

**COUNTY OF LOS ANGELES**

MARVIN J. SOUTHARD, D.S.W.  
*Director*

ROBIN KAY, Ph.D.  
*Chief Deputy Director*

RODERICK SHANER, M.D.  
*Medical Director*



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**DEPARTMENT OF MENTAL HEALTH**

<http://dmh.lacounty.gov>

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601  
Fax: (213) 386-1297

November 3, 2009

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

20 NOVEMBER 3, 2009

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

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 4 TO COUNTY AGREEMENT NUMBER 74144  
WITH SIERRA SYSTEMS, INC.  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**CIO RECOMMENDATION: APPROVE (X)**

**SUBJECT**

Request approval of Amendment No. 4 to the Agreement with Sierra Systems, Inc., a Washington Corporation (Sierra Washington), to add \$700,000 in Pool Dollars for Fiscal Year 2009-10 for County-requested Professional Services/Change Orders to the Integrated System.

**IT IS RECOMMENDED THAT YOUR BOARD:**

Approve and authorize the Director of Mental Health, or his designee, to prepare, sign, and execute Amendment No. 4, substantially similar to the Attachment, to the existing Department of Mental Health (DMH) Health Insurance Portability and Accountability Act (HIPAA) Remediation Project, County Agreement No. 74144 with Sierra Washington for Fiscal Year (FY) 2009-10. The Amendment will be effective upon Board approval and will provide an additional \$700,000 in Pool Dollars for Professional Services/Change Orders funded by County General funds, Federal and State revenues and other sources.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Board approval of the recommended action will increase Pool Dollars from \$3,435,705 to \$4,135,705 for County-requested Professional Services/Change Orders for Integrated System (IS)-related work. The IS is the system by which contract providers

*"To Enrich Lives Through Effective And Caring Service"*

full term of the contract. The increase in the Maximum Contract Sum (MCS) for FY 2009-10 is fully funded by DMH's FY 2009-10 Budget.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On September 3, 2002, the Board approved County Agreement No. 74144 with Sierra Systems Group, Inc., a California Corporation (Sierra California), a wholly owned subsidiary of Sierra Systems Group, Inc., a British Columbia corporation, to develop an IS in order to assist DMH in achieving compliance under the HIPAA TCS by the extended Federal deadline of October 16, 2003.

Subsequently, pursuant to the Agreement, DMH executed Amendment Nos. 1, 2, and 3 on March 26, 2003; December 15, 2005; and September 16, 2008, respectively. Amendment No. 1 revised standard County contract language regarding HIPAA. Amendment No. 2 changed the names of the County Project Director and County Project Manager, added standard contract monitoring language to protect against contract overruns, added and revised certain standard contract provisions and amended contract language regarding HIPAA. Amendment No. 3 acknowledged the merger of Sierra California with and into Sierra Washington, effective as of December 31, 2003; extended the term of the Agreement through June 30, 2012, with an additional six-month extension through December 31, 2012; increased the MCS by a total of \$8,224,968 to a total of \$27,245,525; and added and revised certain other County-required provisions of the Agreement.

### **Short-Doyle/Medi-Cal Phase II Project**

Short-Doyle is an abbreviated way of describing a group of related local assistance programs and activities associated with Medi-Cal behavioral health services delivery. The State's current claiming system, referred to as Short-Doyle Medi-Cal HIPAA Phase I (SDI), processes health care claims submitted from counties and direct service providers to the SDMH. SDMH acts as an agent of the Federal Medicaid Program, operating as Medi-Cal, and maintains the mainframe-based system that makes the actual payments to counties and direct service providers.

The State SDII project addresses several gaps between the SDI system and the full set of HIPAA TCS compliance requirements. Significant business and system changes are required of DMH. SDII involves a significant re-design of the IS claiming system, as well as extensive changes to the Day Treatment Units of Service application and changes to the legacy mainframe system.

and DMH directly operated programs are able to claim services and receive reimbursement from various funding sources.

The primary reason for the increase in Pool Dollars for FY 2009-10 is the significant State mandated IS changes which are required to implement the Short Doyle/Medi-Cal Phase II project (SDII). SDII will bring the State into full compliance with the HIPAA Transactions and Code Sets (TCS) rules and provide the State with a more modern and more flexible application for the future. The State transition requires California counties to make substantial changes to their Medi-Cal claiming systems, the IS in the case of Los Angeles County, in order to be compatible with SDII. Changes will also be required in the Day Treatment Units of Service application. Additionally, changes to the legacy mainframe system may be necessary, although these changes will be far less substantial and less costly than the IS changes.

A second contributing factor to the need to increase available Pool Dollars were the required documentation changes to Certified Public Expenditure (CPE) associated with claims submitted to the State, and ultimately to the Federal government, for reimbursement under the Medicaid program. The CPE project was an unanticipated and very complex project that involved both changes to the IS and changes to DMH business practices. The changes in CPE had two consequences: it unavoidably used up the FY 2009-10 Pool Dollars and it tied up staff resources so that the DMH start on SDII has been delayed. DMH is faced with a large, complex, and highly time sensitive project that will require more Pool Dollars than are currently available for FY 2009-10.

Because of the potential fiscal impact of this project, SDII is the top priority information technology and business process change project in DMH for the next six months. Failure to meet the State's February 1, 2010, deadline for SDII implementation means that DMH would be unable to submit claims to State of California Department of Mental Health (SDMH); this would stop all Medi-Cal revenue to DMH until SDII compliance was achieved.

### **Implementation of Strategic Goals**

The recommended action is consistent with County Strategic Plan Goal 4, Health and Mental Health.

### **FISCAL IMPACT/FINANCING**

The Amendment will have no impact on net County cost. The Amendment will increase the contract by \$700,000 for a revised total contract maximum of \$27,945,525 for the

The proposed Amendment increases Pool Dollars for Professional Services/Change Orders, which will include, without limitation, IS-related work needed to implement the SDII compliance in DMH.

The Amendment has been reviewed and approved as to form by County Counsel. The Chief Executive Office and County's Chief Information Officer have reviewed and approved the recommended action.

### **CONTRACTING PROCESS**

Sierra California was selected through a formal open-competitive solicitation process. On September 3, 2002, your Board awarded the Agreement, with a three-year term measured from the date of system acceptance (with an automatic extension for three two-year extension periods and a single one-year extension period, unless either party elected not to extend the term further) in the amount of \$19,020,557, to Sierra California, which merged with and into Sierra Washington, to provide an information technology solution to allow DMH to achieve compliance with the HIPAA TCS rules while continuing to use and improve its legacy system, the Mental Health Management Information System.

DMH did not advertise this proposed Amendment No. 4 on the Office of Small Business Countywide Web Site as a contracting opportunity because it is for the continued provision of technical services which the current contractor is uniquely qualified to perform. To select a new contractor at this time would be extremely costly to the County.

**IMPACT ON CURRENT SERVICES**

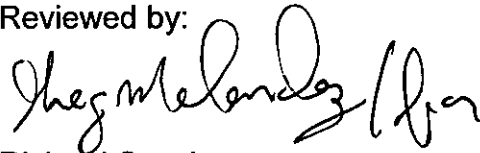
The execution of Amendment No. 4 will allow DMH to continue to send HIPAA compliant Medi-Cal claims to SDMH on and after the February 1, 2010, deadline for SDII compliance. Failure to approve this Amendment will mean that DMH will be unable to submit Medi-Cal claims to SDMH effective February 1, 2010.

Respectfully submitted,



Marvin J. Southard, D.S.W.  
Director of Mental Health

Reviewed by:



Richard Sanchez  
Chief Information Officer

MJS:MM:RG:RK

Attachment

c: Chief Executive Officer  
Acting County Counsel  
Chief Information Officer  
Executive Officer, Board of Supervisors  
Chairperson, Mental Health Commission

# CIO ANALYSIS

## AMENDMENT NO. 4 TO AGREEMENT 74144 WITH SIERRA SYSTEMS, INC. TO INCREASE CONTRACT PROFESSIONAL SERVICES POOL DOLLARS

CIO RECOMMENDATION:     APPROVE             APPROVE WITH MODIFICATION  
     DISAPPROVE

**Contract Type:**

New Contract                             Contract Amendment             Contract Extension  
 Sole Source Contract             Hardware Acquisition             Other

New/Revised Contract Term:    Base Term: N/A Yrs.            # of Option Yrs. N/A

**Contract Components:**

Software                             Hardware                             Telecommunications  
 Professional Services

**Project Executive Sponsor:** Marvin J. Southard, D.S.W., Director, DMH

**Budget Information :**

Contract Expenditures	\$24,245,525
Requested Contract Amount	\$ 700,000
Aggregate Contract Amount	\$27,945,525

**Project Background:**

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project legislatively mandated? <i>These funds will be used to make changes to the IS system to comply with State mandated changes which are required to implement the Short Doyle/Medi-Cal Phase II project.</i>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project subvented? If yes, what percentage is offset?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project/application applicable to (shared use or interfaced) other departments? If yes, name the other department(s) involved.

**Strategic Alignment:**

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project in alignment with the County of Los Angeles Strategic Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project consistent with the currently approved Department Business Automation Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project's technology solution comply with County of Los Angeles IT Directions document?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project technology solution comply with preferred County of Los Angeles IT standards?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	This contract and/or project and its milestone deliverables must be entered into the Information Technology Tracking System (ITTS).

**Project/Contract Description:**

The Department of Mental Health (DMH) is requesting Board approval to delegate authority to the Director of DMH, or his designee, to prepare, sign, and execute Amendment No. 4 to the existing County Agreement No. 74144 with Sierra Washington for additional professional services pool dollars. This funding will support changes to DMH's Integrated System (IS), which are required by State mandated changes to the Medi-Cal reimbursement process.

**Background:**

On September 3, 2002, the Board approved County Agreement No. 74144 with Sierra Systems Group, Inc., a California corporation, to develop the IS to assist DMH in achieving compliance with Health Insurance Portability and Accountability Act (HIPAA). The IS is DMH's Medi-Cal claiming system.

Sierra was selected through a formal open competitive solicitation process. The development of the IS allowed DMH to achieve HIPAA compliance, while continuing to use and improve its legacy system, the Mental Health Management Information System (MHMIS). Since the original Agreement was signed, DMH executed three Amendments to the Agreement.

**Project Justification/Benefits:**

The execution of Amendment No. 4 will provide DMH the additional Pool Dollars for Professional Services required to implement two State mandated changes:

1. Short Doyle/Medi-Cal Phase II (SDII) project, which requires DMH to make substantial changes to the IS; and
2. Certified Public Expenditure (CPE) documentation changes associated with claims submitted to the State, and ultimately to the Federal government, for reimbursement under the Medicaid program.

SDII is the most significant change due to its complexity and financial impact to the Department. Failure to meet the State's February 1, 2010 deadline for SDII implementation means that DMH would be unable to submit reimbursement claims to the State of California Department of Mental Health (SDMH). Effectively, this would stop all Medi-Cal revenue to DMH until SDII compliance is achieved.

**Project Metrics:**

The primary metric related to the Amendment will be whether or not DMH and Sierra will be able to complete the system modifications in time to meet the State's February 1, 2010 deadline.

**Impact On Service Delivery Or Department Operations, If Proposal Is Not Approved:**

The execution of this Amendment will allow DMH to continue to send HIPAA compliant Medi-Cal claims to the SDMH. Failure to approve this Amendment will mean that DMH will be unable to submit Medi-Cal claims to the SDMH effective February 1, 2010. This would stop all Medi-Cal revenue to DMH until SDII compliance is achieved.

**Alternatives Considered:**

None.

**Project Risks:**

Because of the tight timeframe and potential financial impact, there are several risks to this project. All of these risks and risk mitigation measures have been discussed with the Department's IT leadership:

- Sierra's ability to complete the work by the State deadline. This can have a major negative impact on DMH's cashflow.
- Lack of a Statement of Work outlining the exact work to be completed.
- Availability of DMH resources for required system testing and training.
- Risk to other IT projects and daily IT operations because of the need to deploy a large number of resources to this project over the next six months.

**Risk Mitigation Measures:**

Within the existing schedule constraints, DMH seems to be doing everything possible to mitigate these risks – including:

- The Department is working with internal resources and Contract Providers on a strategy to mitigate the risks associated with not meeting the State's deadline.
- The Department is committed to developing the Change Requests on a flow basis, as the requirements from the State are clarified. This will reduce the tasks to manageable work packages. The Chief Information Office (CIO) will review and approve all Sierra Change Requests associated with the IS.
- The Department is committed to allocating all of the resources necessary to complete the required testing and training associated with the system changes.
- The Department is fully aware and accepting of the fact that other projects and daily activities may need to be deferred in order to allocate enough resources to this effort.

**Financial Analysis:**

Amendment No. 4 will have no impact on net County cost. The Amendment will increase the contract by \$700,000 for a revised contract maximum of \$27,945,525 for the full term of the contract. The increase in the Maximum Contract Sum for FY 2009-10 is fully funded by DMH's FY 2009-10 Operating Budget.



**CIO Concerns:**

No concerns aside from the risks identified.

**CIO Recommendations:**

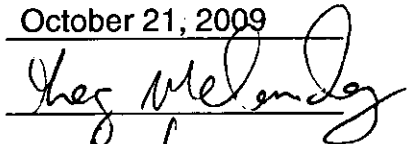
Based on our review of the Board Letter and discussions with the Department, the CIO recommends approval of the recommended action.

**CIO APPROVAL**

Date Received: October 16, 2009

Prepared by: Henry Balta

Date: October 21, 2009

Approved: 

Date: 10/22/2009

**Amendment No. 4 to Agreement for  
HIPAA Remediation Project  
(County Agreement Number 74144)**

This Amendment No. 4 ("Amendment No. 4") is entered into by and between the County of Los Angeles ("County") and Sierra Systems Inc., a Washington corporation ("Contractor") and amends that certain County agreement Number 74144, dated September 3, 2002, by and between County and Sierra Systems Group Inc., a California corporation ("Sierra California") for a HIPAA Remediation Project ("Original Agreement"), as amended by that certain Amendment No. 1, dated as of March 26, 2003 ("Amendment No. 1"), and that certain Amendment No. 2, which is dated as of December 15, 2005 and, as adopted and ratified as of September 16, 2008, is effective as of December 15, 2005 ("Amendment No. 2"), and that certain Amendment No. 3, dated as of September 16, 2008 ("Amendment No. 3"), and any prior implemented Change Orders (the Original Agreement, as so amended prior to the date hereof, the "Existing Agreement").

WHEREAS, County and Contractor desire to amend the Existing Agreement in order to increase the amount of Pool Dollars available for Professional Services/Change Orders; and

WHEREAS, County and Contractor are presently engaged in negotiations concerning rights and obligations under the Existing Agreement and, without prejudice to each party's position and interpretation of the terms contained in the Existing Agreement, desire to amend the Existing Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and pursuant to Paragraph 6 (Change Orders and Amendments) of the Existing Agreement, County and Contractor hereby agree as follows:

**1. Construction.**

1.1 Capitalized terms used in this Amendment No. 4 without further definition shall have the meaning ascribed to them in the Existing Agreement.

1.2 As used in this Amendment No. 4, words and phrases such as "including," "for example," "e.g.," and "such as," are intended to be descriptive and not limiting.

1.3 Neither the existence of this Amendment No. 4 nor any provision herein shall be used as an admission of liability with respect to any acts, transactions or events occurring or arising prior to the Amendment No. 4 Effective Date. Nor shall this Amendment No. 4 be used as evidence of a breach by either party of any contractual or other obligation that existed prior to the Amendment No. 4 Effective Date. This Amendment No. 4 shall not be admissible as evidence in any dispute between the

parties other than to establish the duties arising from this Amendment No. 4 with respect to transactions, events or occurrences after the Amendment No. 4 Effective Date.

## **2. Amendments to the Base Document of the Existing Agreement.**

The base document to the Existing Agreement is amended as follows:

2.1 Agreement. Subparagraph 1.1 is hereby amended by deleting it in its entirety and replacing it with the following:

"1.1 Agreement. This base document, along with Exhibits A through Q attached hereto and the appendices attached to the Statement of Work, in each case, as amended by Amendment No. 1 (defined below), Amendment No. 2 (defined below), Amendment No. 3 (defined below) and Amendment No. 4 (defined below) and Change Orders 1 through 101 (with the exception of cancelled Change Orders 14, 30, 33, 43, 54, 62, 66, 72, 74 and 87), collectively constitute and throughout and hereinafter are referred to as the "Agreement"."

2.2 Definitions. Paragraph 2 (Definitions) is hereby amended by adding the following definitions thereto in the appropriate alphabetical order:

2.2.1 "Amendment No. 4" means that certain Amendment No. 4 to County Agreement Number 74144, dated as of the date of approval by County's Board of Supervisors, by and between County and Contractor."

2.2.2 "Amendment No. 4 Effective Date" means the date on which Amendment No. 4 becomes effective in accordance with its terms."

2.3 Subparagraph 3.2.1 (County Project Manager) is hereby amended by deleting it in its entirety and replacing it with the following:

"3.2.1 County Project Manager for this Agreement shall be the following person:

Jay Patel"

2.4 Subparagraph 4.1.1 (Contractor Project Director) is hereby amended by deleting it in its entirety and replacing it with the following:

"4.1.1 Contractor Project Director shall be the following person:

Kurt Hensler"

2.5 Subparagraph 4.2.1 (Contractor Project Manager) is hereby amended by deleting it in its entirety and replacing it with the following:

"4.2.1 Contractor Project Manager shall be the following person who shall be a fulltime employee of Contractor:

Colleen Walker"

2.6 Subparagraph 8.3 is hereby amended by deleting it in its entirety and replacing it with the following:

"8.3 Pool Dollars. Exhibit C (Price and Schedule of Payments) includes the aggregate pool dollars available for Professional Services/Change Orders in accordance with Subparagraph 13.5 (Professional Services) and Paragraph 6 (Change Orders and Amendments) (collectively, "Pool Dollars"). Contractor acknowledges that, as of the Amendment No. 4 Effective Date, Change Orders 1 through 101, with the exception of cancelled Change Orders 14, 30, 33, 43, 54, 62, 66, 72, 74 and 87, have been executed and County has paid to Contractor \$2,853,971 in Pool Dollars in exchange for Professional Services/Change Orders requested by County thereunder. County and Contractor acknowledge and agree that as of the Amendment No. 4 Effective Date, \$1,281,734 [(\$3,435,705 – [\$2,853,971]) + [\$700,000]] of Pool Dollars are available for Professional Services/Change Orders in accordance with Subparagraph 13.5 (Professional Services) and Paragraph 6 (Change Orders and Amendments). Beginning each fiscal year (i.e., July 1) following the Amendment No. 4 Effective Date, and during the Initial Term, County Project Director will have the authority, in his/her sole discretion and subject to availability of funds in County's budget, to increase the then remaining amount of available Pool Dollars by up to \$200,000. In the event County Project Director exercises his/her discretion to extend the Initial Term pursuant to Paragraph 7 (Term), County Project Director will have the authority, in his/her sole discretion and subject to availability of funds in County's budget, to increase the then remaining amount of available Pool Dollars by up to \$100,000. Notwithstanding any provision of this Agreement to the contrary, Contractor is not obligated to perform Work under Change Orders if Pool Dollars are not available to pay for such Work."

2.7 Subparagraph 10.2 is hereby amended by deleting it in its entirety and replacing it with the following:

"10.2 Submission of Invoices. Contractor shall invoice County upon completion of Tasks, subtasks, Deliverables, goods and services and other Work which are

specified in this Agreement, Exhibit B (Statement of Work), Exhibit C (Price and Schedule of Payments), Exhibit F (Maintenance & Support), and any Change Orders, as applicable, and which have been approved in writing by County pursuant to Paragraph 5 (Work; Approval and Acceptance). With regard to Maintenance Services provided to County pursuant to Paragraph 13 (Maintenance, Support and Professional Services) and Exhibit F (Maintenance & Support), Contractor shall invoice County the amount of the Maintenance Fee, on a monthly basis in arrears. Contractor agrees not to submit any invoice for payment until County has approved in writing the Work for which payment is claimed. All invoices and supporting documents under this Agreement shall be submitted in duplicate to the following address:

Department of Mental Health  
Chief Information Office Bureau  
695 S. Vermont Avenue, 7<sup>th</sup> Floor  
Los Angeles, California 90005  
Attn: Robert Greenless  
Phone: (213) 251-6481"

**3. Amendment to Exhibit C (Price and Schedule of Payments).**

Exhibit C (Price and Schedule of Payments) to the Existing Agreement is hereby amended by deleting it in its entirety and replacing it with the revised Exhibit C (Price and Schedule of Payments), each page dated October 2009, which is attached hereto as Attachment 1 (Exhibit C (Price and Schedule of Payments)) and incorporated herein by reference.

**4. Effectiveness of Amendment No. 4.**

This Amendment No. 4 shall become effective on the date of approval by County's Board of Supervisors.

**5. Incorporation of "Whereas" Clauses.**

Contractor and County agree that the "Whereas" clauses in this Amendment No. 4 are hereby incorporated into this Amendment No. 4 as though fully set forth hereat.

**6. Other Provisions of Agreement.**

Except as provided in this Amendment No. 4, all other terms and conditions of the Agreement shall remain in full force and effect.

**7. Authorization Warranty.**

Contractor hereby represents and warrants that the person executing this Amendment No. 4 for Contractor is an authorized agent who has actual authority to bind Contractor to each and every term, condition, and obligation of this Amendment No. 4 and that all requirements of Contractor have been fulfilled to provide such actual authority.

**8. Arm's Length Negotiations.**

This Amendment No. 4 is the product of arm's length negotiation between Contractor and County. Each party has had at all times the opportunity to receive advice from independent counsel of its own choosing. This Amendment No. 4 is to be interpreted fairly as between the parties, and not strictly construed as against either party as drafter or creator.

**9. Entire Agreement.**

This Amendment No. 4 together with the Existing Agreement and exhibits and attachments hereto and thereto and Change Orders 1 through 101, with the exception of cancelled Change Orders 14, 30, 33, 43, 54, 62, 66, 72, 74 and 87, constitutes the entire agreement of County and Contractor as of the date of approval of this Amendment No. 4 by County's Board of Supervisors, superseding any and all prior understandings, arrangements and agreements between County and Contractor, whether oral or written, in respect of the terms and conditions hereof..

**10. No Waiver.**

The execution of this Amendment by the parties shall not serve as a waiver by either party of any claims, rights, defenses or remedies that either party may have against the other party. Any and all such claims, rights or remedies are hereby expressly reserved by the parties.

IN WITNESS WHEREOF, the County of Los Angeles Board of Supervisors has caused this Amendment No. 4 to County Agreement Number 74144 to be subscribed by County's Director of Mental Health, and Contractor has caused this Amendment No. 4 to be subscribed on its behalf by its duly authorized officer, this \_\_\_\_ day of \_\_\_\_\_, 2009.

**COUNTY OF LOS ANGELES**

By: \_\_\_\_\_  
Marvin J. Southard, D.S.W., Director,  
Department of Mental Health

ATTEST:

SACHI A. HAMAI  
Executive Officer  
of the Board of Supervisors

By: \_\_\_\_\_  
Deputy

**SIERRA SYSTEMS INC., A WASHINGTON CORPORATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

APPROVED AS TO FORM:  
RAYMOND G. FORTNER, JR.  
County Counsel

By: \_\_\_\_\_  
Richard D. Bloom  
Senior Deputy County Counsel

**Amendment No. 4 to Agreement for  
HIPAA Remediation Project,  
County Agreement Number 74144**

**Attachment 1**

**Exhibit C (Price and Schedule of Payments)**

[see attached]



Task	DMH HIPAA Remediation Deliverables	Payment Date	Invoice Amount	Monthly Maintenance Fees	% of Invoiced Amount to Total
1.0 Manage and Control Project	1.1 Project Control Document 1.2 Semi-Monthly Project Status Reports (14 Months) **	09/23/02 \$ Semi-Monthly \$	17,303 367,043		0.14% 2.89%
2.0 Design General Solution	2.1 Prepare Integrated System Requirements 2.2 Design General Solution	11/04/02 \$ 11/18/02 \$	109,720 88,090		0.87% 0.69%
3.0 Document Business Processes	3.1.1 April 16th Business Processes 3.1.2. Other Business Processes 3.2.1 April 16th Data Elements 3.2.2 Other Data Elements	12/18/02 \$ 03/11/03 \$ 12/27/02 \$ 04/15/03 \$	283,148 192,645 278,429 208,376		2.23% 1.52% 2.20% 1.64%
4.0 Establish Technical Architecture	4 Technical Architecture Document and Plan	10/14/02 \$	30,412		0.24%
5.0 Impl & Config Integration Broker	5.1 Install and Configure Integration Broker 5.2.1 April 16th System Edits 5.2.2 Other System Edits	11/27/02 \$ 02/28/03 \$ 05/21/03 \$	982,995 801,093 245,652		7.75% 6.32% 1.94%
7.0 Develop & Impl End User Interface	7.1 Replace MHMIS Subsystems & Screens 7.2 Develop DDE 7.3 Replacement end-user interface	06/18/03 \$ 07/24/03 \$ 03/13/03 \$	601,636 981,509 352,262		4.75% 7.74% 2.78%
8.0 Design & Impl Security and Audit Features	8.1 Integrated System Security Plan 8.2 Integrated System Audit Specifications 8.3 Integrated System Security and Audit Features	12/13/02 \$ 01/08/03 \$ 03/20/03 \$	34,607 25,955 313,755		0.27% 0.20% 2.47%
9.0 Design & Develop Reports	9 Design & Develop Reports	05/05/03 \$	329,804		2.60%
10.0 Test Integrated System	10.1 Develop Test Plan 10.3.1 April 16th Regression Test 10.3.2 Other Regression Test 10.3.3 DDE Regression Test 10.4 April Transaction Roundtrip Test 10.5 Simulated Load Test 10.6 Acceptance Test 10.7 Process to Accept Trading Partners 10.8 Escrow Deposit of all Integrated System	01/20/03 \$ 05/01/03 \$ 06/11/03 \$ 07/24/03 \$ 04/16/03 \$ 07/24/03 \$ 02/16/04 \$ 05/05/03 \$ 10/30/03	88,845 565,366 124,467 468,426 57,023 371,317 1,969,711 18,142		0.70% 4.46% 0.98% 3.69% 0.45% 2.93% 15.54% 0.14%
11.0 Training	11.1 Design and Document Training Program 11.2 Technical Staff Training 11.3 End User Staff Training 11.4 Updated Training Programs	06/18/03 \$ 09/12/03 \$ 11/07/03 \$ 01/23/04 \$	698,827 86,343 129,514 19,576		5.51% 0.66% 1.02% 0.15%

Exhibit C (Price and Schedule of Payments

Payment Schedule by Deliverables

Task	DMH-HIPAA Remediation Deliverables	Payment Date	Invoice Amount	Monthly Maintenance Fees	% of Invoiced Amount to Total
12.0 Impl and Post Prod Maint & Support	12.1 Production Rollout	10/01/03	\$ 39,850		0.31%
	12.2 Go Live	10/16/03	\$ 950,890		7.50%
13.0 Pharmacy	13.1 Pharmacy Requirements Document	11/18/02	\$ 166,917		1.32%
	13.2 Pharmacy Mapping and Translation Prototype	12/18/02	\$ 138,078		1.09%
	13.3 Pharmacy Transaction Implementation	06/11/03	\$ 371,754		2.93%
	13.4 Pharmacy Compliance Testing	06/25/03	\$ 169,017		1.33%
<b>Total Professional Services</b>	<b>Total All-in to Final Acceptance</b>		\$ 12,678,527		100.00%
	Pool Dollars (based on 20% of the Total All-in to Final Acceptance)		\$ 2,535,705		
	Pool Dollars beginning 9/22/08		\$ 200,000		
	Pool Dollars for FY 2009-10		\$ 900,000		
	Pool Dollars for FY 2010-11		\$ 200,000		
	Pool Dollars for FY 2011-12		\$ 200,000		
	Pool Dollars for FY 2012-13 (Option Term)		\$ 100,000		
	<b>Maximum Total Pool Dollars</b>		\$ 4,135,705		
	1st Year Maint (9/22/04 - 9/21/05)		\$ 1,243,191	\$ 103,599	
	2nd Year Maint (9/22/05 - 9/21/06)		\$ 1,281,567	\$ 106,797	
	3rd Year Maint (9/22/06 - 9/21/07)		\$ 1,281,567	\$ 106,797	
	4th Year Maint (9/22/07 - 9/21/08)		\$ 1,281,564	\$ 106,797	
	5th Year Maint (9/22/08 - 9/21/09 includes 3% CPI)		\$ 1,320,010	\$ 110,001	
	6th Year Maint (9/22/09 - 9/21/10 includes 4% CPI)		\$ 1,372,811	\$ 114,401	
	7th Year Maint (9/22/10 - 9/21/11 includes 4% CPI)		\$ 1,427,724	\$ 118,978	
	8th Year Maint (9/22/11 - 6/30/12 includes 4% CPI)		\$ 1,150,745	\$ 123,736	
	Option Term (7/1/12 - 12/31/12 includes 4% CPI)		\$ 772,113	\$ 128,686	
	<b>Maximum Total Maintenance</b>		\$ 11,131,293		
	<b>Maximum Contract Sum</b>		\$ 27,945,525		
	** Amount of each semi-monthly payment - \$13,109				