COUNTY OF LOS ANGELES

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

SUSAN KERR
Chief Deputy Director

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BOARD OF SUPERVISORS
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DEPARTMENT OF MENTAL HEALTH

http://dmh.co.la.ca.us

November 26, 2003

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

26 * DEC - 9 2003

Violet Varona-Lukens
VIOLET VARONA-LUKENS
EXECUTIVE OFFICER

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 AMENDMENT NO. 6 TO CLAIMS MANAGEMENT SERVICES AGREEMENT WITH ELECTRONIC DATA SYSTEMS CORPORATION DBA EDS CORPORATION FOR CLAIMS PROCESSING SERVICES (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

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

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Mental Health or his designee to prepare, sign, and execute Amendment No. 6, substantially similar to Attachment I, to the Claims Management Services Agreement (No. 71402) with Electronic Data Systems Corporation dba EDS Corporation (EDS). This Amendment will:

   A. Extend the term of the existing Agreement with EDS, which is scheduled to expire December 31, 2003, on a month-to-month basis, for up to a maximum additional three months extension through March 31, 2004. The purpose of this extension will enable the Department of Mental Health (DMH) to execute a contingency plan, as needed, in preparation for any emergent and unanticipated issues which may arise in its full-scale implementation of the Integrated System (IS) and ensure the uninterrupted continuation of claims processing services to Fee-For-Service (FFS) Medi-Cal network providers until the IS is fully operational.

B. Increase the Maximum Contract Amount (MCA) by an amount not to exceed $420,000, to a total MCA not to exceed $9,873,117 for the Agreement. This Amendment will be funded by a shift within the Chief Information Office Bureau's appropriation for computers in DMH's Fiscal Year (FY) 2003-2004 Adopted Budget, effective January 1, 2004, for the maximum three-month extension period in FY 2003-2004.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The current Agreement with EDS will expire December 31, 2003, unless extended. Board approval of this Amendment is required to enable DMH to implement a contingency plan as necessary and, thereby, continue meeting its fiduciary responsibilities, without interruption, to process FFS Medi-Cal claims and continue check reimbursement on a timely basis to 1,200 network providers.

Due to the delay in the implementation of the IS, it is critical that DMH be authorized to execute a contingency plan to extend the existing term of the Agreement with EDS, as needed, on a month-to-month basis, for up to a maximum, additional three months, effective January 1, 2004, through March 31, 2004. However, DMH does not expect to execute this Amendment if the IS is fully implemented.

Implementation of Strategic Plan Goals

The recommended Board actions are consistent with the County's Programmatic Goal 7, Health and Mental Health, within the Countywide Strategic Plan. Services will be continued without interruption through the collaborative efforts of contractor and County.

FISCAL IMPACT/FINANCING

There is no increase in net County cost. The requested three-month contract extension will utilize EDS as a "contingent" processor of FFS Medi-Cal claims for the period, January 1, 2004, through March 31, 2004. This Amendment in the amount not to exceed $420,000 will be funded by DMH's redirection of funds for computers from its FY 2003-2004 Adopted Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Effective June 1, 1998, and based on the California Code of Regulations (CCR), Title 9, Chapter II, State Medi-Cal Managed Care mandate, your Board approved the County's participation in Phase II of Medi-Cal Consolidation under DMH as the Local Mental

Health Plan (LMHP). In addition, your Board authorized the Director of Mental Health to enter into an Agreement with the State Department of Mental Health (SDMH) for the local operation of Medi-Cal specialty mental health services. On June 1, 1998, DMH assumed responsibility for the Phase II FFS Medi-Cal Program that involved a wide range of administrative tasks, including fiduciary responsibility of claims processing for providers/practitioners of Medi-Cal services who provide specialty mental health services to approximately 86,000 County Medi-Cal beneficiaries.

To ensure uninterrupted services to Los Angeles County residents, effective April 13, 1998, DMH contracted for the claims processing activities with EDS (Agreement No. 71402), the existing contractor and current State provider of claims processing services. With the necessary experience, expertise, and an operational system that has been providing claims management services for SDHS since 1987, EDS was able to provide assurances to DMH that it could design and implement a claims processing system with a very high level of success since: 1) State Department of Health Services (SDHS) was willing to allow DMH access to the State's California Medicaid Management Information System (CA-MMIS) through November 18, 1999, and 2) certain modifications to the existing system could expeditiously accommodate the unique needs of the County.

Since November 19, 1999, DMH's FFS Medi-Cal claims processing system has been operating independently of SDHS' CA-MMIS. DMH owns this system with the exception of some hardware and ancillary software.

On June 11, 2002, your Board approved Amendment No. 3 to extend the contract term, effective July 1, 2002 through June 30, 2003, and also delegated authority to the Director of Mental Health to execute a future Amendment for an optional, additional six-month period. The purpose of Amendment No. 3 was to allow DMH to transfer the claims processing system from EDS to ISD and integrate the claims processing system into DMH's IS within the extended term of the Agreement. Subsequently, the Director executed Amendment No. 5 on June 30, 2003, for an additional six-month extension, which will expire December 31, 2003.

The term of the present Agreement will end December 31, 2003, unless extended. The month-to-month extension of the EDS Agreement for up to a maximum additional three months will allow DMH the necessary flexibility to integrate the FFS Medi-Cal claims processing system into DMH's IS and to deal with any emergent, unanticipated issues attributed to the IS implementation delay which may potentially impact the claims processing system. DMH and Internal Services Department (ISD) have established an interagency agreement to transfer the claims processing system.

Upon your Board's approval of the extension of the current Agreement with EDS, DMH will have the capability to execute a contingency plan, as needed, to ensure minimal disruption of services to approximately 1,200 network providers of specialty mental health services.

CONTRACTING PROCESS

Upon Board approval, the existing Agreement with EDS will be amended on a month-to-month basis, up to a maximum additional three months to enable DMH to have the capability and flexibility to execute a contingency plan, as needed, to deal with any emergent and unanticipated issues which may arise in DMH's implementation of the IS.

IMPACT ON CURRENT SERVICES

Approval of this Amendment to the existing Claims Management Services Agreement with EDS will enable DMH to continue meeting its fiduciary responsibilities to process FFS Medi-Cal claims without interruption of service delivery and minimal interruption of payments to approximately 1,200 network providers, as DMH implements the IS countywide. Without Board approval, service delivery to Medi-Cal beneficiaries could potentially be interrupted, and payments to approximately 1,200 network providers could be delayed and interrupted.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board's action. It is requested that the Executive Officer of the Board notifies the Department of Mental Health's Contracts Development and Administration Division at (213) 738-4684, when these documents are available.

Respectfully submitted,

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

Reviewed by:

Jon W. Fullinwider
Chief Information Officer
(See Attached Analysis)

MJS:SK:RK:AM

Attachments (2)

c: Chief Administrative Officer
County Counsel
Chief Information Officer
Chairperson, Mental Health Commission

ATTACHMENT I

CONTRACT NO. 71402

AMENDMENT NO. 6

THIS AMENDMENT is made and entered into this _____day of _____, 2003, by and between the COUNTY OF LOS ANGELES (hereafter "County") and Electronic Data Systems Corporation dba EDS Corporation (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated May 19, 1998, identified as County Agreement No. 71402, and any subsequent amendments (hereafter collectively "Agreement"); and

WHEREAS, for Fiscal Year 2003-2004, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, the Director of Mental Health or his designee has delegated authority from the Board of Supervisors to extend the Agreement on a month-to-month basis, for up to a maximum, additional three months; and

WHEREAS, the Director of Mental Health or his designee is exercising delegated authority to extend this Agreement on a month-to-month basis, for up to a maximum, additional three months, commencing on January 1, 2004, and not to exceed March 31, 2004; and

WHEREAS, County and Contractor intend to amend Agreement to enable the Department of Mental Health (DMH) to have the capability and flexibility to ensure the uninterrupted continuation of claims processing services to Fee-For-Service

Medi-Cal network providers while DMH implements the Integrated System countywide; and

WHEREAS, County and Contractor intend to amend Agreement for the Maximum Contract Amount not to exceed $ 420,000, for the extension period, January 1, 2004 through March 31, 2004.

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Article II (TERM) shall be deleted in its entirety and the following substituted therefor:

   "The term of the Agreement shall be extended on a month-to-month basis, up to a maximum, additional three months, effective January 1, 2004, and shall not exceed March 31, 2004. This Agreement may be terminated by either party at any time without cause by giving at least 30 days prior written notice to the other party."

2. Article VI (GENERAL TERMS), Paragraph 1 (PAYMENTS TO EDS), Subparagraph A only shall be deleted in its entirety and the following substituted therefor:

   "1. A. The Maximum Contract Amount shall not exceed $ 420,000, for the extension period, January 1, 2004 through March 31, 2004."

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3. Except as provided in this Amendment, all other terms and conditions of the Agreement, including the Health and Insurance Portability and Accountability Act (HIPAA) provision for a Business Associate under Paragraph 52 in Amendment No. 4, shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

APPROVED AS TO FORM:

LLOYD W. PELLMAN
County Counsel

By_____
Principal Deputy County Counsel

COUNTY OF LOS ANGELES

By_____
MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

Electronic Data Systems Corporation
dba EDS Corporation
CONTRACTOR

By_____

Name_____

Title_____

APPROVED AS TO CONTRACT ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By_____
Chief, Contracts Development and Administration Division

KT EDS.AMEND 6 – EXT.

CIO ANALYSIS

AMENDMENT NUMBER SIX TO CLAIMS MANAGEMENT SERVICES AGREEMENT WITH ELECTRONIC DATA SYSTEMS CORPORATION FOR THE DEPARTMENT OF MENTAL HEALTH

CIO RECOMMENDATION: ☒ **APPROVE** ☐ **APPROVE WITH MODIFICATION** ☐ **DISAPPROVE**

Contract Type:
☐ **New Contract** ☒ **Contract Amendment** ☐ **Contract Extension**
☐ **Sole Source Contract**

New/Revised Contract Term: **Base Term: 3 months** **# of Option Yrs 0**

Contract Components:
☐ **Software** ☐ **Hardware** ☐ **Telecommunications**
☒ **Professional Services**

Project Executive Sponsor: **Dr. Marvin Southard**

Budget Information :

Y-T-D Contract Expenditures	$9,453,117
Requested Contract Amount	$ 420,000
Aggregate Contract Amount	$9,873,117

Project Background:

Yes	No	Question
☒	☐	Is this project legislatively mandated? CCR, Title 9, Chapter II, State Medi-Cal Managed Care mandate
☐	☒	Is this project subvented? If yes, what percentage is offset?

Strategic Alignment:

Yes	No	Question
☒	☐	Is this project in alignment with the County of Los Angeles Strategic Plan?
☒	☐	Is this project consistent with the currently approved Department Business Automation Plan?
☐	☒	Does the project's technology solution comply with County of Los Angeles IT Directions Document?
☐	☒	Does the project technology solution comply with preferred County of Los Angeles IT Standards?

Project/Contract Description:

This amendment extends the existing contract for three months on a month-to-month basis and increases the contract sum by $420,000 to a total of $9,873,117. This will enable Department of Mental Health (DMH) to implement a contingency plan to address any unforeseen issues related to the full-scale implementation of their Integrated System (IS). The IS is the "wrapper" system solution that DMH is implementing to process compliant transactions mandated under the Transactions and Code Sets (TCS) rules of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Background:

This original agreement was established April 13, 1998. When the State terminated DMH's access to the California Medicaid Management Information System (CA-MMIS), the Board approved Amendment Number One on May 11, 1999, authorizing Electronic Data Systems Corporation (EDS) to modify the CA-MMIS software to meet the County's claims processing needs for Fee-for-Service (FFS) MediCal. Subequently, four amendments have been approved extending contract term, contract amounts and adding HIPPA compliance and Board mandated contract language. The existing agreement will expire on December 31, 2003, unless extended.

DMH has relocated the claims processing software to the Internal Services Department (ISD) and is attempting to integrate its functionality into the IS that is currently being implemented. The proposed amendment, if authorized by your Board, will extend the agreement for three months and will serve as contingency plan for DMH to ensure FFS processing should any issues arise with the IS implementation.

Project Justification/Benefits:

Extension of the existing agreement is necessary in order to continue processing MediCal FFS claims for three months. More importantly, it will allow DMH to ensure reimbursement on a timely basis to their 1,200 network providers should any unforeseen issues occur related the implementation of IS.

Project Metrics

EDS will timely and successfully process Fee-for-Service claims for providers should their services be required.

Impact If Proposal Is Not Approved

DMH will not have a contingency plan in place to process claims for its FFS Contract Providers should unforeseen problems occur with the implementation of the IS.

Alternatives Considered:

No alternatives were considered. The extension of the current agreement is most effective contingency plan to ensure there is no interruption of service delivery and payments to approximately 1,200 network providers should the IS implementation encounter problems.

Project Risks:

No risks were identified. This is risk mitigation measure designed to minimize any services interruptions should FFS claims processing problems occur.

Risk Mitigation Measures:

None.

Financial Analysis:

Amendment Five increases the contract amount by $420,000 to a total of $9,873,117. DMH will absorb the additional cost in their existing FY 2003-2004 budgeted appropriation. There is no increase in net County cost as the result of this amendment.

CIO Concerns:

None.

CIO Recommendations:

My office supports this action and recommends approval by the Board.

CIO APPROVAL

Date Received: 11/25/03

Prepared by: Greg Melendez

Date: 11/25/03

Approved: Jonathan E. Willmer Jr

Date: 11/25/03

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