



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
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"To Enrich Lives Through Effective And Caring Service"

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December 17, 2013

The 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 REQUEST FOR DELEGATED AUTHORITY TO EXECUTE AN ELECTRONIC HEALTH RECORD SYSTEM AGREEMENT WITH MLK-LA HEALTHCARE CORPORATION AND CERNER CORPORATION, REQUEST TO ESTABLISH THE NEW MARTIN LUTHER KING, JR. COMMUNITY HOSPITAL FINANCIAL ASSISTANCE BUDGET UNIT, REQUEST TO APPROVE TWO APPROPRIATION ADJUSTMENTS AND TO PROVIDE MLK-LA HEALTHCARE CORPORATION WITH FINANCIAL ASSISTANCE, AND REQUEST FOR DELEGATED AUTHORITY TO SIGN A LICENSE AND RIGHT OF ENTRY AGREEMENT
(SECOND DISTRICT)
(3 VOTES)**

SUBJECT

Approval of a request for delegated authority for the Chief Executive Officer to execute a three-party agreement among the County of Los Angeles, Cerner Corporation and Martin Luther King, Jr.-Los Angeles Healthcare Corporation for the provision of an Electronic Health Record System for the Martin Luther King Jr. Community Hospital; delegation of authority to the Chief Executive Office to amend the Agreement, request to establish the new Martin Luther King, Jr. Community Hospital Financial Assistance budget unit, request to approve two appropriation adjustments and to provide MLK-LA Healthcare Corporation with pre-hospital opening financial assistance, and request for delegated authority for the Chief Executive Officer to execute a license and right of entry agreement.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate authority to the Chief Executive Officer or his designee to execute a three-party Agreement with Cerner Corporation (Cerner) and MLK-LA Healthcare Corporation (MLK-LA Healthcare), effective upon execution by all parties, through April 30, 2015 or upon Final Acceptance of the Electronic Health Record (EHR) System by MLK-LA Healthcare and the County, whichever

date is later and which date is effective only as to the County, for the provision of an EHR System at the Martin Luther King Jr. Community Hospital (MLK Hospital) with a County contribution not to exceed \$11,000,000.

2. Delegate authority to the Chief Executive Officer, or his designee, to approve and execute Change Notices to the Agreement that do not require any additional costs or expenses or that do not affect any material term or condition of the Agreement.
3. Delegate authority to the Chief Executive Officer, or his designee, to amend the Agreement to (i) add or change terms and conditions as required by the Board; (ii) issue written notice(s) of partial or total termination of the Agreement for convenience without further action by the Board of Supervisors; and (iii) prepare and execute Amendment(s) to the Agreement which may reduce the Services and the Contract Sum, subject to review and approval by County Counsel and with notification to the Board.
4. Establish the new budget unit entitled Martin Luther King, Jr. Community Hospital Financial Assistance, to monitor funding related to assisting MLK-LA Healthcare with establishing the new MLK Hospital.
5. Approve an appropriation adjustment that transfers \$2,300,000 from the Provisional Financing Uses budget unit to the Martin Luther King, Jr. Community Hospital Financial Assistance budget unit for Cerner EHR start-up expenditures.
6. Approve an appropriation adjustment that transfers \$13,100,000 from the Provisional Financing Uses budget unit to the Martin Luther King, Jr. Community Hospital Financial Assistance budget unit to assist with pre-hospital opening activities.
7. Delegate authority to the Chief Executive Officer or his designee to enter into an agreement to provide a lump-sum payment to MLK-LA Healthcare in the amount of \$13,100,000 to assist with pre-hospital opening activities upon Board approval.
8. Delegate authority to the Chief Executive Officer, or his designee, to sign a License and Right of Entry Agreement with MLK-LA Healthcare to provide right of access, install and test hospital equipment, medical equipment, and related personal property within the MLK Hospital Premises, which is comprised of the Inpatient Tower building, Ancillary Building, Main Lobby/Admitting area, and Hospital Services Building. The term of the agreement, which contains a 30-day cancellation provision, shall terminate upon the commencement of a fully-executed hospital lease between the parties.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Like the Department of Health Services' (DHS') EHR project, the MLK-LA Healthcare EHR project is motivated by a number of facts, including the provision of high-quality health care to residents of Los Angeles County and to fulfill requirements of "meaningful use" and Health Care Reform.

Almost one year ago, MLK-LA Healthcare, the County and Cerner embarked on discussions to acquire an EHR for MLK Hospital. MLK-LA Healthcare already had completed a Request for Proposals process under which it selected Cerner and also had initiated contract negotiations. Upon its completion of negotiations with Cerner for the DHS EHR, the County shifted its efforts and joined

MLK-LA Healthcare's contract negotiations.

The discussions were motivated by the desire for the County to support the opening and ongoing operation of the new hospital. The need for a robust EHR to meet meaningful use requirements, and support the provision of high quality patient care, are imperatives that must be met prior to the facility opening. Since the County had already acquired Cerner's EHR for its health care system, and a close working relationship was acknowledged by all parties would benefit the new hospital and the Martin Luther King, Jr. Multi-Service Ambulatory Care Center (MLK MACC), joining in a three-party effort and contract makes logistical and practical sense.

By combining forces, the County and MLK-LA Healthcare were able to negotiate pricing that is virtually identical to that extended to the County under its agreement with Cerner. This, in turn, enabled MLK-LA Healthcare to purchase a more extensive array of Cerner products. Additionally, Cerner extended to MLK-LA Healthcare many of the protections which the County negotiated in its agreement, including warranties and indemnities.

Recognizing that the County's role would be limited, and to provide MLK-LA Healthcare support in the most crucial phase, the County and MLK-LA Healthcare determined that the County would withdraw from the Agreement at Final Acceptance of the system by the County and MLK-LA Healthcare. Thus, the County will provide financial support, not to exceed \$11,000,000, only until Final Acceptance, which is anticipated to occur in Spring 2015. During this period, the County and MLK-LA Healthcare will work collaboratively with Cerner on the design, build, testing and early implementation of the EHR. The County will approve and pay invoices submitted by Cerner on MLK-LA Healthcare's behalf to protect the County's financial contribution and to ensure that MLK-LA Healthcare benefits from the experience of the County's DHS in the design; build-out and testing of the MLK Hospital EHR. Upon Final Acceptance, Cerner and MLK-LA Healthcare will "restate" their ongoing agreement, and the County, by the express terms of the three-party Agreement, will be removed from the contract. Finally, the County may terminate the entire Agreement in the event that continuing negotiations on MLK-LA Healthcare's lease of the property and related issues are not successful.

Approval of the first recommendation will allow execution of a three-party Agreement with MLK-LA Healthcare, Cerner Corporation, and the County to provide an EHR System at MLK Hospital not to exceed \$11,000,000.

Approval of the second and third recommendations will allow the CEO to issue Change Notices that do not authorize additional costs or affect any material term of the Agreement and to reduce services and the Contract Sum and to add or change terms and conditions as required by the Board.

Approval of recommendation four will enable the County to establish a separate Martin Luther King, Jr. Community Hospital Financial Assistance budget unit to better monitor funds allocated for pre-hospital opening activities and other assistance provided by the County.

Approval of recommendation five will authorize the County to transfer \$2,300,000 from the County's Provisional Financing Uses budget unit to the Martin Luther King, Jr. Community Hospital Financial Assistance budget unit, upon Board approval, to allow the County to directly pay Cerner for start-up deliverables related to assisting MLK-LA Healthcare with acquiring a Cerner EHR System as Cerner requires certain start-up payments upon or soon after contract initiation.

Approval of recommendations six and seven will authorize the County to transfer funds from the County's Provisional Financing Uses budget unit to the Martin Luther King, Jr. Community Hospital

Financial Assistance budget unit, upon Board approval, to allow the County to provide MLK-LA Healthcare with an immediate lump-sum payment of \$13,100,000 for pre-hospital opening activities. The cost of completion and opening the MLK Hospital has exceeded expectations; as a result, the County has been working with MLK-LA Healthcare to develop strategies which will allow it to fund critical pre-hospital opening activities. Attachment A provides a listing of the additional funding needs to be paid for with the \$13,100,000.

Approval of recommendation eight will enable MLK-LA Healthcare to install and test equipment in advance of the opening of the new hospital scheduled to be in operation in early 2015. The proposed short-term use granted by the License and Right of Entry Agreement will provide MLK-LA Healthcare with the ability to test equipment prior to entering into the lease, which will minimize potential problems or delays caused by unexpected equipment issues.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1- Operation Effectiveness; Goal 2 – Fiscal Sustainability; and Goal 3 – Integrated Services Delivery of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Like the County's agreement for the DHS EHR System, the three-party Agreement's pricing is predominately fixed price, with price adjustments being limited to specific categories, such as the election of Optional Work. This pricing model provides significant predictability and control over potential cost changes in the Agreement's pricing both during the implementation and in outlying years. Implementation and software payments are tied to Cerner achieving defined milestones in EHR implementation.

The Agreement's pricing includes all license costs of the software and its implementation, including interfaces and training costs; all hosting costs; and all ongoing maintenance and support costs. The Contract Sum includes Pool Dollars, which are available for Optional Work, including additional professional services, the purchase of new software licenses and new content, and payment for use reconciliations.

In order to better monitor funds allocated for pre-hospital opening activities, the County will establish a new budget unit entitled Martin Luther King, Jr. Community Hospital Financial Assistance. Two appropriation adjustments to transfer funds from the County's Provisional Financing Uses budget unit to the Martin Luther King, Jr. Community Hospital Financial Assistance budget unit, to occur upon Board approval, will allow the County to allocate a total of \$15,400,000 to fund pre-hospital opening activities.

The County's total contribution for MLK-LA Healthcare's Cerner EHR system is an amount not to exceed \$11,000,000; however, the \$2,300,000 requested in the first appropriation adjustment to transfer funds comprises the amount the County will directly pay Cerner for start-up payments due upon agreement execution or shortly thereafter.

The second appropriation adjustment to transfer funds will allow the County to issue an immediate lump-sum payment of \$13,100,000 to assist MLK-LA Healthcare with purchasing equipment and other pre-hospital opening activities.

The County has been working diligently with MLK-LA Healthcare to develop mechanisms which will allow it to have sufficient funding necessary to open the hospital in early 2015. The acquisition of the

EHR System and the provision of additional funding for items such as medical equipment, computer equipment/software and to other professional services, will allow MLK-LA Healthcare to have prompt access to those items to ensure a timely and successful hospital opening.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Agreement includes all Board of Supervisors' required provisions. The Agreement also contains a modified Delegation and Assignment provision.

A CIO Analysis is not required since this Board letter seeks delegated authority for the County to provide financial assistance to MLK-LA Healthcare, a non-County organization, to execute a three-party Agreement among the County, Cerner, and MLK-LA Healthcare for an EHR System.

County Counsel retained the law firm of Foley & Larder, LLP to assist in all aspects of this negotiation. Accordingly, Foley & Lardner, in conjunction with County Counsel, drafted and negotiated the recommended Agreement. Additionally, in accordance with the Board's policy, the Office of the County Counsel separately will submit to the Board an attorney-client privileged communication which analyzes the Agreement.

CONTRACTING PROCESS

MLK-LA Healthcare issued a Request for Proposals and selected Cerner as its recommended contractor.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendations will enable the County to support MLK-LA Healthcare in their pre-hospital opening activities.

The Honorable Board of Supervisors

12/17/2013

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a long horizontal line extending to the right.

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:GP
EB:bjs

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller

MARTIN LUTHER KING, JR. COMMUNITY HOSPITAL
ADDITIONAL FINANCIAL ASSISTANCE
ATTACHMENT A

1. Medical Equipment and Supplies	\$4,300,000
2. IT Applications	\$1,300,000
3. Network Security, Equipment, Compliance and Testing	\$3,200,000
4. IT Consultant Services and Infrastructure	\$ 600,000
5. Staff Salaries and Other Consultants	\$3,700,000
TOTAL	\$13,100,000

December 06, 2013
DEPT NO: 060

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPARTMENT OF CHIEF EXECUTIVE OFFICER

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

**ADJUSTMENT REQUESTED AND REASONS THEREFOR
FY 2013-14
3 - VOTES**

SOURCES		USES	
PFU-VARIOUS A01-CB-2000-13749-13760 SERVICES & SUPPLIES DECREASE APPROPRIATION	2,300,000	MLK, JR. COMMUNITY HOSP FINANCIAL ASSISTANCE A01-CB-2000-19970 SERVICES & SUPPLIES INCREASE APPROPRIATION	2,300,000

SOURCES TOTAL **2,300,000**

USES TOTAL **2,300,000**

JUSTIFICATION

Reflects the transfer of \$2.3 million from the Provisional Financing Uses budget unit to the MLK, Jr. Community Hospital Financial Assistance budget unit for Cerner EHR start-up expenditures.



AUTHORIZED SIGNATURE GEVORK SIMDJIAN, MANAGER, CEO

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR---

- ACTION
- RECOMMENDATION

AUDITOR-CONTROLLER

BY *Karen Shikama*

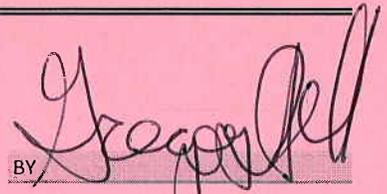
B.A. NO. **059**

DATE **Dec 6, 2013**

APPROVED AS REQUESTED

APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER



DATE **12/6/13**

December 06, 2013

DEPT NO: 060

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPARTMENT OF CHIEF EXECUTIVE OFFICER

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2013-14

3 - VOTES

SOURCES		USES	
PFU-VARIOUS		MLK, JR. COMMUNITY HOSP FINANCIAL ASSISTANCE	
A01-CB-2000-13749-13760		A01-CB-2000-19970	
SERVICES & SUPPLIES		SERVICES & SUPPLIES	
DECREASE APPROPRIATION	13,100,000	INCREASE APPROPRIATION	13,100,000

SOURCES TOTAL

13,100,000

USES TOTAL

13,100,000

JUSTIFICATION

Reflects the transfer of \$13.1 million from the Provisional Financing Uses budget unit to the MLK, Jr. Community Hospital Financial Assitance budget unit to assist with pre-hospital opening activities.



AUTHORIZED SIGNATURE GEVORK SIMDJIAN, MANAGER, CEO

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR---

ACTION

RECOMMENDATION

AUDITOR-CONTROLLER

BY *Karen Triakina*

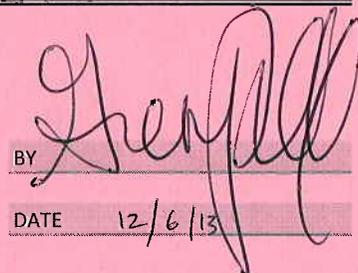
B.A. NO. **060**

DATE *Dec 6, 2013*

APPROVED AS REQUESTED

APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER



BY

DATE *12/6/13*