

**NORTH SOUND  
BEHAVIORAL HEALTH ORGANIZATION, LLC  
(North Sound BHO)**

**93.958 COMMUNITY MENTAL HEALTH  
BLOCK GRANT (MHBG) CONTRACT**

**WITH  
TELECARE CORPORATION**

**CONTRACT #NORTH SOUND BHO-TELECARE-MHBG-17-18**

**JULY 1, 2017 TO JUNE 30, 2018**

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**93.958 COMMUNITY MENTAL HEALTH SERVICES  
MHBG CONTRACT**

**THIS BEHAVIORAL HEALTH SERVICES CONTRACT** (the “Contract”), pursuant to Chapter 71.24 RCW and all relevant and associated statutes, as amended, is made and entered into by and between the NORTH SOUND BEHAVIORAL HEALTH ORGANIZATION, LLC, (North Sound BHO) 301 Valley Mall Way, Ste. 110, Mount Vernon, Washington 98273-5462 and TELECARE CORPORATION (Contractor), TELECARE, INC. 1080 Marina Village Parkway, Suite 100, Alameda, California 94501-1043.

This Contract incorporates the Contract’s Exhibits to the Contract and other documents incorporated by reference.

The effective date of this Contract is July 1, 2017, through June 30, 2018.

**A. DEFINITIONS**

The words and phrases listed below, as used in the Contract, shall each have the following definitions:

Abuse means provider practices that are inconsistent with sound fiscal, business, or medical practices and result in an unnecessary cost to the Medicaid program, or reimbursement for services that are not medically necessary or fail to meet professionally recognized standards for health care.

Access refers to the initial request for services and initial screening and related response time requirements (as defined in the Clinical Eligibility and Care Standards section of North Sound BHO contract).

Act means the Social Security Act.

Action means in the case of a Prepaid Inpatient Health Plan (PIHP) service:

1. Denial or limited authorization of a requested service, including the type or level of service and any service denial based on Access to Care;
2. Reduction, suspension, or termination of a previously authorized service;
3. Denial in whole, or in part, of payment for a service;
4. Failure to provide services in a timely manner, as defined by the state;
5. Failure of a Contractor to act within the timeframes provided in section 42 CFR 438.408.b), WAC 388-877A-0420 and 388-877A-0450.

Annual Revenue means all revenue received by the PIHP pursuant to the Contract for July of any year through June of the next year.

Appeal means a request for review of an action as “action” is defined above.

1 Appropriate means the extent to which a particular procedure, treatment, or service is clearly  
2 indicated, not excessive, adequate in quantity and provided in the setting best suited to the  
3 needs of the recipient.

4  
5 Arbitration means the process by which the parties to a dispute submit their differences to  
6 the judgment of an impartial person or group appointed by mutual consent or statutory  
7 provision.

8  
9 Assessment means diagnostic services provided by a Chemical Dependency Professional (CDP)  
10 or Chemical Dependency Professional Trainee (CDPT) under CDP supervision to determine an  
11 Individual's involvement with alcohol and other drugs (see WAC 388-877B-0500 for a detailed  
12 description of assessment requirements).

13  
14 Authorized Representative means an individual appointed by an Enrollee, or authorized under  
15 State or other applicable law, to act on behalf of an Enrollee or other party involved in an  
16 Appeal or Grievance. If the Enrollee gives written permission, the Authorized Representative  
17 may include a behavioral health practitioner working on behalf of the Individual.

18  
19 Behavioral Health Administration (BHA) means the Department of Social and Health Services  
20 (DSHS) Administration governing mental health and substance use disorder (SUD) services and  
21 its employees and authorized agents.

22  
23 Behavioral Health Agency (BHA) means an agency licensed by the State of Washington to  
24 provide behavioral health and/or SUD treatment and is subcontracted under this contract to  
25 provide services.

26  
27 Behavioral Health Organization (BHO) means a county authority or group of county authorities  
28 or other entity recognized by the Secretary that contracts for behavioral health services and  
29 SUD treatment services within a defined Regional Service Area.

30  
31 BHO Advisory Board according to RCW 71.24.300 Section (4) means the behavioral health  
32 advisory board appointed by each BHO, which reviews and provides comments on plans and  
33 policies related to service delivery and outcomes. As per WAC 388-865-0222, the BHO must  
34 promote active engagement with persons with behavioral disorders, their families, and  
35 service providers by soliciting and using input to improve its services, and appoints a BHO  
36 Advisory Board to fulfill this purpose.

37  
38 Capitation Payment means a payment the DSHS makes monthly to a PIHP on behalf of each  
39 recipient enrolled under a contract for the provision of behavioral health services under the  
40 State Medicaid Plan. Department of Behavioral Health and Recovery (DBHR) makes the  
41 payment regardless of whether the particular recipient receives the services during the period  
42 covered by the payment.

43  
44 Center for Medicare and Medicaid Services (CMS) the US federal agency which administers  
45 Medicare, Medicaid and the Children's Health Insurance Program.

1 Child means a person under age 13.  
2

3 Code of Federal Regulations (CFR) means all references in this Contract to CFR chapters or  
4 sections shall include any successor, amended, or replacement regulation. The CFR may be  
5 accessed at: <https://www.gpo.gov/fdsys/search/submitcitation.action?publication=CFR>.  
6

7 Community Mental Health Agency (CMHA) means an agency licensed by the State of  
8 Washington to provide behavioral health services and subcontracted to provide mental health  
9 services covered under this Contract.  
10

11 Community Support Services means services authorized, planned and coordinated through  
12 resource management services including at a minimum, assessment, diagnosis, emergency  
13 crisis intervention available 24 hours, 7 days a week, prescreening determinations for persons  
14 who are mentally ill being considered for placement in nursing homes as required by federal  
15 law, screening for patients being considered for admission to residential services, diagnosis  
16 and treatment for children who are mentally or severely emotionally disturbed discovered  
17 under screening through the federal Title XIX early and periodic screening, diagnosis and  
18 treatment (EPSDT) program, investigation, legal and other nonresidential services under RCW  
19 Chapter 71.05, case management services, psychiatric treatment including medication  
20 supervision, counseling, psychotherapy, assuring transfer of relevant patient information  
21 between service providers, recovery.  
22

23 Confidential Information means information exempt from disclosure to the public or other  
24 unauthorized persons under RCW Chapter 42.56 or other federal or state laws. Confidential  
25 information includes, but is not limited to, personal information.  
26

27 Contract means this document, the General Terms and Conditions and any Special Terms and  
28 Conditions, including any Exhibits and other documents attached or incorporated by  
29 reference.  
30

31 Contractor means an independent Contractor, its employees, agents and Subcontractors.  
32

33 Corrective Action/Compliance Review is when findings from a North Sound BHO/DBHR  
34 review, other monitoring efforts, or audits show there are apparent violations of this  
35 Contract. Contractor shall implement corrective action within specified timeframes  
36 determined by North Sound BHO/DBHR or other auditors.  
37

38 Corrective Action Plan (CAP) is a written plan specifying what Contractor is required to do to  
39 be in compliance. This includes required improvements and a timeline for such action(s) to be  
40 accomplished.  
41

42 Cost Reimbursement means the subcontractor is reimbursed for actual expenses up to the  
43 maximum consideration allowed in the contract.  
44

1 Crisis may be self-defined or a situation where an individual is acutely behaviorally ill, or  
2 experiencing serious disruption in cognitive, volitional, psychosocial and/or neurophysiologic  
3 functioning.

4  
5 Cultural Competence means a set of congruent behaviors, attitudes and policies that come  
6 together in a system or agency and enable that system or agency to work effectively in cross-  
7 cultural situations. A culturally competent system of care acknowledges and incorporates at  
8 all levels the importance of language and culture, assessment of cross-cultural relations,  
9 knowledge and acceptance of dynamics of cultural differences, expansion of cultural  
10 knowledge and adaptation of services to meet culturally unique needs.

11  
12 Data means information disclosed or exchanged as described by the Contract.

13  
14 Day for the purposes of this Contract means calendar days unless otherwise indicated in the  
15 Contract.

16  
17 Debarment means an action taken by a federal official to exclude a person or business entity  
18 from participating in transactions involving certain federal funds.

19  
20 Deliverable means any written information required for submission to North Sound BHO to  
21 satisfy the work requirements of this Contract and is due by a particular date or on a regularly  
22 occurring schedule.

23  
24 Denial means the decision by the PIHP to refuse authorization of covered Medicaid behavioral  
25 health services that have been requested by an enrollee or a provider on behalf of an eligible  
26 Medicaid Enrollee. It is also a denial if an intake or assessment is not provided upon request  
27 by a Medicaid Enrollee.

28  
29 Department of Social and Health Services (DSHS) means the State of Washington and its  
30 Secretary, officers, employees and authorized agents.

31  
32 Enrollee means a Medicaid recipient who is currently enrolled in a PIHP.

33  
34 Family means

- 35  
36 1. For adults, those the individual defines as family (i.e., guardians, siblings, caregivers and  
37 significant others);  
38 2. For children, a child's biological parents, adoptive parents, foster parents, guardians, or  
39 legal custodians authorized pursuant to Title 26 RCW; a relative with whom a child has  
40 been placed by DSHS or Tribe.

41  
42 For Profit means a business or institution initiated or operated for the purpose of making a  
43 profit.

44



1 Health and Recovery Services Administration (HRSA) means the DSHS Administration  
2 governing public health care, mental health care, SUD services its employees and authorized  
3 agents.

4  
5 Health Insurance Portability and Accountability Act (HIPAA) of 1996 is codified in 42 USC  
6 §1320(d) et.seq. and 45 CFR Parts 160, 162 and 164.

7  
8 Housing Services means the services or activities designed to assist individuals or families in  
9 locating, obtaining or retaining suitable housing. Component services or activities may include  
10 tenant counseling, helping individuals and families to identify and correct substandard  
11 housing conditions on behalf of individuals and families who are unable to protect their own  
12 interests and assisting individuals and families to understand leases, secure utilities and make  
13 moving arrangements.

14  
15 Independent Peer Review means to assess the quality, appropriateness and efficiency of  
16 treatment services provided in the State to individuals under the program involved.

17  
18 Individual means a person who applies for, is eligible for or receives BHO authorized  
19 behavioral health services from an agency licensed by the Department as a BHA (in the case of  
20 a minor, the individual's parent or custodial parent, if applicable.)

21  
22 Involuntary Treatment Includes all services and administrative functions required for the  
23 evaluation for involuntary detention or involuntary treatment of individuals in accordance  
24 with RCW 71.05, 71.24.300 and 71.34.

25  
26 Level of Care Guidelines means the criteria the BHO uses in determining the scope, duration  
27 and intensity of services to be provided.

28  
29 Local Funds Eligible for Match means sources of revenue that are eligible to be used as  
30 Federal match are broad based taxes at the county or other local taxing authority level that  
31 are spent and have been certified by the local authority as public funds for behavioral health  
32 services allowable under this Contract. Funds used for Federal match under this Contract may  
33 not be used as match for any other Federal program. It can be local funds that have not been  
34 previously matched with Federal funds at any point. Local funds do not include donations.

35  
36 Medicaid Waiver is a waiver granted by the Secretary of DSHS to requirements of 42 USC  
37 1396a for the purpose of permitting DSHS/DBHR to operate a capitated managed care system  
38 to provide services to enrolled recipients of the Medicaid program. Under 42 USC 1396n, the  
39 Secretary is authorized to grant such waivers to the extent he/she finds proposed  
40 improvements or specified practices in the provision of services under Medicaid to be cost-  
41 effective, efficient and consistent with objectives of the Medicaid program.

42

1 Mental Health Block Grant (MHBG) means those funds granted by the Secretary of DHHS,  
2 through the Center for Mental Health Services (CMHS) and Substance Abuse and Mental  
3 Health Services Administration (SAMHSA), to states to establish or expand an organized  
4 community-based system for providing mental health services for adults with Serious Mental  
5 Illness (SMI) and children with Serious Emotional Disorder (SED). States must submit an  
6 application in accordance with the law for each fiscal year for which they seek MHBG funds.  
7 Awarded MHBG funds must be used to carry out the State plan contained within the  
8 application, to evaluate programs and services set in place under the plan, to conduct  
9 planning and administration, and educational activities related to the provision of services  
10 under the plan.

11  
12 Office of Management and Budget (OMB) Circular A-133 means audits of States, Local  
13 Governments and Non-Profit Organizations.

14  
15 Outcome means the results of a service period of treatment. The extents to which services  
16 are provided to individuals experiencing emotional and behavioral disorders have a positive or  
17 negative effect on their well-being, circumstances and capacity for self-management and  
18 recovery.

19  
20 Performance-based means the subcontractor is compensated on attainment of specific  
21 outcomes.

22  
23 Performance Indicator(s) means system level information on the types of service to  
24 individuals, the duration and intensity of services, staffing patterns and fiscal viability.

25  
26 Personal Information means information identifiable to any person, including, but not limited  
27 to, information that relates to a person's name, health, finances, education, business, use or  
28 receipt of governmental services or other activities, addresses, telephone numbers, social  
29 security numbers, driver license numbers, other identifying numbers, and any financial  
30 identifiers.

31  
32 Prepaid Inpatient Health Plan (PIHP) means an entity that provides or arranges for:

- 33  
34 1. Behavioral health services to enrollees under contract with the state on the basis of  
35 prepaid capitation payments, or other payment arrangements that do not use state plan  
36 payment rates;  
37 2. Provides, arranges for, or otherwise has responsibility for the provision of any inpatient  
38 hospital or institutional services for its enrollees; or  
39 3. Does not have a comprehensive risk contract.

40  
41 Publish means an officially sanctioned document provided by North Sound BHO/DSHS Internet  
42 or Intranet websites for downloading, reading, or printing. Contractor shall be notified in  
43 writing or by e-mail when a document meets these criteria.  
44

1 Recovery means the processes through which people are able to live, work, learn and  
2 participate fully in their communities.

3  
4 Reduction means the decision by a PIHP to decrease a previously authorized covered  
5 Medicaid behavioral health service described in the Level of Care Guidelines. The clinical  
6 decision by a BHA/CMHA to decrease or change a covered service in an Individualized Service  
7 Plan (ISP) is not a reduction.

8  
9 Reserve Accounts means an allocation of fund balance at the BHO set aside for a specific  
10 purpose by the BHO or local legislative authority.

- 11  
12 1. Operating Reserve – Funds designated from behavioral health revenue sources set aside  
13 into an operating reserve account by official action of the BHO’s governing body.  
14 Operating reserve funds may only be set aside to maintain adequate cash flow for the  
15 provision of behavioral health services.  
16 2. Inpatient-Risk Reserve – Funds designated from behavioral health revenue sources to  
17 pay for future inpatient hospital claims.

18  
19 Resilience means the personal and community qualities that enable individuals to rebound  
20 from adversity, trauma, tragedy, threats, or other stresses and to live productive lives.

21  
22 Revised Code of Washington (RCW) means all references in this Contract to RCW chapters or  
23 sections shall include any successor, amended, or replacement statute. The RCW can be  
24 accessed at <http://slc.leg.wa.gov>  
25

26 Risk means the possibility Contractor may incur a loss because the cost of providing services  
27 may exceed the premium payments made by North Sound BHO to Contractor for services  
28 covered under this Contract (42 CFR 434.2).

29  
30 Secretary means the individual appointed by the Governor, State of Washington, as the head  
31 of DSHS, or his/her designee.

32  
33 Serious Emotionally Disturbed (SED) means, according to Federal Register Vol. 58, No. 96, May  
34 20, 1993, children from birth up to age 18 who have a diagnosable mental, behavioral, or  
35 emotional disorder of sufficient duration to meet diagnostic criteria specified within DSM III-R,  
36 that result in functional impairment which substantially interferes with or limits the child’s  
37 role or functioning in family, school, or community activities.

38  
39 Serious Mental Illness (SMI) means, according to Federal Register Vol. 58, No. 96, May 20,  
40 1993, persons age 18 and over who currently, or at any time during the past year, have a  
41 diagnosable mental, behavioral, or emotional disorder of sufficient duration to meet  
42 diagnostic criteria specified within DSM III-R, that has resulted in functional impairment which  
43 substantially limits one or more major life activities.  
44

1 Service Area means the geographic area covered by this Contract for which the PIHP is  
2 responsible.

3  
4 Subcontract means a separate contract between the Contractor and an individual or entity  
5 (subcontractor) to perform all or a portion of the duties and obligations that the Contractor  
6 shall perform pursuant to this Contract.

7  
8 Subcontractor means an individual or entity performing all or part of the services under this  
9 Contract under a separate contract with Contractor or its subcontractors.

10  
11 Substance Use Disorder (SUD) means a problematic pattern of alcohol/drug use leading to  
12 clinically significant impairment or distress as categorized in the DSM 5.

13  
14 Suspension means the decision by a PIHP or formal designee to temporarily stop previously  
15 authorized Medicaid covered behavioral health services described in their Level of Care  
16 Guidelines. The clinical decision of a BHA/CMHA to temporarily stop or change a covered  
17 service in the Individualized Resiliency/Recovery Plan (IRP) is not a suspension.

18  
19 Termination means the decision by a PIHP or their formal designee, to stop previously  
20 authorized covered by Medicaid behavioral health services described in their Level of Care  
21 Guidelines. The clinical decision by a CMHA to stop or change a covered service in the ISP is  
22 not a termination.

23  
24 Title 42 is the CFR Public Health Service.

25  
26 Title XIX is grants with states for Medical Assistance Program.

27  
28 Title XXI is the State Children’s Health Insurance Program.

29  
30 Waiver means a document by which DSHS/DBHR requests sections of the Social Security ACT  
31 be waived in order to operate a capitated managed-care system to provide services to  
32 enrolled recipients. Section 1915(b) of the Act, authorizes the Secretary to waive the  
33 requirements of sections 1902 of the Act to the extent he or she finds proposed  
34 improvements or specified practices in the provision of services under Medicaid to be cost-  
35 effective, efficient and consistent with the objectives of the Medicaid program.

36  
37 Washington Administrative Code (WAC) means all references in this Contract to WAC chapters  
38 or sections shall include any successor, amended, or replacement regulation. The WAC can be  
39 accessed at: <http://slc.leg.wa.gov>.

40  
41 Youth means a person age 13-16.

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1 **B. GENERAL TERMS AND CONDITIONS FOR CONTRACTOR**

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**1. BACKGROUND**

North Sound BHO is an entity formed by inter-local contract between Island, San Juan, Skagit, Snohomish and Whatcom Counties, each county authority recognized by the Secretary of Department of Social and Health Services (Secretary). These counties entered into an inter-local contract to allow North Sound BHO to contract with the Secretary pursuant to RCW 71.24.025(13), to operate a single managed system of services for persons with mental illness living in the service area covered by Island, San Juan, Skagit, Snohomish and Whatcom Counties (Service Area). North Sound BHO is party to an interagency contract with the Secretary, pursuant to which North Sound BHO has agreed to provide integrated community support, crisis response, and inpatient management services to people needing such services in its Service Area. North Sound BHO, through this Contract, is subcontracting with Contractor for the provision of specific mental health services as required by the contract with the Secretary. Contractor by signing this Contract attests they are willing and able to provide such services in the Service Area.

**2. MUTUAL COMMITMENTS**

The parties to this Contract are mutually committed to the development of an efficient, cost effective, integrated, person-driven, age specific recovery and resilience model approach to the delivery of quality community mental health services. To that end, the parties are mutually committed to maximizing the availability of resources to provide needed mental health services in the Service Area, maximizing the portion of those resources used for the provision of direct services and minimizing duplication of effort.

**3. ASSIGNMENT**

Except as otherwise provided within this Contract, this Contract may not be assigned, delegated, or transferred by Contractor without the express written consent of North Sound BHO, and any attempt to transfer or assign this Contract without such consent shall be void. The terms "assigned," "delegated," or "transferred" shall include change of business structure to a limited liability company, of any Contractor Member or Affiliate Agency.

**4. AUTHORITY**

Concurrent with the execution of this Contract, Contractor shall furnish North Sound BHO with a copy of the explicit written authorization of their governing bodies to enter into this Contract and accept the financial risk and responsibility to carry out all terms of this Contract including the ability to pay for all expenses incurred during the contract period. Likewise, concurrent with the execution of this Contract, North Sound BHO shall furnish Contractor with a written copy of the motion, resolution, or ordinance passed by North Sound BHO County Authorities Executive Committee (North Sound BHO Board) authorizing North Sound BHO to execute this Contract.

1           **5. COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS AND OPERATIONAL POLICIES**

2 Contractor and their subcontractors shall comply with all applicable federal and state  
3 statutes, regulations and operational policies whether or not a specific citation is  
4 identified in various sections of this Contract, and all amendments thereto that are in  
5 effect when the Contract is signed, or come into effect during the term of the Contract,  
6 which may include but are not limited to, the following:  
7

- 8           a. Title XIX and Title XXI of the Social Security Act and Title 42 of the CFR;
- 9           b. All applicable Office of the Insurance Commissioner (OIC) statutes and regulations;
- 10          c. All local, State and Federal professional and facility licensing and certification  
11 requirements/standards that apply to services performed under the terms of this  
12 Contract;
- 13          d. Comply with the Omnibus Crime Control and Safe Streets Act of 1968, Title VI of  
14 the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973, Title II of  
15 the Americans with Disabilities Act of 1990; Title IX of the Education Amendments  
16 of 1972; The Age Discrimination Act of 1975; and The Department of Justice Non-  
17 Discrimination Regulations of 28 CFR Part 42, Subparts C, D, E and G and 28 CFR  
18 Parts 35 and 39 (see <http://www.ojp.usdoj.gov/about/offices/ocr.htm> for  
19 additional information and access to the aforementioned federal laws and  
20 regulations);
- 21          e. Those specified in Title 18 RCW for professional licensing;
- 22          f. Reporting of abuse as required by RCW 26.44.030;
- 23          g. Industrial insurance coverage as required by Title 51 RCW;
- 24          h. RCW 38.52, 70.02 and 71.24;
- 25          i. WAC 388-865, 887 and 877A;
- 26          j. 42 CFR 438, including 438.58 (conflict of interest) and 438.106 (physician incentive  
27 plans);
- 28          k. The State Medicaid Manual (SMM), OMB Circulars, the Budgeting, Accounting, and  
29 Reporting System (BARS) Manual, and BARS Supplemental Mental Health  
30 Instructions;
- 31          l. Federal and State non-discrimination laws and regulations;
- 32          m. HIPAA, 45 CFR parts 160-164;
- 33          n. DBHR-CIS Data Dictionary and its successors.
- 34          o. Federal funds must not be used for any lobbying activities;

35  
36 If Contractor is in violation of a federal law or regulation and Federal Financial  
37 Participation is recouped, Contractor shall reimburse the federal amount to North Sound  
38 BHO within 20 days of recoupment. Upon notification from DSHS, North Sound BHO shall  
39 notify Contractor in writing of changes/modifications in DSHS/DBHR policies and/or  
40 contract requirement changes.  
41

1           **6. COMPLIANCE WITH NORTH SOUND BHO OPERATIONAL POLICIES**

2 Contractor shall comply with all North Sound BHO operational policies that pertain to the  
3 delivery of services under this Contract that are in effect when the Contract is signed or  
4 come into effect during the term of the Contract.

5  
6 Along with all North Sound BHO stakeholders, Contractor will be included in the process  
7 for developing relevant operational policies and procedures. North Sound BHO's policies  
8 and procedures are posted on North Sound BHO's website. North Sound BHO shall notify  
9 Contractor of new and revised policies, if applicable to the services provided under this  
10 Contract, through its numbered memoranda. Training will be provided on policies that  
11 impact providers.

12  
13 North Sound BHO will make best efforts to maintain currency of policies with applicable  
14 federal or state law, regulation or policy. In the event of a conflict, federal or state laws,  
15 regulations or policies supersede North Sound BHO policies and procedures.

16  
17           **7. CONFIDENTIALITY OF CLIENT INFORMATION**

18 The parties shall not use, publish, sell or otherwise disclose any confidential information  
19 gained by reason of this Contract for any purpose not directly connected with the  
20 performance of the services contemplated there under, except:

- 21  
22           a. As provided by law, or  
23           b. In the case of Personal Information, as provided by law or with prior written  
24 consent of the person or personal representative who is subject of the Personal  
25 Information.

26  
27 The parties shall protect and maintain all Confidential Information gained by reason of  
28 this Contract against unauthorized use, access, disclosure, modification or loss. This duty  
29 requires the parties to employ reasonable security measures, which include restricting  
30 access to the Confidential Information by:

- 31  
32           a. Allowing access only to staff that have an authorized business requirement to view  
33 the Confidential Information.  
34           b. Physically securing any computers, documents, or other media containing the  
35 Confidential Information.

36  
37 To the extent allowed by law, at the end of the Contract term, or when no longer needed,  
38 the parties shall return Confidential Information or certify in writing the destruction of  
39 Confidential Information upon written requests by the other party.

40  
41 Paper documents with Confidential Information may be recycled through a contracted  
42 firm, provided the contract with the recycler specifies the confidentiality of information  
43 will be protected and the information destroyed through the recycling process. Paper  
44 documents containing Confidential Information requiring special handling (i.e., protected  
45 health information) must be destroyed through shredding, pulping or incineration.  
46

1 The compromise or potential compromise of Confidential Information must be reported  
2 to North Sound BHO contact designated on this Contract within 5 business days of  
3 discovery for breaches less than 500 persons' protected data and 3 business days of  
4 discovery for breaches of over 500 persons' protected data. The parties must also take  
5 actions to mitigate the risk of loss and comply with any notification or other requirements  
6 imposed by law.  
7

8 Contractor shall ensure all staff and subcontractors providing mental health services  
9 under this Contract receive annual training on confidentiality policies and procedures. In  
10 addition, Contractor shall ensure all subcontractors and staff providing mental health  
11 services under this Contract sign an annual Oath of Confidentiality statement. Signed  
12 copies of the Oath of Confidentiality shall be kept in Contractor's personnel files.  
13

14 **8. CONTRACT PERFORMANCE/ENFORCEMENT**

15 North Sound BHO shall be vested with the rights of a third-party beneficiary, including the  
16 "cut through" right to enforce performance should Contractor be unwilling or unable to  
17 enforce action on the part of its/their subcontractor(s). In the event the Contractor  
18 dissolves or otherwise discontinues operations, North Sound BHO may, at its sole option,  
19 assume the right to enforce the terms and conditions of this Contract directly with  
20 Contractor. Contractor shall include this clause in their contracts with their  
21 subcontractors. In the event of the dissolution of Contractor, North Sound BHO's rights  
22 in indemnification shall survive.  
23

24 **9. COOPERATION**

25 The parties to this Contract shall cooperate in good faith to effectuate the terms and  
26 conditions of this Contract.  
27

28 **10. DEBARMENT CERTIFICATION**

29 Contractor, by signature to this Contract, certifies Contractor and any Owners are not  
30 presently debarred, suspended, proposed for debarment, declared ineligible, or  
31 voluntarily excluded by any Federal department or agency from participating in  
32 transactions (Debarred) and is not listed in the Excluded Parties List System in the System  
33 for Award Management (SAM) website. Contractor shall immediately notify North Sound  
34 BHO if, during the term of this Contract, Contractor becomes debarred.  
35

36 **11. EXECUTION, AMENDMENT AND WAIVER**

37 This Contract shall be binding on all parties only upon signature by authorized  
38 representatives of each party. This Contract, or any provision, may be amended during  
39 the contract period, if circumstances warrant, by a written amendment executed by all  
40 relevant parties. Only North Sound BHO's Program Administrator or North Sound BHO's  
41 Program Administrator's designee has authority to waive any provision of this Contract  
42 on behalf of North Sound BHO.  
43



1       **12. HEADINGS AND CAPTIONS**

2       The headings and captions used in this Contract are for reference and convenience only,  
3       and in no way, define, limit, or decide the scope or intent of any provisions or sections of  
4       this Contract.

5  
6       **13. INDEMNIFICATION**

7       Contractor shall be responsible for and shall indemnify and hold North Sound BHO  
8       harmless (including all costs and attorney fees) from all claims for personal injury,  
9       property damage and/or disclosure of confidential information, including claims against  
10       North Sound BHO for the negligent hiring, retention and/or supervision of the Contractor  
11       and/or from the imposition of governmental fines or penalties resulting from the acts or  
12       omissions of Contractor and its subcontractors related to the performance of this  
13       contract. North Sound BHO shall be responsible and shall indemnify and hold Contractor  
14       harmless (including all costs and attorney fees) from all claims for personal injury,  
15       property damage and disclosure of confidential information and from the imposition of  
16       governmental fines or penalties resulting from the acts or omissions of North Sound BHO.  
17       Except to the extent caused by the gross negligence and/or willful misconduct of North  
18       Sound BHO, Contractor, shall indemnify and hold North Sound BHO harmless from any  
19       claims made by non-participating BHAs related to the provision of services under this  
20       Contract. For the purposes of these indemnifications, the Parties specifically and  
21       expressly waive any immunity granted under the Washington Industrial Insurance Act,  
22       Title 51 RCW. This waiver has been mutually negotiated and agreed to by the Parties.  
23       The provision of this section shall survive the expiration or termination of the Contract.

24  
25       **14. INDEPENDENT CONTRACTOR FOR NORTH SOUND BHO**

26       The parties intend that an independent Contractor relationship be created by this  
27       contract. Contractor acknowledges that Contractor is not officers, employees, or agents  
28       of North Sound BHO. Contractor shall not hold Contractor or any of Contractor's  
29       employees out as, nor claim status as, officers, employees, or agents of North Sound  
30       BHO. Contractor shall not claim for Contractor or Contractor's employees any rights,  
31       privileges, or benefits, which would accrue to an employee of North Sound BHO.  
32       Contractor shall indemnify and hold North Sound BHO harmless from all obligations to  
33       pay or withhold Federal or State taxes or contributions on behalf of Contractor or  
34       Contractor's employees and subcontractors unless specified in this Contract.

35  
36       **15. INSURANCE**

37       North Sound BHO certifies it is a member of Washington Governmental Risk Pool for all  
38       exposure to tort liability, general liability, property damage liability, and vehicle liability, if  
39       applicable, as provided by RCW 43.19.

40

1 Contractor shall maintain Commercial General Liability Insurance (CGL). If the Contractor  
2 is not a member of a risk pool, the Contractor shall carry CGL to include coverage for  
3 bodily injury, property damage, and contractual liability, with the following minimum  
4 limits: Each Occurrence - \$1,000,000; General Aggregate - \$2,000,000. Any risk pool shall  
5 provide coverage with the same minimum limits. Any policy (non-risk pool and risk pool)  
6 shall include liability arising out of premises, operations, independent Contractors,  
7 personal injury, advertising injury, and liability assumed under an insured contract.  
8 Contractor shall provide evidence of such insurance to North Sound BHO within 15 days  
9 of the execution of this Contract and within 15 days post renewal date thereafter. All  
10 non-risk pool policies shall name North Sound BHO as a covered entity under said  
11 policy(s).

12  
13 **16. INTEGRATION**

14 This Contract, including Exhibits, contains all the terms and conditions agreed upon by  
15 the parties. No other understandings, oral or otherwise, regarding the subject matter of  
16 this Contract shall be deemed to exist or to bind any of the parties hereto.

17  
18 **17. MAINTENANCE OF RECORDS**

19 During the term of this Contract and for six (6) years following termination or expiration  
20 of this Contract, if any audit, claim, litigation, or other legal action involving the records is  
21 started before expiration of the six (6) year period, the records shall be maintained until  
22 completion and resolution of all issues arising there from or until the end of the six (6)  
23 year period, whichever is later. Contractor shall maintain records sufficient to:

- 24
- 25 a. Maintain the content of all Medical Records in a manner consistent with utilization  
26 control requirements of 42 CFR 456, 434.34 (a), 456.111 and 456.211.
  - 27 b. Document performance of all acts required by law, regulation, or this Contract.
  - 28 c. Substantiate Contractor statement of their organizations' structures, tax status,  
29 capabilities and performance.
  - 30 d. Demonstrate accounting procedures, practices and records, which sufficiently and  
31 properly document Contractor invoices to North Sound BHO and all expenditures  
32 made by Contractor to perform as required by this Contract.
  - 33 e. Contractor and their subcontractors shall cooperate in all reviews including, but  
34 not limited to, surveys and research conducted by North Sound BHO, DSHS, or  
35 other Washington State Departments.
  - 36 f. Evaluate by inspection or other means to measure quality, appropriateness and  
37 timeliness of services performed under this Contract and to determine whether  
38 Contractor and their subcontractors are providing service to individuals in  
39 accordance with the requirements set forth in this Contract and applicable state  
40 and federal regulations as existing or hereafter amended.
- 41

1 **18. NO WAIVER OF RIGHTS**

2 A failure by either party to exercise its rights under this Contract shall not preclude that  
3 party from subsequent exercise of such rights and shall not constitute a waiver of any  
4 other rights under this Contract unless stated to be such in writing signed by an  
5 authorized representative of the party and attached to the original Contract.  
6

7 Waiver of any breach of any provision of this Contract shall not be deemed to be a waiver  
8 of any subsequent breach and shall not be construed to be a modification of the terms  
9 and conditions of this Contract.  
10

11 **19. ONGOING SERVICES**

12 Contractor and their subcontractors shall ensure in the event of labor disputes or job  
13 actions, including work slowdowns, so called "sick outs," or other activities, within its  
14 service network, uninterrupted services shall be available as required by the terms of this  
15 Contract.  
16

17 **20. ORDER OF PRECEDENCE**

18 In the event of an inconsistency in the terms of this Contract, or any inconsistency  
19 between the terms of this Contract and any applicable statute, rule, or contract, unless  
20 otherwise provided herein, the conflict shall be resolved by giving precedence in the  
21 following order, to:  
22

- 23 a. The applicable Medicaid 1915(b) Waiver, Provisions of Title XIX of the Social  
24 Security Act and Federal regulations concerning the operations of PIHP;
- 25 b. State statutes and regulations concerning the operation of the community mental  
26 health programs;
- 27 c. Other applicable Federal, State, or local law;
- 28 d. North Sound BHO-DSHS contract, or its successors, that covers the provision of the  
29 mental health services covered under this Contract, which shall include any exhibit,  
30 document, or material incorporated by reference;
- 31 e. This Contract.  
32

33 **21. OVERPAYMENTS**

34 In the event Contractor fails to comply with any of the terms and conditions of this  
35 Contract and that failure results in an overpayment, North Sound BHO may recover the  
36 amount due DSHS, CMS, or other federal or state agency. In the case of overpayment,  
37 Contractor shall cooperate in the recoupment process and return to North Sound BHO  
38 the amount due upon demand.  
39

1           **22. OWNERSHIP OF MATERIALS**

2           Materials created by Contractor and their subcontractors and paid for by North Sound  
3           BHO as a part of this Contract shall be owned by North Sound BHO and shall be, "works  
4           for hire" as defined by the U.S. Copyright Act of 1976. This material includes, but is not  
5           limited to: books, computer programs, documents, films, pamphlets, reports, sound  
6           reproductions, studies, surveys, tapes and/or training materials. Contractor or relevant  
7           subcontractors' own material which Contractor and their subcontractors use to perform  
8           this Contract, but which is not created for or paid for by North Sound BHO; however,  
9           North Sound BHO and DSHS shall have a perpetual license to use this material for DSHS  
10          internal purposes at no charge to DSHS.

11  
12          **23. PERFORMANCE**

13          Contractor shall furnish the necessary personnel, materials and/or mental health services  
14          and otherwise do all things for, or incidental to, the performance of the work set forth  
15          here and as attached. Unless specifically stated, Contractor is responsible for performing  
16          or ensuring all fiscal and program responsibilities required in this contract. No  
17          subcontract will terminate the legal responsibility of Contractor to perform the terms of  
18          this Contract.

19  
20          **24. RESOLUTION OF DISPUTES**

21          The parties wish to provide for prompt, efficient, final and binding resolution of disputes  
22          or controversies that may arise under this Contract and therefore establish this dispute  
23          resolution procedure. All claims, disputes and other matters in question between the  
24          parties arising out of, or relating to, this Contract shall be resolved exclusively by the  
25          following dispute resolution procedures unless the parties mutually agree in writing  
26          otherwise:

- 27  
28          a.     The parties shall use their best efforts to resolve issues prior to giving written  
29          Notice of Dispute.  
30          b.     Within 10 working days of receipt of the written Notice of Dispute, the parties (or a  
31          designated representative) shall meet, confer and attempt to resolve the claim.  
32          c.     The terms of the resolution of all claims concluded in meetings shall be  
33          memorialized in writing and signed by each party.

34  
35          **Arbitration:** If the claim is not resolved within 30 days, the parties shall proceed to  
36          arbitration as follows:

- 37  
38          a.     Demand for arbitration shall be made in writing to the other party. The parties  
39          shall select one person as arbitrator.  
40          b.     If there is a delay of more than 10 days in the naming of any arbitrator, either party  
41          can ask the presiding judge of Skagit County to name any remaining arbitrator(s).  
42          c.     The prevailing party shall be entitled to recover from the other party all costs and  
43          expenses, including reasonable attorney fees. The arbitrators shall determine  
44          which party, if any, is the prevailing party.

- d. The parties agree the arbitrators' decision shall be final, binding and appealable to Skagit County Superior Court only as provided in Chapter 7.04A RCW.
- e. Unless the parties agree in writing otherwise, the unresolved claims in each notice of dispute shall be considered at an arbitration session which shall occur in Skagit County no later than 30 days after the close of the meeting described in paragraph (b) above.
- f. The Provisions of this section shall, with respect to any controversy or claim, survive the termination or expiration of this Contract.
- g. Nothing contained in this Contract shall be deemed to give the arbitrator the power to change any of the terms and conditions of this Contract in any way.
- h. The prevailing party in any action to compel arbitration or to enforce an arbitration award shall be awarded its costs, including attorney fees. Venue for any such action is exclusively Skagit County Superior Court.
- i. This Contract shall be governed by laws of the State of Washington, both as to interpretation and performance.

**25. SEVERABILITY AND CONFORMITY**

The provisions of this Contract are severable. If any provision of this Contract, including any provision of any document incorporated by reference is held invalid by any court, that invalidity shall not affect the other provisions of this Contract and the invalid provision shall be considered modified to conform to existing law.

**26. SINGLE AUDIT ACT**

If Contractor or their subcontractor is a sub-recipient of Federal awards as defined by OMB Circular A-133, Contractor and their subcontractors shall maintain records that identify all Federal funds received and expended. Said funds shall be identified by the appropriate OMB Catalog of Federal Domestic Assistance titles and numbers, the award names and numbers and award years and names of Federal agencies, if awards are for research and development. Contractor and their subcontractors shall make Contractor and their subcontractors' records available for review or audit by officials of the Federal awarding agency, the General Accounting Office and DSHS. Contractor and their subcontractors shall incorporate OMB Circular A-133 audit requirements into all contracts between Contractor and their subcontractors who are sub-recipients. Contractor and their subcontractors shall comply with any future amendments to OMB Circular A-133 and any successor or replacement Circular or regulation.

If Contractor and/or their subcontractors are a sub-recipient and expends \$750,000 or more in Federal awards from any and/or all sources in any fiscal year, Contractor and applicable subcontractors shall procure and pay for a single audit for that fiscal year. Upon completion of each audit, Contractor and applicable subcontractors shall submit to North Sound BHO's Program Administrator a copy of their audited financial statements.

1 For purposes of “sub-recipient” status under the rules of OMB Circular A-133 205(i)  
2 Medicaid payments to a sub-recipient for providing patient care services to Medicaid  
3 eligible individuals are not considered Federal awards expended under this part of the  
4 rule unless a State requires the fund to be treated as Federal awards expended because  
5 reimbursement is on a cost-reimbursement basis.  
6

7 **27. SUBRECIPIENTS**

8 General – If the Contractor is a sub-recipient of federal awards as defined by OMB  
9 Circular A-133 and this Contract, the Contractor shall:

- 10
- 11 a. Maintain records that identify, in its accounts, all federal awards received and  
12 expended and the federal programs under which they were received, by Catalog of  
13 Federal Domestic Assistance (CFDA) title and number, award number and year,  
14 name of the federal agency, and name of the pass-through entity;
  - 15 b. Maintain internal controls that provide reasonable assurance the Contractor is  
16 managing federal awards in compliance with laws, regulations, and provisions of  
17 contracts or grant contracts that could have a material effect on each of its federal  
18 programs;
  - 19 c. Prepare appropriate financial statements, including a schedule of expenditures of  
20 federal awards;
  - 21 d. Incorporate OMB Circular A-133 audit requirements into all contracts between the  
22 Contractor and its Subcontractors who are sub-recipients;
  - 23 e. Comply with any future amendments to OMB Circular A-133 and any successor or  
24 replacement Circular or regulation;
  - 25 f. Comply with the applicable requirements of OMB Circular A-87 and any future  
26 amendments to OMB Circular A-87, and any successor or replacement Circular or  
27 regulation; and
  - 28 g. Comply with the Omnibus Crime Control and Safe Streets Act of 1968; Title VI of  
29 the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; Title II of  
30 the Americans with Disabilities Act of 1990; Title IX of the Education Amendments  
31 of 1972; The Age Discrimination Act of 1975; and The Department of Justice Non-  
32 Discrimination Regulations, 28 CFR Part 42, Subparts C D E, and G, and 28 CFR Part  
33 35 and Part 39 (see [www.ojp.usdoj.gov/ocr](http://www.ojp.usdoj.gov/ocr) for additional information and access  
34 to the aforementioned Federal laws and regulations).  
35

36 **28. SUBCONTRACTS**

37 Contractor may subcontract services to be provided under this Contract subject to the  
38 following requirements.  
39

- 40 a. Contractor shall be responsible for the acts and omissions of any subcontractor.
- 41 b. Contractor must ensure the subcontractor neither employs any person nor  
42 contracts with any person or Community Mental Health Agency (CMHA) excluded  
43 from participation in federal health care programs under either 42 USC 1320a-7  
44 (§§1128 or 1128A Social Security Act) or debarred or suspended per this Contract’s  
45 General Terms and Conditions.

- c. Contractor shall require subcontractors to comply with all applicable federal and state laws, regulations and operational policies as specified in this Contract.
- d. Contractor shall require subcontractors to comply with all applicable North Sound BHO operational policies as specified in this Contract, including travel standards and access standards.
- e. Contractor shall oversee, be accountable for and monitor all functions and responsibilities delegated to a subcontractor on an ongoing basis including formal reviews.
- f. Contractor will monitor performance of the subcontractors on an annual basis and notify North Sound BHO of any identified deficiencies or areas for improvement requiring corrective action by Contractor.
- g. Contractor shall ensure all subcontracts are in writing and subcontracts specify all duties, reports and responsibilities delegated under this Contract. Those written subcontracts shall:
  - i. Require subcontractors to hold all necessary licenses, certifications and/or permits as required by law for the performance of the services to be performed under this Contract;
  - ii. Include clear means to revoke delegation, impose corrective action, or take other remedial actions if the subcontractor fails to comply with the terms of the subcontract;
  - iii. Require the subcontractor correct any areas of deficiencies in the subcontractor's performance identified by Contractor, North Sound BHO and/or DBHR.

**29. SURVIVABILITY**

The terms and conditions contained in this Contract by their sense and context are intended to survive the expiration of this Contract and shall so survive. Surviving terms include, but are not limited to: Financial Terms and Conditions, Single Audit Act, Order of Precedence, Contract Performance and Enforcement, Confidentiality of Client Information, Resolution of Disputes, Indemnification, Oversight Authority, Maintenance of Records, Ownership of Materials and Contract Administration Warranties and Survivability.

**30. TREATMENT OF CLIENT PROPERTY**

Unless otherwise provided in this Contract, Contractor shall ensure any adult individual receiving services from Contractor under this Contract has unrestricted access to the individual's personal property. Contractor shall not interfere with any adult individual's ownership, possession, or use of the individual's property unless clinically indicated. Contractor shall provide individuals under age 18 with reasonable access to their personal property that is appropriate to the individual's age, development and needs. Upon termination of this Contract, Contractor shall immediately release to the individual and/or the individual's guardian or custodian all of the individual's personal property.

1           **31.    WARRANTIES**

2           The parties’ obligations are warranted and represented by each to be individually binding  
3           and for the benefit of the other party. Contractor warrants and represents that it is able  
4           to perform its obligations set forth in this Contract and that such obligations are binding  
5           upon Contractor and other subcontractors for the benefit of North Sound BHO.  
6

7           **32.    CONTRACT ADMINISTRATION**

8           The Program Administrator for each of the parties shall be responsible for and shall be  
9           the contact person for all communications and billings regarding the performance of this  
10          Contract.  
11

12                   The Contact for North Sound Behavioral Health Organization, LLC is:

13  
14                           Joe Valentine  
15                           Executive Director  
16                           North Sound BHO  
17                           301 Valley Mall Way, Ste. 110  
18                           Mount Vernon, WA 98273-5462  
19

20                   The Contact for Telecare Corporation is:

21  
22                           Leslie Davis  
23                           SVP & CFO  
24                           1080 Marina Village Parkway, Suite 100  
25                           Alameda, CA 94501  
26

27           Changes shall be provided to the other party in writing within 10 working days.  
28

29           This contract will go into effect and shall be fully enforceable when signed by authorized  
30           representatives of all parties involved. This contract is subject to ratification after it  
31           becomes effective. This contract will be submitted for ratification at the next scheduled  
32           meeting of the North Sound BHO County Authorities Executive Committee (“the  
33           Committee”). If not ratified by the Committee, North Sound BHO will terminate the  
34           contract either immediately or within a reasonable amount of time at North Sound BHO’s  
35           discretion.  
36



1 **C. PERFORMANCE STANDARDS**

2 In carrying out its responsibilities under this contract, Contractor shall comply with the  
3 following performance standards.  
4

5 **1. GENERAL OPERATING STANDARDS**

- 6 a. Contractor shall ensure they and any applicable subcontractors comply with  
7 general limitations on the use of MHBG funds as specified in Exhibit B
- 8 b. If Contractor subcontracts for the provision of services under this contract it shall  
9 maintain documentation of its oversight and monitoring of subcontractors who are  
10 providing services described in this Contract, including documentation of related  
11 outcomes and actual costs, and provide such documentation when requested by  
12 North Sound BHO.
- 13 c. Contractor shall incorporate SAMHSA’s 10 Fundamental Components of Recovery  
14 (Exhibit E) in the daily activities and interactions with individuals seeking help with  
15 their recovery.
- 16 d. Contractor shall participate in annual peer reviews by individuals with expertise in  
17 the field of mental health when requested by North Sound BHO/DSHS.  
18

19 **2. INDEPENDENT PEER REVIEW (45 CFR 96.136)**

20 Contractor shall participate in the statewide independent peer review process when  
21 requested by North Sound BHO as outlined in Exhibit C-Independent Peer Review  
22 Procedures. Contractor will be reviewed by experts in the field of Mental Health  
23 Treatment to assess quality, appropriateness and efficacy of services provided to  
24 individuals.  
25

26 **3. BACKGROUND CHECKS (RCW 43.43.832, WAC 388-877 and 388-877B)**

27 Contractor must ensure a criminal background check is conducted on all staff members;  
28 case managers, outreach staff members, etc.; and volunteers who have unsupervised  
29 access to children, adolescents, vulnerable adults, and persons with developmental  
30 disabilities.  
31

32 When providing services to Youth, the Contractor must ensure requirements of WAC  
33 388-06-0170 are met.  
34

35 **4. DELIVERABLES, PLANS AND REPORTS**

36 Contractor must ensure plans or reports required by this Contract, including those  
37 outlined in Exhibit F, Deliverables, are provided to North Sound BHO in compliance with  
38 the timelines/formats indicated.  
39

40 If this Contract requires a report or other deliverable that contains information that is  
41 duplicative or overlaps a requirement of another Contract between the parties  
42 Contractor may provide one report or deliverable that contains the information required  
43 by both Contracts.

1 **D. FINANCIAL TERMS AND CONDITIONS**

2  
3 **1. GENERAL FISCAL ASSURANCES**

4 Contractor shall comply with all applicable laws and standards, including Generally  
5 Accepted Accounting Principles and maintain, at a minimum, a financial management  
6 system that is a viable, single, integrated system with sufficient sophistication and  
7 capability to effectively and efficiently process, track and manage all fiscal matters and  
8 transactions. The parties' respective fiscal obligations and rights set forth in this Article F  
9 shall continue after termination of this contract until such time as the financial matters  
10 between the parties resulting from this contract are completed.

11  
12 **2. FINANCIAL ACCOUNTING REQUIREMENTS**

13 Funding that supports this Contract comes from Community Mental Health Services Block  
14 Grant funds, from the federal DHHS, Catalog of Federal Domestic Assistance (CFDA)  
15 #93.958. Contractor shall produce annual audited financial statements and make such  
16 reports available to North Sound BHO upon request. North Sound BHO shall pay  
17 Contractor an amount not to exceed the maximum consideration specified in this  
18 Contract for the satisfactory performance of all work set forth in Exhibit A Statement of  
19 Work.

- 20  
21 a. Contractor shall submit a completed monthly invoice  
22 b. Contractor shall submit claims for reimbursement on Exhibit D Expenditure Report  
23 Form monthly and no later than 60 days following the month in which services are  
24 provided. North Sound BHO is not obligated to pay any claims submitted later than  
25 60 days after the month services were provided.  
26 c. Any MHBG Funds obligated under this Contract which are not expended by June  
27 30, 2018, may not be used or carried forward in any other Contract or  
28 Amendment, and lapse as of June 30, 2018.

29  
30 **3. RULES COMPLIANCE**

31 Contractor shall:

- 32  
33 a. Account for public mental health expenditures under this Contract in accordance  
34 with federal circular A-133 and A-87 or other applicable circular and state  
35 requirements in accordance with the BARS Manual, and BARS Supplemental  
36 Instructions.  
37 b. Ensure State or Federal funds are not used to replace local funds from any source,  
38 which were being used to finance mental health services in the constituent  
39 county/counties in the calendar year prior to January 1, 1990. Contractor shall not  
40 use State or Federal funds to replace local funds used to administer the Involuntary  
41 Treatment Program in the constituent county/counties in the calendar year prior  
42 to January 1, 1974.

- c. Comply with, specifically, Title V, Section 1913 where the State agrees to comply with the Public Health Service Act [42 USC 300x-1 et seq.], attached as Exhibit B, Title V - Section 1913.
- d. North Sound BHO shall not make any payments in advance or anticipation of the delivery of services to be provided pursuant to this Contract.
- e. North Sound BHO shall pay Contractor only for authorized services provided in accordance with this Contract. If this Contract is terminated for any reason, North Sound BHO shall pay only for services authorized and provided through the date of termination.
- f. Contractor shall not bill North Sound BHO for services performed under this contract, and North Sound BHO shall not pay Contractor, if Contractor has charged or will charge the State of Washington or any other party under any other contract or contract for the same services.

**4. USES AND USE RESTRICTIONS**

The 93.958 MHBG for Community Mental Health Services funding may not be used to provide inpatient services; to make cash payments to intended recipients of health services; to purchase or improve land, purchase, construct, or permanently improve (other than minor remodeling) any building or other facility or purchase major medical equipment; to satisfy any requirement for the expenditure of nonfederal funds as a condition for the receipt of Federal funds; or to provide financial assistance to any entity other than a public or nonprofit private entity.

Contractor shall not use MHBG Funds for the following:

- a. Services and programs that are covered under the capitation rate for Medicaid-covered services to Medicaid enrollees;
- b. Inpatient mental health services;
- c. Construction and/or renovation;
- d. Capital assets or the accumulation of operating reserve accounts;
- e. Equipment costs over \$5,000;
- f. Cash payments to Individuals;
- g. State match for other federal funds.

Target Population:

Benefits	Services	Use MHBG	Use Medicaid
Individual is <i>not</i> a Medicaid recipient	Any type	Yes	No
Individual <i>is</i> a Medicaid recipient	Allowed under Medicaid	No	Yes
Individual <i>is</i> a Medicaid recipient	Not allowed under Medicaid	Yes	No

1 **E. OVERSIGHT, REMEDIES AND TERMINATION**

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3 **1. OVERSIGHT AUTHORITY**

4 North Sound BHO, DSHS, Office of the State Auditor, DHHS, CMS, the Comptroller  
5 General, or any of their duly-authorized representatives (i.e., External Quality Review  
6 Organizations [EQRO]), have the authority to conduct announced and unannounced: a)  
7 surveys, b) audits, c) reviews of compliance with licensing and certification requirements  
8 and compliance with this Contract, d) audits regarding the quality, appropriateness and  
9 timeliness of mental health services of Contractor and subcontractors and e) audits and  
10 inspections of financial records of Contractor and subcontractors. Contractor shall notify  
11 North Sound BHO when an entity other than North Sound BHO performs any audit  
12 described above related to any activity contained in this Contract.

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14 In addition, North Sound BHO will conduct reviews in accordance with its oversight of  
15 resource, utilization and quality management, as well as to ensure Contractor has the  
16 clinical, administrative and fiscal structures to enable them to perform in accordance with  
17 the terms of the contract. Such reviews may include, but are not limited to, encounter  
18 data validation, utilization reviews, clinical record reviews and review of administrative  
19 structures, fiscal management and contract compliance. Reviews may include desk  
20 reviews, requiring Contractor to submit requested information. North Sound BHO will  
21 also review any activities delegated under this contract to Contractor.

22  
23 Findings, as a result of North Sound BHO conducted reviews, may result in remedial  
24 action as outlined below. Federal and State agencies may impose remedial action or  
25 financial penalties either directly upon Contractor or through North Sound BHO.  
26 Contractor shall comply with the terms of such remedial action and be responsible for the  
27 payment of financial penalties.

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29 **2. REMEDIAL ACTION**

30 North Sound BHO may require Contractor to plan and execute corrective action.  
31 Corrective action plans (CAP) developed by Contractor must be submitted for approval to  
32 North Sound BHO within 30 calendar days of notification. CAP allowed for corrective  
33 action depending upon the nature of the situation as determined by North Sound BHO.

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35 a. CAP must include:

- 36  
37 i. A brief description of the finding;  
38 ii. Specific actions to be taken, a timetable, a description of the monitoring to  
39 be performed, the steps taken and responsible individuals that will reflect  
40 the resolution of the situation.  
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- b. CAP may:
  - Require modification of any policies or procedures by Contractor relating to the fulfillment of its obligations pursuant to this Contract.
  
- c. CAP is subject to approval by North Sound BHO, which may:
  - i. Accept the plan as submitted;
  - ii. Accept the plan with specified modifications;
  - iii. Request a modified plan;
  - iv. Reject the plan.
  
- d. Contractor agrees North Sound BHO may initiate remedial action as outlined in subsection below if North Sound BHO determines any of the following situations exist:
  - i. A problem exists that negatively impacts enrollees;
  - ii. Contractor has failed to perform any of the mental health services required in this Contract, including delegated functions, which includes the failure to maintain the required capacity as specified by North Sound BHO to ensure enrollees receive medically necessary services.
  - iii. Contractor has failed to develop, produce, and/or deliver to North Sound BHO any of the statements, reports, data, data corrections, accountings, claims, and/or documentation described herein, in compliance with all the provisions of this Contract.
  - iv. Contractor has failed to perform any administrative function required under this Contract, including delegated functions. For the purposes of this section, “administrative function” is defined as any obligation other than the actual provision of mental health services.
  - v. Contractor has failed to implement corrective action required by the state and within North Sound BHO prescribed timeframes.
  
- e. North Sound BHO may impose any of the following remedial actions in response to findings of situations as outlined above.
  - i. Withhold one percent (1%) of the next monthly payment and each monthly payment thereafter until the corrective action has achieved resolution. North Sound BHO, at its sole discretion, may return a portion or all of any payments withheld once satisfactory resolution has been achieved.
  - ii. Compound withholdings identified above by an additional one-half of one percent (1/2 of 1%) for each successive month during which the remedial situation has not been resolved.
  - iii. Revoke delegation of any function delegated under this contract.

- iv. Deny any incentive payment to which Contractor might otherwise have been entitled under this Contract or any other arrangement by which DBHR provides incentives.
- v. Termination for Default, as outlined in this Contract.

**3. PAYMENT WITHHOLD**

Up to two percent (2%) of the monthly payment will be withheld upon the request of North Sound BHO's Program Administrator if a required report or deliverable under this contract is due and has not been received by North Sound BHO, including required financial reports and data transmissions.

Payment will be withheld until the required report or deliverable has been delivered and meets the requirements specified by North Sound BHO.

**4. INDIVIDUALS SERVICED BY MEDICAID AND OTHER MENTAL HEALTH PROGRAM ARE NOT THIRD-PARTY BENEFICIARIES UNDER THIS CONTRACT**

Although DSHS and the Contractor mutually recognize services under this Contract may be provided by the Contractor to individuals receiving services under the Medicaid program, and chapters 71.05, 71.24, and 71.34 RCW, it is not the intention of either DSHS or the Contractor that such individuals, or any other persons, occupy the position of intended third-party beneficiaries of the obligations assumed by either party to this Contract.

**5. ADDITIONAL FINANCIAL PENALTIES – DBHR IMPOSED SANCTIONS**

Financial penalties imposed by DBHR or other regulatory agency due to the action or inaction of Contractor may be paid by North Sound BHO on behalf of Contractor and the amount will be withheld from North Sound BHO's payments to Contractor.

**6. TERMINATION DUE TO CHANGE IN FUNDING**

In the event funding from State, Federal, or other sources is withdrawn, reduced, or limited in any way after the effective date of this Contract and prior to its normal completion, North Sound BHO may terminate this Contract, subject to re-negotiations.

**7. TERMINATION FOR CONVENIENCE**

Except as otherwise provided in this Contract, a party may terminate their portion of this Contract upon 30 days written notification by certified mail to the other party. The effective date of termination shall be 30 days after receipt of written notification to the other party or the last day of the calendar month in which the 30<sup>th</sup> day occurs, whichever is later.

**8. TERMINATION FOR DEFAULT**

North Sound BHO's Program Administrator may terminate this Contract for default, in whole or in part, by written notice to Contractor if North Sound BHO or DSHS has a reasonable basis to believe that Contractor has or have:

- a. Failed to meet or maintain any requirement for contracting with DSHS.
- b. Failed to perform under any provision of this Contract.
- c. Violated any law, regulation, rule, or ordinance applicable to the services provided under this Contract.
- d. Otherwise breached any provision or condition of this Contract.

Before North Sound BHO's Program Administrator may terminate this Contract for default, in whole or in part, North Sound BHO shall provide Contractor with written notice of Contractor's noncompliance with this Contract which notice shall provide Contractor a reasonable time period to correct its/their noncompliance. If Contractor has or has not corrected the noncompliance within the period of time specified in the written notice of noncompliance, North Sound BHO Program Administrator may then terminate this Contract, in whole or in part for default without such written notice and without opportunity for correction if North Sound BHO and/or DSHS has a reasonable basis to believe that:

- a. Contractor has violated any law, regulation, rule, or ordinance applicable to services provided under this contract.
- b. Continuance of this Contract with Contractor poses a material risk of injury or harm to any person.

Contractor may terminate this Contract in whole or in part, by written notice to North Sound BHO, if Contractor has a reasonable basis to believe that North Sound BHO has:

- a. Failed to meet or maintain any requirement for contracting with Contractor.
- b. Failed to perform under any provision of this Contract.
- c. Violated any law, regulation, rule, or ordinance applicable to work performed under this Contract.
- d. Otherwise breached any provision or condition of this Contract.

**9. TERMINATION PROCEDURE**

The following provisions shall survive and be binding on the parties in the event this Contract is terminated:

- a. Contractor and any applicable subcontractors shall cease to perform any services required by this Contract as of the effective date of termination and shall comply with all reasonable instructions contained in the notice of termination which are related to the transfer of clients, distribution of property and termination of services. Each party shall be responsible only for its performance in accordance with the terms of this Contract rendered prior to the effective date of termination. Contractor and any applicable subcontractors shall assist in the orderly transfer/transition of the individuals served under this Contract. Contractor and any applicable subcontractors shall promptly supply all information necessary for the reimbursement of any outstanding claims.

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- b. Contractor and any applicable subcontractors shall immediately deliver to North Sound BHO's Program Administrator or to his/her successor, all DSHS and North Sound BHO assets (property) in Contractor's and any applicable subcontractor's possession and any property produced under this Contract. Contractor and any applicable subcontractors grant North Sound BHO and DSHS the right to enter upon Contractor's and any applicable subcontractor's premises for the sole purpose of recovering any North Sound BHO or DSHS property that Contractor and any applicable subcontractors fails to return within 10 working days of termination of this Contract. Upon failure to return North Sound BHO and/or DSHS property within 10 working days of the termination of this Contract, Contractor and any applicable subcontractors shall be charged with all reasonable costs of recovery, including transportation and attorney's fees. Contractor and any applicable subcontractors shall protect and preserve any property of North Sound BHO and/or DSHS that is in the possession of Contractor and any applicable subcontractors pending return to North Sound BHO and/or DSHS.
- c. North Sound BHO shall be liable for and shall pay for only those services authorized and provided through the date of termination. North Sound BHO may pay an amount agreed to by the parties for partially completed work and services, if work products are useful to or usable by North Sound BHO. Should either party terminate the contract, Contractor shall be responsible to provide all mental health services through the end of the month for which they will invoice North Sound BHO.



