



Health Services
LOS ANGELES COUNTY

December 31, 2008

**Los Angeles County
Board of Supervisors**

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Robert G. Splawn, M.D.
Interim Chief Medical Officer

TO: Each Supervisor

FROM: John F. Schunhoff, Ph.D.
Interim Director

SUBJECT: **STATUS OF THE PATIENT MANAGEMENT SYSTEM REPLACEMENT**

As instructed by the Board on December 6, 2005, the Department of Health Services (DHS), through its Office of Managed Care (OMC)/Community Health Plan (CHP, aka "Plan"), is to provide a status report every six (6) months regarding the procurement of a replacement system for CHP's Patient Management System (PMS). This is to provide you with the sixth status report.

BACKGROUND

OMC is responsible for administering CHP, a Knox-Keene licensed health maintenance organization. CHP product lines include: 1) Medi-Cal Managed Care Program, 2) Healthy Families Program, 3) PASC-SEIU Homecare Workers Health Care Plan (aka In-Home Supportive Services Program), 4) County Temporary Employees, 5) Consolidated Ombudsman Budget Reconciliation Act (COBRA), and 6) Individual Conversion Plan. As of December 1, 2008, CHP's total enrollment was approximately 173,000.

PMS is the transaction processing system used by CHP primarily for eligibility verification and claims processing. The lack of functionality in PMS prompted a number of labor-intensive processes, manual interventions, and development of multiple ancillary database applications to meet the business and operational needs of the organization. With the growing needs and demands of the consumer and the increasing regulatory requirements of healthcare, it is imperative to implement an integrated core administrative health care payer solution to increase quality of care, ensure timely and accurate distribution of information, and reduce duplication of effort through efficient and effective health information technology.

Studies conducted by Outlook Associates, Inc. in February 2002, Milliman, Inc. in July 2003, and Simpson & Simpson's annual independent audit reports in February 2005 and December 2005 indicated CHP lacked the infrastructure to effectively manage the enrollees enrolled with the Plan, including limitations and deficiencies with its information systems. In June 2005, the Joint Audit Committee expressed support for replacing PMS with a managed care system solution to meet the needs of the Plan.

The strategic direction for the integrated system solution is to acquire services from a qualified Application Service Provider (ASP). ASPs are vendors that provide application hosting services which includes the hardware, software, and in some scenarios, networking infrastructure to enable the organization to run standardized applications over a secured virtual network.

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ACTIVITIES

The following is the status of activities during the last six (6) months of 2008:

- From June 2008 through August 2008, the Department continued working collaboratively with County's Chief Information Office, Security Office, and Counsel to address and respond to vendor questions by issuing Addendums to the Request for Proposals (RFP) for a Managed Care Information System and Operations and Maintenance Services.
- In July 2008, the Department finalized and secured commitments from personnel as members of the RFP Evaluation Committee.
- From July 2008 through September 2008, the Department worked collaboratively with County's Chief Information Office, Security Office, and Counsel to develop and finalize the proposal evaluation documents.
- In August 2008, the Department extended the published proposal submission deadline from August 12, 2008 to August 26, 2008 due to, among other reasons, a vendor's request for an extension. Proposals were received by August 26, 2008.
- In September 2008, the Department held an Evaluation Committee Kick-off Meeting and began the evaluation process.
- In December 2008, the Auditor-Controller completed the Financial Capability Review of the proposals.
- On December 2, 2008, the Board approved and instructed the Interim Director of Health Services to execute Amendment No. 4 to Agreement No. H-211033 with Health Management Systems, Inc., for the continued provision of maintenance, support and training for PMS software for the Departments' OMC and Health Center Operations software for the Department of Public Health. The Amendment increased the maximum contract sum by \$7,413,978, extended the base term through December 30, 2010, and added an optional one-year extension through December 30, 2011 to ensure the Department had sufficient time to implement a replacement system for PMS.

NEXT STEPS

The following RFP next steps are scheduled the first six (6) months of 2009. The dates are tentative and contingent upon the completion of County's solicitation process, and barring any problems or issues:

- Complete proposal evaluation process, develop, and execute a contract with the winning proposer by 2nd quarter 2009.
- Configure application software and develop procedures by 1st quarter 2010.
- Complete data conversion, parallel testing, and acceptance testing of the Managed Care Information System by 3rd quarter 2010.
- Train staff on the Managed Care Information System and conduct system cut-over from the PMS to the Managed Care Information System by 4th quarter 2010.

Please let me know if you have any questions, or require additional information.

JFS:ls

PMS Replacement Status Report to BOS 081216.doc

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors
Interim Chief Information Officer