

COUNTY OF LOS ANGELES

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DEPARTMENT OF MENTAL HEALTH

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April 6, 2006

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

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

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APR 18 2006

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF A NEW DEPARTMENT OF MENTAL HEALTH
SOLE SOURCE CONSULTANT SERVICES AGREEMENT WITH
OUTLOOK ASSOCIATES, LLC AND QUALIS HEALTH
FOR FISCAL YEARS 2005-2006, 2006-2007, AND 2007-2008
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

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

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and authorize the Director of Mental Health or his designee to prepare, sign, and execute a new Department of Mental Health (DMH) sole source Consultant Services Agreement, substantially similar to Attachment I, with Outlook Associates, LLC (Outlook) and Qualis Health (Qualis) to provide expert assistance in specification, selection, acquisition and implementation of an Integrated Behavioral Health Information System (IBHIS). The Maximum Compensation Amount (MCA) for this Consultant Services Agreement is \$1,299,575. It is the intent of DMH to fund this Agreement with the Information Technology (IT) Budget for Fiscal Year (FY) 2005-2006 until the Mental Health Services Act (MHSA) one-time funding is received from the State. This Agreement will be effective upon the date of execution, for 30 months. This Agreement may be extended on a month-to-month basis for up to 12 months at the discretion of the Director.
2. Delegate authority to the Director of Mental Health or his designee to prepare, sign, and execute future amendments to this new DMH Consultant Services Agreement with Outlook and Qualis, provided that: 1) the County's total

payments to Consultant under the Agreement for each applicable fiscal year shall not exceed an increase of 20 percent from the applicable revised MCA; 2) any such increase shall be used to provide additional services or to reflect program and/or policy changes; 3) the Board of Supervisors has appropriated sufficient funds for all changes; 4) approval of County Counsel, the Chief Administrative Officer (CAO) and the County's Chief Information Officer (CIO) or their designee is obtained prior to any such Amendment; and 5) the Director of Mental Health shall notify the Board of Supervisors of Agreement changes in writing within 30 days after execution of each Amendment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the requested action is to enter into a new sole source Consultant Services Agreement with Outlook and Qualis to provide expert assistance in specification, selection, acquisition, and implementation of an IBHIS. Currently, DMH does not have essential clinical information systems to support the delivery of mental health services to residents of Los Angeles County. Multiple County departments and agencies serve the same client population as DMH. Sharing of data is limited, fragmented, and labor intensive. A health services delivery network on the scale of DMH cannot operate efficiently and effectively without clinical information systems and the ability to effectively share data.

DMH was preparing to release a Request for Proposal (RFP) to obtain a clinical and financial information system in 2001 when the compliance deadline for the Health Insurance Portability and Accountability Act (HIPAA) forced the cancellation of nearly all other information systems related projects. Had DMH known that the Federal Centers for Medicare and Medicaid Services (CMS) would extend the October 2002 deadline to October 2003, DMH would have proceeded with its procurement at that time.

DMH now faces another set of deadlines with the MESA requiring improved automation support for clinical services delivery and greatly improved ability to capture and report on client outcome and program performance measures. DMH plans to select a commercial-off-the-shelf (COTS) software application that has a track record of success in other large mental health services delivery organizations. The application will be vendor supported and maintained, with broad functionality to meet DMH requirements including core clinical functionality with tightly integrated financial and claims processing modules to achieve efficiency and claims processing reliability. The combined clinical and financial system that will result is called IBHIS. Once the IBHIS is fully implemented and all outstanding claims on the current system have been closed, the Integrated System (IS) and the legacy Mental Health Management Information System (MHMIS) will be retired. DMH operating and maintenance costs for its core information

systems are expected to drop from about \$14 million per year to less than \$5 million per year.

Because MHPA programs are already being designed and implemented, the IBHIS Project must begin in earnest by April 2006 if DMH is to be successful. In addition, if the IBHIS Project is significantly delayed, meeting the June 2008 deadline for encumbering available MHPA one-time funding could be jeopardized. Failure to approve this sole source Consultant Agreement with Outlook will place the \$3.17 million in one-time funding from MHPA at risk of being returned to the State because DMH will not be able to encumber the funding in time.

Outlook has the expertise necessary to deliver accurate requirements for the IBHIS sooner than any other consulting firm which will facilitate DMH meeting the aggressive MHPA timeline. Beginning November 2004 through the end of January 2005, Outlook assisted DMH in developing a new strategic direction for its FY 2005-2006 Business Automation Plan (BAP). In March 2005, Outlook began the initial planning efforts for establishing a revenue management function at DMH and to set up the appropriate operational procedures for that office to make the best use of available automation tools, both existing and planned. Outlook, through their revenue management work, has gained essential knowledge of how DMH clinical service delivery could be more tightly linked to revenue capture. Outlook has acquired unique knowledge of DMH operations and of the financial and information technology issues facing DMH. Outlook also has significant experience selecting and implementing information systems for mental health service organizations, both the public and private sectors.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the principles of the Countywide Strategic Plan Programmatic Goal No. 7, "Health and Mental Health." Approved services will help DMH establish a client-centered, information-based mental health services delivery system that provides cost-effective and quality services within DMH and prepares DMH to collaborate with other departments to accomplish the same across County departments.

The recommended Board action is consistent with the County's CIO Goals No. 1, 2, and 3. Approved services will help DMH conduct County government provide secured access to electronic applications and utilize enterprise solutions to meet common needs.

The recommended Board action is consistent with DMH Business Goals No. 1, 4, and 5. Approved services will help DMH implement and report on the major new programs funded through MHPA; develop a plan for the replacement of the legacy MHMIS, and

establish a project team to execute the plan; and develop a plan for collecting the data for children, adults and older adults to be used for Performance Counts and other initiatives.

The recommended Board action is consistent with the DMH IT Strategies No. 8 and 9. Approved services will help DMH facilitate appropriate provider access to client information and clinical functionality regardless of the location of the provider or the client; and minimize paper and focus on digital information captured as close as possible to the point of origin.

FISCAL IMPACT/ FINANCING

There is no increase in net County cost.

The MCA for this Agreement is \$1,299,575. Funding for this Agreement will come from the DMH FY 2005-2006 IT Budget until the MHSA one-time funding is received from the State. The MHSA one-time funding will carry this Project through December 2006, by which time additional MHSA funding is anticipated. If the additional MHSA funding does not materialize on time, DMH will defer other IT activities in favor of this critical project to bridge the period until MHSA funding is received.

A one-month delay in the implementation date of the project will cost the County of Los Angeles about \$750,000 in IS and MHIS operations and maintenance expenses that could be avoided. There is also reason to believe that appropriate clinical functionality will allow DMH to more effectively capture significant new revenue. An expenditure of \$1.3 million for experienced and knowledgeable Project Manager and business analysts to support the Project is a form of an investment in realizing revenue operations. The anticipated IT operational and maintenance savings in the first three (3) full years of IBHIS operation is \$27 million.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On November 9, 2004, DMH issued County Purchase Order Number R40716 for the provision of consulting services to develop an entirely new strategic direction for its FY 2005-2006 BAP.

On March 28, 2005, DMH issued County Purchase Order Number R41621, to commence the initial planning efforts in establishing a revenue management function within DMH that resulted in the documentation of current processes, flow charts identifying gaps, and points of error in the current systems and processes. This process provided a detailed quantification of claims of transactions lost, delayed, or incorrectly processed at each gap or point of error.

On May 10, 2005, your Board approved a sole source Consultant Services Agreement Number DMH-02380 (Revenue Management Function Agreement) with Outlook Associates, Inc., to provide expert assistance in establishing a revenue management function within DMH to ensure that revenue related business process changes are coordinated in conjunction with available automation tools, both existing and planned. The term of the Agreement was effective upon Board approval and was not to exceed 24 months from the date of execution.

Effective December 28, 2005, Qualis Health acquired Outlook Associates, Inc., as its wholly-owned subsidiary. Also, effective December 28, 2005, Outlook Associates, Inc. changed its corporate name to Outlook Associates, LLC. As part of such corporate acquisition, Qualis acquired all the assets, facilities and personnel of Outlook, and assumed all its obligations, responsibilities, liabilities and rights. Outlook and Qualis represented, and continue to represent to the County that such corporate acquisition will not have any negative financial or service delivery impact on the County under the proposed Agreement.

DMH conducted a thorough review of such acquisition pursuant to the standards set forth in the Board Policy on Contractor Mergers/Acquisitions, approved by the Board on July 19, 2005, and found Qualis to be a viable and experienced entity capable of performing the services required under the existing Revenue Management Function Agreement and the proposed Agreement. Accordingly, DMH recommended to your Board, approval of the delegation and assignment of the Revenue Management Function Agreement on February 23, 2006, which was approved and adopted on March 7, 2006.

The proposed Agreement will provide consultant services to DMH in the following areas:

- Project Planning
- Project Management and Risk Mitigation
- Requirements and Workflow Analysis (including contract providers)
- Process Redesign (including contract providers)
- Procurement Process Approach
- Request for Proposal (RFP) Development (or other procurement vehicle if appropriate)
- Vendor Selection Criteria Development and Proposal Evaluation Instruments
- Vendor Selection
- Contract Negotiations
- Implementation Planning
- Implementation of the Selected Solution
- Board of Supervisors and DMH Management Status Reporting

The attached Agreement format has been approved as to form by County Counsel and includes the new Board-mandated clause on "Delegation and Assignment by Consultant," as well as the clause on "Consultant's Charitable Activities Compliance" for nonprofit contract providers." CAO and CIO have reviewed the proposed action.

CONTRACTING PROCESS

Outlook was initially selected for the provision of consultant services to develop an entirely new strategic direction for its FY 2005-2006 BAP, and to provide expert assistance in establishing a revenue management function within DMH to ensure that revenue related business process changes are coordinated in conjunction with available automation tools, both existing and planned. Outlook has unique knowledge of DMH operations, the financial and information technology issues facing DMH, and how DMH clinical service delivery could be more tightly linked to revenue capture. Outlook also has significant experience selecting and implementing information systems for mental health service organizations, both the public and private sectors.

To comply with your Board's contracting policy requirements for sole source contracts, DMH notified your Board on February 28, 2006, of its intent to negotiate a sole source Agreement with Outlook and Qualis. Upon Board approval, DMH will enter into a sole source Agreement with Outlook and Qualis to provide expert assistance in specification, selection, acquisition, and implementation of an IBHIS. Contractor is uniquely qualified to deliver accurate requirements for the IBHIS sooner than any other consulting firm.

IMPACT ON CURRENT SERVICES

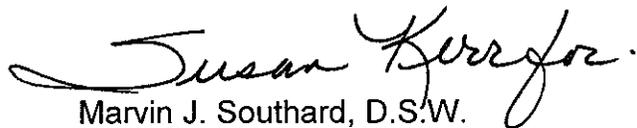
There will be no impact on current services.

CONCLUSION

The progress of the Project will be tracked on the County IT Project Tracking and Status System.

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 this document is 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:MY:RG:RK

Attachments

- c: Chief Administrative Officer
- County Counsel
- Chief Information Office, Los Angeles County
- Chairperson, Mental Health Commission

CIO ANALYSIS

**APPROVAL OF A NEW DEPARTMENT OF MENTAL HEALTH CONSULTANT SERVICES
AGREEMENT WITH OUTLOOK ASSOCIATES, LLC AND QUALIS HEALTH FOR
FISCAL YEARS 2005-2006, 2006-2007 AND 2007-2008**

(ALL SUPERVISOR DISTRICTS)

(3 VOTES)

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:** 30 Mos. **# of Option Yrs** 1

Contract Components:

Software **Hardware** **Telecommunications**
 Professional Services

Project Executive Sponsor: Marvin J. Southard, DSW

Budget Information :

Y-T-D Contract Expenditures	\$
Requested Contract Amount	\$1,299,575
Aggregate Contract Amount	\$1,299,575

Project Background:

Yes	No	Question
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project legislatively mandated?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project subvented? If yes, what percentage is offset? Costs incurred under this agreement will be offset by funds received under the Mental Health Services Act.
<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 type="checkbox"/>	<input checked="" type="checkbox"/>	Does the project's technology solution comply with County of Los Angeles IT Directions Document? This is a consultant agreement that is a developing requirement for a future system acquisition. No technology is provided under this agreement.

<input type="checkbox"/>	<input checked="" type="checkbox"/>	Does the project technology solution comply with preferred County of Los Angeles IT Standards? Requirements developed for a future acquisition will comply with County I/T 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:

This agreement acquires the services of Qualis Health/Outlook Associates, LLC (Consultant) to work with the Department of Mental Health (DMH) to identify the functional requirements for an Integrated Behavioral Health Information System (IBHIS). The Consultant will also assist the Department with the solicitation for the replacement system and actively participate in the system's implementation over the next 30 months.

The DMH is recommending that your Board delegate authority to the Director of Mental Health to execute the consulting agreement with Qualis Health/Outlook for a term of 30 months with the option for a one (1) year extension. Your Board is also being requested to delegate authority to the Director of Mental Health to amend the agreement to further extend the term and to increase the Maximum Contract Amount by not more than 20% per year, with the review and approval of the Chief Administrative Office, County Counsel and the Chief Information Office.

Background:

The IBHIS will address both the clinical and administrative (financial) functions of the Department, replacing both their legacy Mental Health Management Information System (MHMIS) and their more recently implemented Integrated System, which addresses Health Insurance Portability and Accountability Act (HIPAA) requirements. Currently, DMH does not have essential clinical information systems to support the delivery of mental health services to residents of Los Angeles County. A mental health services delivery network on the scale of DMH cannot operate efficiently and effectively without clinical information systems and the ability to effectively share data. Multiple County departments and agencies serve the same client population as DMH and "outcome" management is nearly impossible without sharing data. Currently, data sharing efforts are labor intensive and fragmented.

DMH's desire for a clinical and financial information system pre-dates 2001 when the compliance deadline for the HIPAA forced the cancellation of nearly all other information systems related projects. DMH now faces another set of deadlines with the Mental Health Services Act (MHSA) requiring improved automation support for clinical services delivery and greatly improved ability to capture and report on client outcome and program performance measures. DMH plans to use the consulting services acquired through this Qualis/Outlook Agreement lead to the selection of a commercial-off-the-shelf (COTS) software application that has a track record of success in other large mental health services delivery organizations. Implementation of the selected IBHIS solution is expected to be fully implemented within the 30 month term of the consulting agreement.

Once the IBHIS is fully implemented and all outstanding claims on the current system have been closed, the Integrated System (IS) and the legacy Mental Health Management Information System (MHMIS) will be retired and the Department will begin to realize savings from the lower support cost of the new system.

Project Justification/Benefits:

DMH has utilized Outlook Associates for a previous engagement which required a complete review of department financial operation and a partial review of some aspects of their clinical service delivery. The knowledge gained by the consultants during that engagement and their knowledge of mental health services delivery will dramatically shorten the time and expense to complete the solicitation and selection process for the new system. This will allow the Department to meet the provider's needs and provide the new information management capability required and expected in the MHSA.

DMH's operating and maintenance costs for its core information systems are expected to drop from about \$14 million per year to less than \$5 million per year following full implementation of the system.

Project Metrics:

The project has defined tasks and deliverables and the payments are capped as a not-to-exceed amount for County accepted milestone deliverables. This ensures that the County will receive a usable product at each of the milestone deliverables.

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

There is no immediate impact on service delivery or operations. However, this agreement and consulting engagement is represented to be tightly tied to DMH's ability to achieve the improvements in their information management capability to comply with the requirements of the MHSA.

Alternatives Considered:

The Department considered trying to address the tasks of requirements identification and solicitation development with existing resources. They concluded that they have an inadequate number of staff with the knowledge and experience to complete this work within the required time frames. Utilizing a knowledgeable consultant was deemed to be the most cost and operationally effective approach to acquiring an IBHIS.

Project Risks:

The project risk relate to the consultant's access to knowledgeable DMH personnel and contract providers from whom they will need to document functional requirements. If County personnel and contract providers are not available, it can affect the timeline in which the tasks can be completed.

Risk Mitigation Measures:

The risks described above are mitigated through the structured project management process that is documented within the Agreement. There are monthly Steering Committee Meetings that allow both the Contractor's Project Manager and the County Project Manager to present issues requiring senior management action. Additionally, the project costs are capped by the not-to-exceed limits on County accepted milestone deliverables.

This project will be placed in the Information Technology Tracking System and can be monitored against its milestone deliverables.

Financial Analysis:

The contract maximum for this consulting agreement is \$1,299,575 to be expended over the 30 month term of the Agreement. The total cost of this consulting agreement is to be offset by one-time funds received from the State of California under the Mental Health Services Act or funds available within the DMH Operating Plan.

CIO Concerns:

None

CIO Recommendations:

We recommend your Board's approval of this agreement.

CIO APPROVAL

Date Received: 03-28-2006

Prepared by: Jonathan Williams, Jr.

Date: 4/6/06

Approved: 

Date: 4/6/06