



Health Services
LOS ANGELES COUNTY

January 5, 2011

Los Angeles County
Board of Supervisors

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

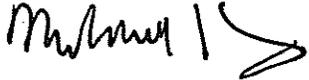
Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Mitchell H. Katz, M.D.
Director

John F. Schunhoff, Ph.D.
Chief Deputy Director

TO: Supervisor Michael Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Mitchell H. Katz, M.D. 
Director

SUBJECT: **NOTIFICATION OF THE DEPARTMENT OF HEALTH SERVICES' USE OF DELEGATED AUTHORITY TO EXECUTE AMENDMENT TO AGREEMENT WITH MCKESSON HEALTH SOLUTIONS, LLC**

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

This is to advise your Board that the Department of Health Services (DHS) is exercising its delegated authority, approved on September 8, 2009 (see attached), to execute Amendment No. 4 to Nurse Advice Line and Disease/Care Management Services Agreement No. 703016 with McKesson Health Solutions, LLC. Under this Agreement, McKesson provides nurse advice line, complex case management, disease management, and wellness program services to Coverage Initiative (Healthy Way LA aka HWLA) enrollees and Community Health Plan (CHP) members.

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Amendment No. 4 provides HWLA rate parity consistent with that provided to CHP. The rates HWLA currently pays are based on the program's independent call volume, which is significantly lower than CHP's. McKesson has now agreed to reduce HWLA's rates to match CHP's, basing the rates on their combined call volume.

County Counsel and the Chief Executive Office have reviewed and approved execution of the Amendment as to form.

If you have any questions and need additional information, please let me know.

MHK:KKH:ja

Attachment

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors



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Health Services
LOS ANGELES COUNTY

September 8, 2009

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

Los Angeles County
Board of Supervisors

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Fifth District

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

25 SEPTEMBER 8, 2009

SACHIA HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

**AMENDMENT TO NURSE ADVICE LINE AND DISEASE/CARE
MANAGEMENT SERVICES AGREEMENT
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

John F. Schunhoff, Ph.D.
Interim Director

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

SUBJECT

Request approval to amend an agreement for the provision of Nurse Advice Line, complex case management, disease management, and Wellness Program services to the Department of Health Services (DHS or Department) Community Health Plan (CHP).

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IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Interim Director of Health Services, or his designee (Interim Director), to execute Amendment No. 1 to Agreement No. H-703016, with McKesson Health Solutions, LLC (McKesson), effective upon Board approval, to revise the contract language required by the State Department of Managed Health Care (DMHC), and effective May 1, 2009 to reduce the rates for the Nurse Advice Line and suspend the underutilized Wellness Program.
2. Delegate authority to the Interim Director to execute future amendments to the Agreement with McKesson, including: a) suspend or terminate underutilized or ineffective contracted services; b) revise or incorporate provisions consistent with the related funding agreement, such as State laws and regulations, National Committee for Quality Assurance accreditation requirements, County Ordinance, and Board policy; c) make appropriate changes to the Agreement to improve operational efficiencies, add clarity, and/or correct errors and omissions; and d) adjust rates to achieve further cost savings for the County, subject to prior review and approval by County Counsel and the Chief Executive Office, with notification to your Board.



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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of the first recommendation will allow the Interim Director to execute an Amendment, substantially similar to Exhibit I, to make several changes to the current Agreement.

As a Knox-Keene licensed health plan, CHP is required to submit health care and administrative support service agreements to DMHC for its review and approval. The DMHC requires the McKesson Agreement be amended to include contract language changes related to: 1) access to records; 2) monitoring of McKesson personnel and services to ensure compliance with regulatory standards; 3) disclosure of Health Insurance Portability and Accountability Act (HIPAA) security incidents; 4) handling of Protected Health Information; 5) grievance reporting; and, 6) record keeping. The revisions required by the DMHC set forth in the Amendment do not change services or cost and are regulatory in nature.

Additionally, the recommended Amendment will allow CHP to obtain a 14.1 percent volume discount for the heavily utilized Nurse Advice Line service, and suspend an underutilized web-based Wellness Program. As a health maintenance organization, CHP routinely reviews the cost-effectiveness of its agreements and identified opportunities to obtain lower costs in the McKesson Agreement after reviewing utilization trend reports. Trend analysis indicated the Nurse Advice Line service was heavily utilized, prompting CHP to seek the volume discount. Comparatively, the Wellness Program was virtually not accessed by CHP members and CHP requested McKesson to discontinue those services and associated charges effective May 1, 2009. After initial consultations with County Counsel and successful re-negotiation of these terms with McKesson, CHP planned to amend the Agreement under the Department's delegated authority. However, after further discussions with the Chief Executive Office (CEO) and County Counsel, it was determined that the Nurse Advice Line volume discount and suspension of the Wellness Program required your Board's approval.

Approval of the second recommendation will delegate authority to the Interim Director to enable CHP to make future changes to the Agreement to reduce costs and make necessary regulatory changes as requested from oversight agencies, contingent upon County Counsel and CEO approval, with notification to your Board.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1, Operational Effectiveness, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

This recommended Amendment will allow for an estimated cost savings of \$36,686 per month as a result of the suspension of the Wellness Program. The reduction in costs

for the Nurse Advice Line service will result in an estimated monthly savings of \$4,740. Fiscal Year (FY) 2008-09 actual savings is \$82,852; and the FY 2009-10 and annually thereafter is \$497,112. FY 2009-10 may reflect this savings in the Supplemental Budget Resolution budget request.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On November 27, 2007, your Board approved Agreement No. H-703016 with McKesson for the provision of nurse advice line, complex case management, disease management, and wellness program services to Coverage Initiative (Healthy Way LA or HWLA), enrollees and/or CHP members, through January 31, 2011.

The proposed Amendment contains language to specifically allow the DMHC the right to review and monitor the contractor's programs, policies, procedures, and financial or other records including through on-site access to McKesson's records. Additionally, the HIPAA language regarding reporting security incidents and disposition of protected health information upon termination or expiration of the Agreement has been strengthened at DMHC's request.

Exhibit I has been approved as to form by County Counsel.

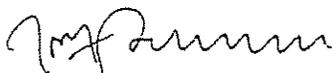
CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommended actions will achieve cost-savings for the County, and enable continued compliance with CHP's oversight agencies.

Respectfully submitted,



John F. Schunhoff, Ph.D.
Interim Director

JFS:ss

Attachment

c: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors

McKesson BL