



Health Services
LOS ANGELES COUNTY

September 16, 2013

**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

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

Christina R. Ghaly, M.D.
Deputy Director Strategic Planning

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Fax: (213) 481-0503

*To ensure access to high-quality,
patient-centered, cost-effective health
care to Los Angeles County residents
through direct services at DHS facilities
and through collaboration with
community and university partners*

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

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

**SUBJECT: NOTIFICATION OF DEPARTMENT OF HEALTH
SERVICES' USE OF DELEGATED AUTHORITY TO
EXECUTE AN AMENDMENT TO AGREEMENT
WITH HEALTH MANAGEMENT SYSTEMS, INC.**

This is to advise the Board that the Department of Health Services (DHS) has exercised its delegated authority, approved on December 6, 2011 (attached), to extend the term of Agreement No. H-211033 with Health Management Systems, Incorporated (HMS) for an additional one year through December 30, 2014, subject to review and approval by County Counsel and notification to the Board and the Chief Executive Office.

HMS provides proprietary Patient Management Systems software for DHS and Health Center Operations software for the Department of Public Health. The Agreement is set to expire on December 30, 2013. County Counsel has approved the Amendment as to form.

If you have any questions or require additional information, please contact Lauren Simmons, Chief Information Officer of Managed Care Services, at (626) 233-4101.

MHK:lr

Attachment

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



www.dhs.lacounty.gov



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December 6, 2011

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

Dear Supervisors:

**APPROVAL OF AMENDMENT TO AGREEMENT WITH HEALTH MANAGEMENT SYSTEMS, INC.
(ALL SUPERVISORIAL DISTRICTS)
(3 Votes)**

CIO RECOMMENDATION: APPROVE [X] APPROVE WITH MODIFICATION [] DISAPPROVE []

SUBJECT

Request approval of an Amendment to extend the term of an Agreement with Health Management Systems, Inc. for proprietary Patient Management Systems software for the Department of Health Services, and Health Center Operations system software for the Department of Public Health and increase the maximum contract sum for the extended period

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director of Health Services (Director), or his designee, to execute Amendment No. 5, to Agreement No. H-211033 with Health Management Systems, Inc. (HMS), effective on date of Board approval to 1) extend the Agreement term for the period December 31, 2011 through December 30, 2013, for the continued provision of computer system software and application maintenance, support, and training for Patient Management System (PMS) software for the Department of Health Services (DHS) and Health Center Operations (HCO) system software for the Department of Public Health (DPH) and increase the Agreement's Contract Sum by \$7,784,319 for DHS and by \$469,834 for DPH for the two year period and 2) add two one-year options to further extend the term of the Agreement

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#19 DECEMBER 6, 2011

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

through December 30, 2015 with an increase in the Contract Sum for the extension period.

2. Delegate authority to the Directors of DHS and DPH, or their designees, with mutual written consent of HMS, to exercise the two one-year extension options through December 30, 2015 at a maximum increase in the Contract Sum of \$8,898,961 for the two years, subject to review and approval of County Counsel and notice to your Board and the Chief Executive Office (CEO). DHS will take the lead for Amendment No. 5 execution, but each director will be responsible for their respective portions of Amendment No. 5.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

California Code of Regulations Title 28, Article 9, Sections 1300.75.4.3 and 1300.84.6 (Title 28) requires managed care health plans, including DHS' Community Health Plan (CHP) administered by the Ambulatory Care Network (ACN), to have a member enrollment and reporting system. The PMS component of the Agreement satisfies this requirement, as well as provides functionality for eligibility verification, authorizations, and claims processing for the Medi-Cal Managed Care Program, Healthy Families Program, In-Home Supportive Services Provider Plan, Healthy Way LA Program, and General Relief Health Care Program. The HCO component is required by DPH in order to support the public health centers' information management needs for each facility's patient registration and scheduling. The system serves as a repository to capture encounter codes for the purposes of billing Medi-Cal and tracking clinic workload.

Approval of the recommendations will allow the Director to execute an Amendment to the HMS Agreement, substantially similar to Exhibit I, to ensure uninterrupted day-to-day operations and continued maintenance, support, and training for the proprietary PMS software for DHS and HCO software for DPH. The current Agreement expires December 30, 2011.

Moreover, as instructed by your Board in December 2005, DHS was in the process of procuring a replacement system for PMS. In May 2008, a Request for Proposal was released for an integrated healthcare payer solution to replace PMS. In March 2010, DHS began negotiations with the highest ranked proposer. However, in April 2010, negotiations were put on hold due to impending changes in DHS' strategic direction and initiatives based on the following (subsequently, the proposer's proposal expired on June 30, 2011):

- On April 1, 2010, the County CEO released a report and made recommendations to your Board regarding Health Management Associates' evaluation of Office of Managed Care/Community Health Plan (OMC/CHP) and DHS' readiness for healthcare reform.

The Honorable Board of Supervisors

December 6, 2011

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- On April 13, 2010, your Board approved, among other recommendations, that the CEO convene negotiations with DHS and L.A. Care Health Plan to determine if a new relationship can be forged to assure mutual benefit and long-term sustainability for DHS in healthcare reform.

As a result, DHS is currently transforming and restructuring from an episodic, hospital focused system to an integrated ambulatory and managed care delivery system. This includes, but is not limited to, restructuring the OMC and Office of Ambulatory Care into the new Ambulatory Care Network to oversee ambulatory and managed care services, transitioning CHP members to L.A. Care Health Plan, and establishing patient-centered medical home (PCMH) teams at ambulatory care facilities. PMS will be a critical component to the PCMH process as the primary source for storing DHS patient-to-primary care provider assignment information. In the meantime, DHS is continuing to pursue replacing PMS with other alternatives in line with its new strategic direction. The recommended extension period will provide time for DHS to complete that process.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended actions support Goal 1, Operational Effectiveness, and Goal 4, Health and Mental Health, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

This Amendment will extend the term for two additional years, for the period December 31, 2011 through December 30, 2013, at a maximum cost of \$8,254,153, and upon the written mutual consent of County and Contractor, two (2) one-year optional extensions through December 30, 2015 at a maximum cost of \$8,898,961, for a total maximum cost of \$17,153,114. Included within the maximum cost for Amendment No. 5 is a rate increase from Amendment No. 5 which increases funds required for DHS by \$191,166 and DPH by \$3,912 for a total increase of \$195,019. Attachment A delineates the three (3) areas of impacted by rate increases.

Funding for the first year of the extended term is included in the Fiscal Year 2011-12 Final Budget for DHS and DPH, and will be requested in future fiscal years as necessary.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In January 1984, the Purchasing Agent issued a purchase order to Global for the installation of a proprietary Global PMS product through a competitive bid process. Since that time, DHS has recommended renewal of this Agreement with HMS because of the proprietary status of the PMS software and HCO system software.

On August 30, 1994, your Board approved Agreement No. H-203925 with Global Health Systems, Inc (Global) for the provision of computer software system maintenance services for the PMS software and HCO system software.

On October 29, 1996, your Board approved Agreement No. H-206448 with Global for the continued provision of the same services. On June 17, 1998, your Board approved Amendment No. 1 to Agreement No. H-206448 to acknowledge the transfer of ownership from Global to HMS and assignment of the Agreement to HMS.

On January 12, 1999, your Board approved Agreement No. H-210100 with HMS for the continued provision of the same services through December 30, 1999.

On December 14, 1999, your Board approved the current Agreement No. H-211033 with HMS, for the continued provision of computer software system maintenance services for PMS and HCO, through December 30, 2002.

On December 10, 2002, your Board approved Amendment No. 1 to the Agreement with HMS, for the continued provision of computer software system maintenance services for PMS and HCO, through December 30, 2004, with a one-year optional extension of the term through December 30, 2005.

On March 18, 2003, Amendment No. 2 to the Agreement was executed to add Health Insurance Portability and Accountability Act language only. On October 6, 2004, under delegated authority provided in the Agreement, DHS extended the term for an additional 12-month period, ending December 30, 2005.

On December 6, 2005, Amendment No. 3 to the Agreement was approved to extend services from December 31, 2005 through December 30, 2007, with an optional extension of the term through December 30, 2009, for the continued provision of computer software system maintenance services for PMS and HCO. At that time, your Board expressed an interest that OMC move toward implementing its strategic direction to migrate away from PMS and required a written status report every six months regarding the procurement of a replacement system for the PMS. DHS has been providing those reports as requested to your Board. On November 19, 2007, under delegated authority provided in the Agreement, DHS and HMS mutually consented to extend the term to December 30, 2009.

On December 2, 2008, Amendment No. 4 to the Agreement was approved to extend services from December 31, 2009 through December 30, 2010, with an optional extension of the term through December 30, 2011. On August 25, 2011, under delegated authority provided in the Agreement, DHS and HMS mutually consented to extend the term through December 30, 2011.

The Honorable Board of Supervisors
December 6, 2011
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The Agreement may be terminated for convenience by the County upon 60 calendar days written notice

The Agreement includes all Board of Supervisors' required provisions, including the most recent insurance provisions. Approval of Amendment No. 5 will: update the standard provisions of the Agreement; update The Business Associate Protected Health Information Disclosure Agreement; and add Contractor's Warranty of Compliance with County's Defaulted Property Tax Reduction Program to the Agreement.

County Counsel has approved Exhibit I as to form.

The HMS Agreement is not a Proposition A Agreement since the services are of an extraordinary, professional nature, and therefore, not subject to the Living Wage Program (Los Angeles County Code Chapter 2 201)

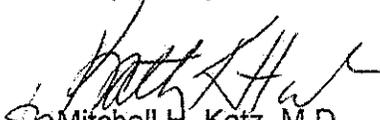
CONTRACTING PROCESS

Not applicable.

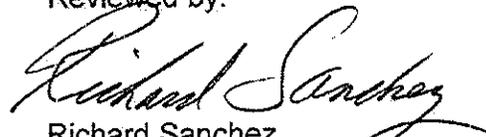
IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of this recommended extension will ensure the continued provision of computer system software and application maintenance, support and training for PMS until such time as a replacement system is implemented. This will also provide uninterrupted operations and support for HCO.

Respectfully submitted,


Mitchell H. Katz, M.D.
Director

Reviewed by:


Richard Sanchez
Chief Information Officer

MHK:KH:rt

Enclosures (4)

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