long-term debt are as follows:

Years Ending June 30,		
2017	$	630
2018		2,670
2019		536
2020		552
2021		568
Thereafter		9,370
	$	14,326

(in thousands of dollars except per share amounts)

6. Other Liabilities

Other liabilities consist of the following at June 30:

	2016	2015
Deferred compensation	$ 6,897	$ 7,038
Long-term workers compensation liability	5,063	5,020
Interest rate swap liabilities	693	530
Other	449	268
	$ 13,102	$ 12,856

7. Fair Value of Financial Instruments

Disclosures on Fair Value

At June 30, 2016 and 2015, the carrying values of the Company's accounts receivable, other current assets, accounts payable and accrued liabilities, contract advances and long-term debt approximate fair value based on management's estimates of terms and conditions of the assets or liabilities.

Carried at Fair Value

As of June 30, 2016, the Company's assets measured at fair value on a recurring basis were as follows:

	At Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Deferred compensation investments	$ 6,897	$ -	$ -	$ 6,897

The Company also carries deferred compensation plans for certain key employees, for which investment assets are recorded on the basis of fair value (Note 10).

8. Income Taxes

On September 12, 2005, the Company filed an election to change its tax status from a C corporation to an S corporation, effective July 1, 2005. Pursuant to this election, for fiscal years 2006 and beyond, the Company's income, deductions and credits will be reported in the individual income tax returns of its stockholders. California assesses a corporate level income tax on S corporations and, therefore, the Company will remain subject to California state taxes at a maximum rate of 1.5%, which for the Company amounted to $86 and $98 for continuing operations for the years ended June 30, 2016 and 2015, respectively.

(in thousands of dollars except per share amounts)

As a result of the change from C corporation to S corporation tax status, the Company may be subject to a federal and state corporate-level tax on the net unrealized built-in gain recognized for tax purposes during the 10-year period after the election. The net unrealized built-in gain is the amount by which, in the aggregate, the fair market values of the corporation's assets exceed their tax bases at the date of election (July 1, 2005). Recognized built-in gain is the excess of proceeds over disposition-date tax basis on the disposition of any asset, recognized for tax purposes during the 10-year period after the election, unless the Company establishes that the asset was not held on the date of election or that the gain, or a portion thereof, is attributable to appreciation that occurred after that date. Thus, the built-in gain recognized for any asset will be limited to the unrealized built-in gain which existed for those assets at the conversion date. Since the Company does not plan to dispose of any properties subject to built in gains that would result in taxable obligations by the Company, no liability has been established.

The Company files U.S. state tax returns in jurisdictions with varying statutes of limitations. In the normal course of business, the Company is subject to examination by taxing authorities throughout the states in which the Company operates. These audits include questioning the timing and amount of deduction, the nexus of income among various tax jurisdictions and compliance with state and local tax laws. The Company is not currently under any examination by the U.S. state tax authorities. With few exceptions, the Company is not subject to examination by state tax authorities for tax years before 2010. As of June 30, 2016 and 2015, the Company did not have any unrecognized tax benefits that if recognized would impact the annual effective tax rate. During the years ended June 30, 2016 and 2015, the Company did not recognize any interest or penalties related to unrecognized tax benefits.

9. Employee Incentive Plans

Stock Appreciation Rights

In July 2006, the Company adopted the Telecare Corporation Stock Appreciation Rights Plan (the "SAR Plan"). Awards under the SAR Plan may be granted to officers, directors, and employees of the Company, vest over five years, and expire in ten years. Awards may be surrendered by the grantee for a cash payment or, at the Company's option, shares of its common stock, equal in value to the number of units surrendered times the increase in the fair market value per share of the Company's common stock from the grant date to the surrender date.
The SAR Plan is liability classified, and as of June 30, 2016 and 2015, the liability amounted to $3,937 and $3,886, respectively, which has been presented as a component of accounts payable and accrued liabilities on the balance sheet. In July 2010, the Company's board of directors increased the number of SARs authorized for issuance to 400,000.

(in thousands of dollars except per share amounts)

A summary of SARs activity under the SAR Plan as of June 30, 2016 and 2015, and changes during the years then ended are presented below:

	Units	Weighted Average Unit Base
Outstanding at June 30, 2014	268,100	$ 23.09
Granted	34,800	36.50
Forfeited	(12,200)	(30.78)
Surrendered	(3,750)	(26.48)
Outstanding at June 30, 2015	286,950	25.14
Granted	35,000	40.30
Exercised	(85,500)	(22.68)
Surrendered	(6,300)	(27.77)
Outstanding at June 30, 2016	230,150	$ 27.67
SARs vested at June 30, 2016	137,500	$ 23.62

The Company recorded stock compensation expense of $1,415 and $895 related to the SAR Plan for the years ended June 30, 2016 and 2015, respectively.

Stock Option Plan

The Company offers options to key employees to purchase shares of its common stock through a nonqualified stock option plan ("the Plan"). Options granted under the Plan are protected against dilution by stock splits and other changes in capitalization. Vesting in stock options occurs ratably over five years. Stock options expire after ten years. The Plan allows participants to purchase shares of the Company's common stock at prices equal to the fair market value of the Company's stock at the date of the option's grant. The number of shares authorized for issuance under the Plan is 590,000. All authorized shares have been granted and no shares remain outstanding as of June 30, 2016. As of June 30, 2015, 27,764 shares were outstanding with a weighted-average exercise price of $16.15.

Under the Plan, the Board of Directors of the Company may allow all or any part of the exercise price to be paid in cash, by issuance of a full-recourse loan or by surrendering common stock owned by the employee. In addition, upon request by the employee and at the discretion of the Board of Directors, the Company may purchase common stock from employees who acquired such stock by exercising stock option grants. During the years ended June 30, 2016 and 2015, the Company purchased 27,764 and 39,000 shares, respectively, of common stock for $1,119 and $1,424, respectively, pursuant to these provisions.

10. Employee Benefit Plans

The Telecare Employee Stock Ownership Plan ("ESOP"), created in 1997, is an employee noncontributory stock bonus plan under section 401(a) of the Internal Revenue Code ("IRC") and an employee stock ownership plan under IRC Section 4975 (e)(7). Employees who are at least 21 years of age, have completed one year of service and are not subject to a collective bargaining agreement are generally eligible to participate in the ESOP.

(in thousands of dollars except per share amounts)

The Company makes discretionary ESOP contributions which are allocated to the accounts of eligible employees based on employee compensation. The Company made contributions of $750 and $650 for each of the years ended June 30, 2016 and 2015, respectively, as authorized by the Board of Directors. At June 30, 2016 and 2015, the ESOP owned 741,944 and 765,390 shares of common stock of the Company, respectively.

Upon termination or retirement, ESOP participants receive a distribution of their account balances in cash. The distribution is made prior to the last day of the plan year following the plan year in which employment ends. At June 30, 2016, the fair market value of the common stock of the Company owned by the ESOP was estimated to be $47.20 per share.

The Company also sponsors the Telecare Corporation 401(k) Savings Plan and a nonqualified deferred compensation plan for certain key employees. As of July 1, 2005, the 401(k) plan became a safe harbor plan under which the Company automatically contributes 3% of wages to eligible employees not covered under a collective bargaining agreement. There are no contributions required for the nonqualified deferred compensation plan. The Company also makes contributions to two qualified defined contribution plans for eligible union employees as defined in the union agreements. The assets of the nonqualified deferred compensation plan are held by the Company and are recorded within other assets on the basis of fair value of $6,641 and $6,782, as of June 30, 2016 and 2015, respectively, and a cash balance recorded within cash and cash equivalents of $256 and $256, respectively. The assets are held for trading purposes and stated at fair value. These assets are offset with a corresponding liability within other liabilities of $6,897 and $7,038, as of June 30, 2016 and 2015, respectively. Net realized gains and losses on investment transactions are determined on the specific identification method.

11. Related Party Transactions

Stock Grant

The Company granted shares of common stock to an executive under the 2009 Stock Incentive Plan ("Stock Incentive Plan") as presented below:

	Shares Granted	Shares Immediately Vested Upon Grant	Shares Vested
Year Ended June 30,			
2012	40,000	20,000	-
2013	40,000	20,000	5,000
2014	40,000	20,000	10,000
2015	20,000	10,000	15,000
2016	40,000	20,000	17,500
	180,000	90,000	47,500

(in thousands of dollars except per share amounts)

Unvested shares are restricted and held in escrow by the Company and will vest as follows:

Year Ending June 30,	
2017	17,500
2018	12,500
2019	7,500
2020	5,000
	42,500

The grantee retains the voting rights to both the vested and unvested shares.

In connection with the above stock grants, the Company recorded $1,322 and $908 of stock compensation expense during the years ended June 30, 2016 and 2015, respectively.

12. Professional Liability

Professional liability insurance coverage is maintained under a claims-made policy, which is renewable on an annual basis. It is management's belief that the Company will be able to renew or replace current levels of insurance coverage. It is the Company's policy to accrue for material loss contingencies relating to asserted and unasserted medical malpractice claims in the period in which they are determined to be probable and can be estimated. Management believes that settlement of such claims will not have a material adverse effect upon the financial condition or results of operations of the Company.

13. Workers Compensation Liability

The Company maintains workers' compensation insurance under a policy with a deductible limit of $250 per claim. As of June 2016 and 2015, management has accrued approximately $7,162 and $6,845, respectively, related to workers' compensation claims expected to be settled in future years, which is included in the accompanying consolidated financial statements as accounts payable and accrued liabilities for short-term liability of $2,099 and $1,825, as of June 30, 2016 and 2015, respectively, and other liabilities for long-term liability of $5,063 and $5,020, respectively.

14. Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. The ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

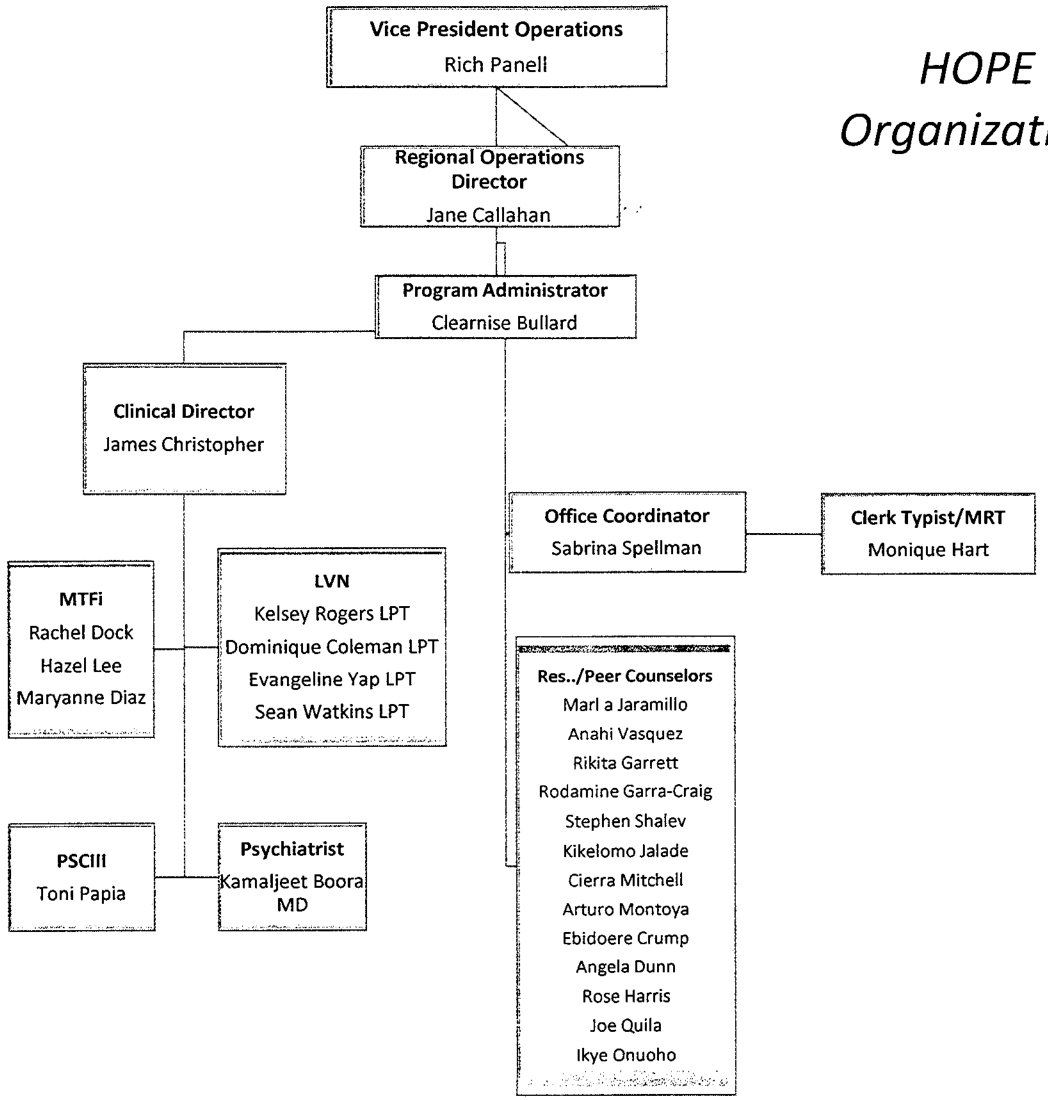
15. Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 22, 2016, the date the financial statements were available to be issued.

APPENDIX E

Organization Chart

HOPE HOUSE
Organizational Chart



OPERATIONS

TELECARE CORPORATION

- ☐ *ACT Case Management Product Lead*
- ☐ *Inpatient Sub-Acute Product Lead*
- ☐ *Inpatient Acute Product Lead*
- ☐ *Crisis*

- **Sr. Vice President Operations** – Anita Barnas
  - **Vice President Operations** – Rich Panell
    - **Administrative Assistant** – Janine Hernandez
    - **Regional Ops Director** – Jane Callahan
      - **Reg. Administrator TMRS 134** – Linda Kwaitkowski
      - **TRAC 135** – Tony Miceli
      - **Hope House 321** – ~~Chris Roach~~
      - **Reg. Administrator SOAR 181** – Shannan Taylor
      - **Jeremy House 191/TEIRS 329** – Raksmey Castleman
      - **Sonoma ACT 166** – AJ Rylaarsdam
      - **Strides 121/Stages 118/Steps 156** – Bob McCreery
    - **Regional Ops Director** – Scott Madover
      - **Sausal Creek 152** – Carolyn Rapier
      - **Cordilleras 105** – Laura Wolff
      - **Changes 148** – Deanna Beeson
      - **San Mateo Transition 160** – Kevin Jones
    - **Regional Ops Director** – Mary Suilmann
      - **Recovery Center at Sarpy 502** – Kelly Dorfmeyer
      - **Durham ACT 401** – Elaine Shriner
    - **Dir. Facilities & Real Estate Services** – Cameron Coltharp
      - **Facilities Manager** – Matthew Broz
      - **Facilities Coordinator** – Meryl Segal

1/2015

EXECUTIVE OFFICERS