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LOS ANGELES COUNTY

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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

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ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

22 December 3, 2013

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

December 03, 2013

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

Dear Supervisors:

APPROVAL OF AMENDMENT NUMBER 1 TO AGREEMENT H-705407 WITH CERNER CORPORATION AND DELEGATION OF AUTHORITY TO AMEND AGREEMENTS WITH CERNER AND OTHER CONTRACTORS (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

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

SUBJECT

Approval of (i) Amendment Number 1 to Agreement H-705407 with Cerner Corporation for the provision of an Electronic Health Record System, also known as the Online Realtime Centralized Health Information Database, for the Department of Health Services, (ii) delegated authority to the Director of Health Services to further amend the Agreement with Cerner, and (iii) delegated authority to the Director to amend equipment and information technology agreements that may be impacted by the implementation of the Online Realtime Centralized Health Information Database.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate authority to the Director of Health Services (Director), or his designee to execute Amendment Number 1 to Agreement H-705407 with Cerner Corporation (Cerner) with no change to the Maximum Contract Sum, effective on execution, to (i) expend Pool Dollars in the amount of approximately $6.83 million in one-time fees and approximately $10.30 million in recurring fees over the 15 year term of the Agreement for the acquisition, implementation, hosting, and support of Cerner's cardiology licensed software

as part of the Optional Work under the Agreement, prior to Go-Live and based on the financial terms set forth in the Agreement; and (ii) execute Change Orders prior to the completion of Go-Live for expenditure of Pool Dollars up to approximately $6.63 million for the acquisition of additional end-user training Professional Services as part of Optional Work under the Agreement.

2. Delegate authority to the Director, or his designee, to amend the Cerner Agreement to: (i) revise the date of the system validation session and the dates of any dependent tasks, including the change of Go-Live date by the equal number of days; (ii) modify all cluster Go Live dates so that they fall on the first of the calendar month; (iii) revise the order of cluster implementation; and (iv) revise the Go-Live date of any cluster and subsequent dependent cluster Go-Live date, task deliverables or event up to a combined total of 120 days in order to account for any unexpected delays to the project schedule or if it is otherwise determined by the Director, to be in the best interest of the Online Realtime Centralized Health Information Database (ORCHID) Project and the County, with all actions subject to review and approval by County Counsel, the Chief Information Office (CIO), and with notification to the Board and Chief Executive Office (CEO).

3. Delegate authority to the Director, or his designee, to amend equipment maintenance and Information Technology (IT) agreements to facilitate successful and timely implementation of ORCHID, including but not limited to: acquisition of interfaces and related services; procurement of professional services; migration/archival of data and related professional services; extension of the term of agreements; increase of maximum agreement sums to effectuate the required aforementioned changes based on industry standard rates; and termination of such agreements in whole or in part in accordance with terms of each agreement, with all actions subject to review and approval by County Counsel and the CIO (if applicable) with notification to the Board and the CEO at a total estimated cost of $3.80 million.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Agreement with Cerner for the Department of Health Services' (DHS) Electronic Health Record, also known as the ORCHID was approved by the Board on November 27, 2012. On January 22, 2013, the Board approved funding of $359.00 million of funding for ORCHID for the first five-year period.

Recommendation One

Approval of the first recommendation will allow execution of an Amendment to the Agreement with Cerner to enable DHS to effectuate several actions with no change to the Maximum Contract Sum previously approved by the Board.

The Agreement's Contract Sum includes Pool Dollars, which are available for Optional Work that can be procured after final cluster Go-Live including: (i) additional professional services and the purchase of new software licenses the pricing of which was negotiated as part of the Agreement with expenditures authorized by the Director through the issuance of Change Orders; and (ii) additional Electronic Health Record (EHR) Capabilities, including purchase of a cardiovascular information system, which the County may purchase through a Board approved Amendment to the Agreement.

Pool Dollars for Optional Work are currently restricted for use after Go-Live. These funds are needed before Go-Live to enable Cerner to provide additional training to DHS staff in advance of ORCHID's first Go-Live date and to exercise the County's option to include Cerner's cardiology software as part of the Licensed Software in this implementation. This action will not increase funding in the Agreement. It will simply remove the restriction on using funds that are currently allocated in the Agreement for Professional Services and New Software in advance of Go-Live. When the Cerner Agreement was initially negotiated, the cardiology software was a fairly new offering from Cerner and there was not sufficient time to fully evaluate the solution before the Agreement was finalized and approved. However, DHS decided at the time to leverage the ability to include locked in pricing for the solution in the Agreement with an option to purchase it through the use of Pool Dollars. Subsequently, DHS and Cerner completed an assessment of DHS' current state and the proposed solution.

DHS determined that implementation of the Cerner cardiology software will deliver a cardiovascular reporting solution across DHS and will be fully integrated into ORCHID. It will replace a variety of disparate and paper based systems. In most cases, the current DHS clinical imaging and reporting systems are at maximum capacity in terms of licensing and end-of-life from a support perspective. Accessing cardiovascular images and results across the DHS enterprise varied with respect to the particular systems and workflows in use at each facility. Cerner's software supports the ability to order, schedule, read, and report Catherization, Echocardiogram and Vascular studies from one application suite and simultaneously provide ubiquitous access to these studies and reports from ORCHID.

Recommendation Two

The second recommendation will enable the Director to specifically exercise the delegated authority to amend the Agreement to change Go-Live dates, subject to review and approval of County Counsel and the CIO with notice to the Board and CEO.

By way of background, DHS requests to reschedule the third of three trips that staff must take to Kansas City to build ORCHID. The Agreement requires a contingent of DHS employees to travel three times to Kansas City for ORCHID's build. The first trip for "System Review" took place the week of July 7 through 12, 2013, and resulted in a 10 percent overall build. The second trip for "System Design" took place September 30 through October 4, 2013, and resulted in a 50 percent build.

The third trip for "System Validation" is scheduled December 9 through 13, 2013, and will result in a 90 percent build. However, because this trip will occur during the holidays and may impinge staff's family commitments and travel plans, with potentially adverse impact on attendance, upon Board approval, DHS will be moving that trip to January 6 through 10, 2014. This change would also give DHS additional time to mature the build effort after the second trip along with providing a fresh start to the new year. No additional funding is needed; however, this change would result in the Go-Live date for the ORCHID System being moved back 28 days from June 23, 2014 to July 21, 2014.

An Amendment to the Agreement is needed to move the Go-Live dates. The Go-Live dates need to be moved to first day of the calendar month to eliminate any partial month financial/regulatory reporting and reconciliation process. Given the criticality of the decision to go live, DHS is requesting delegated authority to change that date and dependent dates for a combined total of 120 days; based on a balancing of the readiness of the system and testing results and the need to address unforeseen issues with the need for a timely implementation. In looking at recent electronic health record implementations in health systems of a similar complexity and size, these implementations

consistently hit their Go-Live targets anywhere from 90 to 120 days beyond the initial target date. Because changes to the agreement's Go-Live dates require a formal Amendment, DHS has included Amendment language to delegate authority to the Director to adjust the agreement's Go-Live dates for any cluster by up to a combined total of 120 days. These changes will not require additional funding.

Recommendation Three

Approval of the third recommendation will delegate authority to amend or terminate equipment and IT agreements impacted by ORCHID'S implementation. DHS has determined there are number of existing clinical IT application and equipment maintenance agreements that will be retained and software and/or equipment will need to interface with ORCHID. There are also other clinical IT applications that may be discontinued and others that may be phased-out requiring associated archival and data migration professional services. Extension of terms for agreements are required to be aligned with ORCHID's staggered implementation and may require increase of agreements' maximum sum to continue the service until the successful replacement or implementation of interface has been completed and validated, and on-going maintenance for the interfaces initiated. Certain agreements may need to be terminated because functionality will be replaced by ORCHID.

Agreement maximum sums may need to be increased to effectuate these changes. DHS has calculated the total estimated cost of $3.80 million. DHS is identifying the Agreements that will require modification. Therefore, rather than file an individual Board letter for each potentially impacted Agreement, the delegation will allow DHS to amend or terminate agreements as needed over the course of ORCHID's implementation. DHS will keep the Board informed of what actions are taken in regards to each agreement, and DHS will work closely with County Counsel, and the CIO if appropriate, to effectuate the necessary Amendments and provide notice to the Board and CEO. The total estimated cost of $3.80 million is funded within the January 22, 2013 Board approved $359.00 million of funding for ORCHID for the first five-year period.

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

Funding is included in the Fiscal Year (FY) 2013-14 Final Budget and will be requested in future fiscal years as needed in accordance with the January 22, 2013 Board approved $359.00 million of funding for ORCHID for the first five-year period.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Because of the importance of this project, DHS continued to retain Foley & Lardner, in conjunction with County Counsel, to advise on implementation. The CIO concurs with the Department's recommendation and that office's analysis is attached as Attachment A.

CONTRACTING PROCESS

The requested actions include amending the current Cerner Agreement that was originally awarded as a result of a Request for Proposals process. Acquisition of the Cerner cardiology software and the Professional Services for training is permissible through an Agreement Amendment as there are Pool Dollars specifically identified in the Agreement to do so. The delegated authority to amend equipment maintenance and clinical IT agreements is necessary as only a current contractor can provide interfaces and/or professional services with regards to their equipment and software.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendations will enable DHS to implement a centralized, standardized, and enterprise-wide EHR System which ensures patients seeking services at any location within DHS receive consistent care, supported by the same EHR across the entire care continuum.

Respectfully submitted,

Mitchell H. Katz, M.D.
Director

RICHARD SANCHEZ
Chief Information Officer

MHK:KH:kh

Enclosures

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

RICHARD SANCHEZ
CHIEF INFORMATION OFFICER

Office of the CIO

CIO Analysis

NUMBER:	DATE:
CA13-25	11/8/2013

SUBJECT:

APPROVAL OF AMENDMENT NUMBER 1 TO AGREEMENT H-705407 WITH CERNER CORPORATION AND DELGATE AUTHORITY TO AMEND AGREEMENTS WITH CERNER AND OTHER CONTRACTORS

RECOMMENDATION:

☒ Approve ☐ Approve with Modification ☐ Disapprove

CONTRACT TYPE:

☐ New Contract ☐ Sole Source
☒ Amendment to Agreement #: H-705407 ☐ Other: Describe contract type.

CONTRACT COMPONENTS:

☒ Software ☐ Hardware
☐ Telecommunications ☒ Professional Services

SUMMARY:

Department Executive Sponsor: Mitchell H. Katz, M.D., Diretor of Health Services

Description: Department of Health Services (DHS) is requesting authorization to:

1) Execute Amendment Number 1 to Agreement H-705407 with Cerner Corporation (Cerner) to expend Pool Dollars ($6.83 Million in one-time fees and $10.3 Million in annual recurring fees over 15 years) for the acquisition of the Cerner's cardiology licensed software and services; and execute Change Orders for up to 6.63 Million in Pool Dollars for additional end-user training Professional Services.
2) Amend the Agreement to revise the date of the system validation session and that of dependent tasks, including the Go-Live dates; and revise the order of cluster implementation and change the Go-Live date of any cluster by up to 120 days.
3) Amend, if needed, equipment maintenance and IT agreements to support timely implementation of Electronic Health Record (EHR) system at a total estimated cost of $3.8 Million and that includes interfaces to relevant systems.

Contract Amount: No change Funding Source: DHS Fiscal Year (FY) 2013-14 Final Budget

☒ Legislative or Regulatory Mandate ☐ Subvened/Grant Funded: Enter %

Strategic and Business Analysis	PROJECT GOALS AND OBJECTIVES: The EHR project, known as Online Realtime Centralized Health Information Database (ORCHID), was extablished to: 1) Enhance patient safety, care delivery, and reduce costs; 2) Ensure continued revenue by complyimg with Meaningful Use guidelines; and 3) Retire the current solution which will become unsupported by the existing vendor. The proposed Amendment will enable DHS to have the flexibility to reach these targets in an expedient manner.
	BUSINESS DRIVERS: The key business drivers for the project are: 1) Implement a centralized, standardized, enterprise-wide EHR System (ORCHID) to ensure quality, consistent care. 2) Meet meaningful use requirements under American Recovery and Reinvestment Act of 2009 (ARRA), to receive ARRA's incentives related to the achieving "meaningful use" and to avoid penalties for non-compliance with ARRA as a result of failing to achieve "meaningful use." 3) Implement ORCHID in a nimble and timely manner. 4) Some existing systems have to be interfaced with.
	PROJECT ORGANIZATION: Dr. Mitchell H. Katz, Director of Health Services, is the Project Executive Sponser and Dr. Roger Lewis is the Project Director. Kevin Lynch, DHS Chief Information Officer (CIO), is the Information Technology (IT) lead. DHS has a well defined project governance for project design and build phase, and wants to have the required flexibility to implement such a large and complex project.
	PERFORMANCE METRICS: The original Agreement identifies Service Levels for Response, Resolution, and Software Response Time. The County will receive corresponding credits for failures to meet these service levels.
	STRATEGIC AND BUSINESS ALIGNMENT: The project supports the following County Strategic Plan goals: Goal 1, Operational Effectiveness, Goal 2, Fiscal Sustainability, and Goal 3, Integrated Services Delivery.

	PROJECT APPROACH: DHS has acquired Cerner's commercial-off-the-shelf EHR software, which will be configured to meet DHS business needs while minimizing system customizations. The system will be implemented in phases for inpatient hospitals and ambulatory clinics. The planned order of implementation is: Harbor-UCLA Medical Center and Martin Luther King Multi-Ambulatory Care Center, LAC+USC Medical Center, High Desert Multi-Ambulatory Care Center, Rancho Los Amigos National Rehabilitation Center, and Olive View Medical Center.
	ALTERNATIVES ANALYZED: The Cerner Agreement was originally awarded as result of a competitive RFP process. Acquisition of Cerner's Cardiology module and professional services for training were already identified in the Agreement. After detail assessment, DHS found that the Cerner cardiology solution was a better solution compared to their current solution.
Technical Analysis	ANALYSIS OF PROPOSED IT SOLUTION: The Cerner EHR Solution called Millennium and includes both core component and additive components. The DHS project scope includes: Scheduling, Registration, Master Patient Index, Medical Records, Orders/Results, Computerized Physician Order Entry, Clinical Documentation, Operating Room, Emergency Room, Radiology, Laboratory and Inpatient Pharmacy, and Document Imaging System. Existing DHS systems that will be interface to EHR system include: the Fuji PACS Radiology, QuadraMed Patient Accounting, and Outpatient Pharmacy. Cardiovascular module was not originally part of the RFP because at the time (Spring/Summer/Fall 2011) no major EHR solution had an integrated module. Subsequently, DHS and Cerner conducted several hands on evaluations of Cerner's product functionality over the Summer of 2013, and completed an assessment report that identified Cardiovascular module as the preferred solution over their current array of disparate cardiology systems.

Financial Analysis	BUDGET: The Cash Flow Summary (Attachment D of original Agreement) has a detailed analysis for the 15 years projected. The total contract sum will not exceed $366,992,924 including the extension periods. The components are 1. Base contract that includes software licenses, implementation services, hardware, third-party software, support, remote hosting, and Application Management Services in the amount of $272,484,425. 2. Optional Work/Pool Dollars in the amount of $55,912,701 that include additional software professional services, training, and Use Reconciliation (if actual system usage exceeds projected system usage in the base contract). 3. Additional EHR capabilities in the amount of $38,595,798 that include acquisition of future software. Acquiring some or all of these software components will need a separate Board approval. The cardiology software is part of these optional items that DHS has determined will be needed for a proper integration. The cost of this acquisition is $6.83 Million in one time fees and $10.3 Million in annual recurring fees over 15 years. 4. Estimated cost of interfaces are $7,500 for one-direction per application; some of the interfaces may need two direction interfaces. Most applications have more than one interface and involve multiple DHS facilities. On-going maintenance fees for the new interfaces may be needed and are estimated to be approximately 18 percent of the total interface cost. Average rate of professional services is $175/hour. The total cost is estimated to be $3.8 Million. The current Amendment will not increase the original contract sum.
Risk Analysis	RISK MITIGATION: The Amendment related risks are: 1. ORCHID team needs a strong change management and communications plan and a thorough project approach to keep the timelines. They need to report back to CIO the project details for transparency, and reduce the risk of scope and timeline changes. 2. The Chief Information Security Officer (CISO) has reviewed the Amendment and did not identify any IT security or privacy related issues.

CIO Approval	PREPARED BY:	
	Sanmay Mukhopadhyay, Sr. Associate CIO	11-21-13 Date
	APPROVED:	
	Richard Sanchez, County Chief Information Officer	11-21-13 Date

Please contact the Office of the CIO (213.253.5600 or info@cio.lacounty.gov) for questions concerning this CIO Analysis. This document is also available online at http://ciointranet.lacounty.gov/