COUNTY OF LOS ANGELES - BOARD OF SUPERVISORS

EXECUTIVE OFFICE

SACHI A. HAMAI
EXECUTIVE OFFICER

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

I, SACHI A. HAMAI, Executive Officer-Clerk of the Board of Supervisors of the County of Los Angeles, do hereby certify that the attached is a full, true and correct copy of a Board Order adopted by Agenda No. 26, from the meeting of December 18, 2007, by the Board of Supervisors of the County of Los Angeles, and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities, for which said Board so acts:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the County of Los Angeles

this 18th day of December 2007

Sachi A. Hamai, Executive Officer-Clerk of the Board of Supervisors of the County of Los Angeles.

By _____
Deputy

Cert2

County of Los Angeles
CHIEF EXECUTIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
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WILLIAM T FUJIOKA
Chief Executive Officer

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

26 DEC 18 2007

SACHI A. HAMAI
EXECUTIVE OFFICER

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MICHAEL D. ANTONOVICH
Fifth District

December 18, 2007

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:

DEPARTMENTS OF HEALTH SERVICES AND MENTAL HEALTH: AUTHORIZATION FOR RETROACTIVE PAYMENTS FOR SERVICES, APPROVAL OF A NEW AGREEMENT AND AUTHORIZATION TO CONTINUE THE PHARMACEUTICAL REBATES PROGRAM, RATIFY EXISTING REBATE BUSINESS AGREEMENTS AND AMENDMENTS, AND DELEGATION OF AUTHORITY FOR FUTURE REBATE AGREEMENTS AND AMENDMENTS (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director of Health Services (DHS), or his designee, to: 1) make a retroactive payment in the amount of $70,446 to The Regents of the University of California, Los Angeles (UCLA), for diagnostic interpretation of pathology slides provided for Olive View-UCLA Medical Center (OV-UCLA) from October 2006 through June 12, 2007, 2) make payments in the total amount of $671,519 to cover salary increases granted by The Regents of the University of California (UC) to its housestaff/residents at OV-UCLA for Fiscal Year (FY) 2006-07 ($483,804) and FY 2007-08 ($187,715) and 3) make a total retroactive payment of $83,202 to Health Management Associates (HMA) for consulting services, all actions are 100 percent net County cost.

2. Approve and instruct the Director of DHS, or his designee, to sign an Agreement with UCLA, substantially similar to Exhibit I, for diagnostic interpretation of pathology slides at OV-UCLA effective upon date of Board approval through June 30, 2008, with a maximum obligation of $60,000, and six month-to-month extensions through December 31, 2008, upon mutual agreement of the parties, at the same cost.

3. Delegate authority to the Director of DHS, or his designee, to approve future annual salary adjustments up to five percent per year that UC may grant their housestaff at OV-UCLA and increase the maximum obligation under the Medical School Affiliation Agreement accordingly.

4. Ratify existing rebate agreements and amendment between the Department of Mental Health (DMH) and four pharmaceutical companies, AstraZeneca Pharmaceuticals LP (Exhibit II), Bristol-Myers Squibb Company (Exhibit III), Janssen Pharmaceutical Products, L.P. (Exhibit IV), and Pfizer, Inc. (Exhibit V). The effective dates of these agreements and the rebate percentages received by DMH are identified on (Attachment VI). Under these agreements, DMH receives an access rebate on the total dollar value of pharmaceutical products paid for by DMH.

5. Approve and instruct the Director of Mental Health or his designee to execute Amendment No. 2, substantially similar to (Exhibit VI), to the existing Board approved Business agreement with Eli Lily and Company, to extend the term of this agreement to April 30, 2010. Under this agreement, DMH receives an access rebate on the total dollar value of pharmaceutical products paid for by DMH.

6. Delegate authority to the Director of DMH, or his designee, to execute new rebate agreements, including agreements with additional pharmaceutical companies, and future amendments, including adjustments to rebate percentages of the pharmaceutical products, and additions or deletions of pharmaceutical products, and extension of the term, provided that approval of the CEO and County Counsel is obtained prior to the execution of any such agreement or amendment, and the Director of DMH provides written notification to your Board within 30 days after the execution of any such agreement or amendment.

7. Authorize the acceptance of approximately $2.6 million in rebates received by DMH through its Pharmaceutical Rebates Program.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of these recommendations will authorize the Director of DHS to make payments to UCLA and HMA, as discussed further in Attachments I, II, III, and IV. Approval of the agreement with UCLA will allow for the provision of highly specialized diagnostic services on an intermittent basis at OV-UCLA. Approval of the recommended actions will also allow DMH to accept retroactive rebates and continue the Pharmaceutical Rebates Program, as discussed further in Attachment V.

As we advised your Board in our August 13, 2007 memorandum, we have established a three-member Retroactive Contract Review Committee (RCRC), consisting of staff from Chief Executive Office (CEO), as chair, the Auditor-Controller and the Internal Services Department. The role of the RCRC is to review all retroactive requests, including the corrective action plans, prior to their submission to your Board. The RCRC reviewed and discussed with DHS the request for retroactive payments to UCLA and HMA and reviewed and discussed with DMH acceptance of retroactive rebates. The RCRC has approved the DHS and DMH submission to your Board.

UCLA Pathology Outreach Services

For several years, physicians at OV-UCLA have been using UCLA for specialized laboratory testing for processing and reviewing slides to determine whether samples are cancerous. In the past, UCLA had provided these services at no cost based on the well-established relationship between UCLA physicians at OV-UCLA and UCLA. UCLA management became aware of these no-charge services and in May 2006, instructed the UCLA lab to begin charging for these services. After several discussions, OV-UCLA agreed to pay for the tests and requested a Purchase Order (PO) in October 2006. The PO mistakenly characterized the requested services as consultant services and was rejected by ISD, per County purchasing policy. There was a delay at DHS in elevating the issue and requesting that an agreement be established for the services. A PO was established effective June 13, 2007. As a result of the delay, a retroactive payment in the amount of $70,446 is being requested for the period of October 2006 through June 12, 2007.

Because of the longstanding contractual relationship, the critical nature of these services, and DHS acceptance of the contractor's notification to charge for the services, the RCRC recommended this payment move forward for approval. RCRC expressed concern with the lengthy delay in seeking contract authority and this has been addressed in the DHS corrective action plan. For further information, see Attachment I.

UCLA Housestaff

On June 20, 2006, your Board approved a replacement Affiliation Agreement with UCLA for Purchased Academic Services and certain patient care services at OV-UCLA, effective July 1, 2006 through June 30, 2011, with an annual maximum obligation for FY 2006-07 of $25,329,500. A two percent COLA for UCLA's housestaff at OV-UCLA was included in the replacement agreement's salary cost to become effective on October 1, 2006. However, effective July 1, 2006, UC granted UCLA housestaff an unanticipated increase in salary varying from 1.5 percent to five percent, depending on the Physician Post-Graduate Year. The total dollar amount of the two COLAs granted in FY 2006-07 was $483,804 for the 180.33 UCLA residents working at OV-UCLA. Effective July 1, 2007, UC granted UCLA housestaff another three percent COLA for FY 2007-08 which amounts to $187,715.

Because the salary increases are granted by The Regents of UC for the entire UC system, the County's cost for obtaining these resident services are also increased under the contract with UC, the RCRC recommended this payment move forward for approval. Similar to the UCLA pathology services previously discussed, RCRC noted the excessive delay in pursuing contract authority and this has also been addressed as part of the DHS corrective action plan. For further information, see Attachment II.

To prevent future requests for retroactive payments, DHS is requesting that the Board delegate authority to the Director to increase allocations in the UCLA Affiliation Agreement for UCLA housestaff salaries to address COLAs that the UC may grant in the future.

Health Management Associates (HMA)

1) Services related to the Juvenile Court Health Services in the amount of $55,962:

On May 9, 2006, the Board approved a sole source Agreement with HMA for the provision of consultant services related to the reconfiguration of clinical and related services at LAC+USC Medical Center. The Agreement provided for analyzing key areas of LAC+USC's operations and pinpointing efficiencies that would make the transition to the Replacement Facility a smoother process. The Agreement expired April 30, 2007.

Before the Agreement expired on April 30, 2007, the Department requested HMA to perform additional work at Juvenile Court Health Services related to a report due to the Department of Justice. Consequently, the Department also learned that the maximum obligation of $544,800 would not cover all the services expected to be provided through the end of the contact term. It was determined that HMA performed additional services in an amount totaling $140,624. Of this amount, HMA will be reimbursed $54,480 using authority delegated in the Agreement allowing the Director to increase the maximum

obligation by 10 percent. The Department is requesting authority to reimburse HMA for those services related to Juvenile Court in the amount of $55,962. HMA has agreed to absorb the remaining outstanding balance of $30,182.

2) Services related to Martin Luther King, Jr. – Harbor Hospital in the amount of $27,240:

On June 19, 2007, the Board approved an agreement with HMA for consultant services including the implementation and completion of long-term and lower level care related to the LAC+USC Replacement Project and assisting in the implementation of the Multi-Service Ambulatory Care Center (MACC) at Martin Luther King, Jr. through November 30, 2007, for a total cost of $272,400. The Department requested HMA to perform additional MLK MACC related services, as a result, it was determined that HMA provided additional services in an amount totaling $75,277. The Agreement delegated authority to the Department to increase the maximum obligation by 10 percent, or $27,240. However, the Department did not fully follow the contract's provision related to the exercise of the 10 percent option. While the Department did provide the notice to the contractor, the required prior approval by County Counsel and CEO and the creation of a written amendment were not completed. The Department is requesting authority to reimburse HMA $27,240. HMA accepts reimbursement of $27,240 as payment in full and has agreed to absorb the remaining balance of $48,037. To curtail additional retroactivity, the Director of DHS will be requesting authority in a separate Board letter to execute an agreement with HMA going forward.

The Department felt that the services provided for Juvenile Court Health Services and MLK MACC were critical and urgent, as a result the RCRC agreed to recommend these payments for approval. RCRC also noted that these contracting matters were well known to DHS Executive Management, that follow-up actions were not undertaken to ensure that contract amendments were executed, and that the corrective action plan should be targeted accordingly. For further information see Attachments III and IV.

Corrective Action

The corrective action includes the implementation of a mandatory intensive contract training program developed in collaboration with County Counsel and Internal Services Department and for all staff including executives, managers, and line staff throughout the Department. This training emphasizes the legal authority to enter into contracts, purchase order and contract limitations, and purchasing and contracting processes. Additional corrective actions are noted on Attachments III and IV.

Further, in both of these instances, DHS proceeded with the services based on the critical need related to two highly visible program areas, but did not ensure that County contract requirements were met. Therefore, my staff discussed these two situations with DHS Executive Managers to emphasize the need to ensure that those requirements are met by taking full advantage of expedited review offered by my office and County Counsel, prior to authorizing and initiating contract services. Consistent with actions taken by your Board to address the problem of retroactive contracts, compliance with contracting and other County requirements will be considered in evaluating overall performance by managers in County Departments.

Pharmaceutical Rebates Program

On March 26, 2002, the Board approved a Rebate Agreement with Eli Lilly. After receiving Board approval of the agreement with Eli Lilly, it was DMH's intent to seek similar agreements with other pharmaceutical companies. The former Pharmacy Services Chief believed that Board approval of the first Rebate Business Agreement with Eli Lilly provided the department with delegated authority to enter into similar agreements and amendments with other pharmaceutical companies. Due to this misunderstanding, DMH entered into agreements and amendments with AstraZeneca Pharmaceuticals LP, Bristol-Myers Squibb Company, Janssen Pharmaceutical Products, L.P., and Pfizer, Inc.

County Counsel has advised that, as a technical contracting matter, your Board should ratify these agreements and amendment to allow DMH to continue to receive rebates. The retroactive effective dates of these agreements will enable DMH to receive the maximum amount available through the Pharmaceutical Rebates Program with each Pharmaceutical Company.

The contracts related to the Pharmaceutical Rebates Program were discussed with the Retroactive Contracts Review Committee on September 19, 2007, and included discussion and RCRC guidance regarding the circumstances that led to the unauthorized contracts, and the departments actions taken in response to this as well as the corrective action plan to mitigate future occurrences. The RCRC commented that although these contracts did not represent the same type of retroactive contract that the Board expressed concern with in the May 22, 2007 Board motion, County contracting procedures were not followed. Because these agreements bring funds to DMH in the form of rebates, lowering pharmaceutical costs while allowing the department to continue to provide the much needed level of psychiatric care, the RCRC recommended these contracts move forward for approval.

Corrective Action

DMH Executive Management has educated managers and provided training on procurement and contracting to increase knowledge and awareness that contracts, payments, and revenue (including rebates) require Board authorization. This training emphasized the legal authority to enter into contracts, purchase order and contract limitations, and purchasing and contracting processes. Additionally, the department will conduct more extensive monitoring to ensure compliance with County and departmental polices and procedures and, thereby, prevent recurrences of contract retroactivity and acceptance of rebate payments without Board authorization. Additional corrective actions are identified on Attachment V.

FISCAL IMPACT/FINANCING

Department of Health Services

The total cost of the retroactive payments for UCLA is $741,965 ($70,446 for UCLA for lab services for October 2006 through June 12, 2007 and $671,519 for housestaff COLAs for July 1, 2006 through June 30, 2008).

The maximum obligation of the agreement with UCLA is $60,000, with costs to be prorated for any extension beyond June 30, 2008.

The total cost of the retroactive payments for HMA is $83,202 ($55,962 for HMA for April 1 through 30, 2007 and $27,240 for HMA for September 1, 2007 through September 30, 2007).

Funding is included in the Department's FY 2007-08 Final Budget. No additional net County cost is required.

Department of Mental Health

There is no additional net County cost. These rebate agreements and amendments will provide DMH with approximately $2.0 million in annualized savings.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The RCRC has discussed each of these items with DHS and DMH and has approved the payments for the retroactive services and acceptance of retroactive rebates.

Agreement with UCLA

The Agreement with UCLA will be effective date of Board approval through June 30, 2008, with six month-to-month extensions through December 31, 2008. DHS will be conducting a Request for Proposals (RFP) for laboratory services in 2008. Upon its completion, new contracts will be submitted for Board approval. In the meantime, OV-UCLA requires UCLA's services since OV-UCLA does not have the resources to perform the highly specialized lab services and consultation.

The Agreement includes all the Board-mandated provisions.

County may terminate the agreement upon 30 calendar days notice.

County Counsel has approved the Agreements, Exhibits I-VI, as to form.

Attachments I-VI provides additional information.

CONTRACTING PROCESS

This is a short term sole source Agreement due to the technical capability and reputation of the UCLA Pathology Department and its partnership with OV-UCLA until the RFP can be completed. Currently, services are being provided under a purchase order until the contract is approved.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Reimbursement of these costs will allow the vendors to be reimbursed for services already provided and will bring funds to DMH in the form of rebates. Approval of the agreements will ensure continued critical lab services for OV-UCLA and continuation of the Pharmaceutical Rebates Program with DMH.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH
SAS:LT:bjs

Attachments (12)

c: County Counsel
Auditor-Controller
Director and Chief Medical Officer, Department of Health Services
Director, Internal Services Department
Director, Department of Mental Health

121807_DHS and DMH_Retro

ATTACHMENT I

RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

Department Name:	Health Services
Department Contact Name:	Gretchen McGinley
Departmental Contact Title:	Interim CEO, Olive View-UCLA Medical Center
Departmental Contact E-mail:	gmcginley@dhs.lacounty.gov
Departmental Contact Phone Number:	818.364.3002
Contract Title, Purchase Order, or Blanket Purchase Order No.:	
Vendor Name:	The Regents of the University of California, Los Angeles (UCLA Pathology Outreach Services)
Type of Service(s):	Specialized laboratory testing services
Period of Service:	Services previously provided at no cost.
Retroactive Period:	October 1, 2006 to June 12, 2007
Total Contract/Purchase Order Amount:	
Retroactive Amount:	$70,446

Type of Retroactivity:

Description	Yes ✓	N/A ✓
The goods or services were ordered without a valid Purchase Order* or Board contract ever being established.		X
The services exceeded the scope and/or amount of a valid Board-approved contract.		X
The retroactive services were ordered after the expiration of a valid Board-approved contract.		X
The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the $100,000 statutory threshold of the Purchasing Agent in order to continue services.		X
The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).**		X
Other (Explain Below)		X

* Attach Purchase Order(s).

** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

General Information

Background

For several years, physicians at Olive View-UCLA Medical Center (OV-UCLA) have been using UCLA Pathology Outreach Services for certain highly specialized lab tests because of the clinical quality and diagnostic benefits. The specialized lab testing includes the processing and reviewing of slides to determine whether samples are cancerous. In the past, UCLA had provided these services at no cost based on the informal relationship established between UCLA physicians at OV-UCLA and UCLA. UCLA management became aware of these no-charge services and in May 2006, instructed the UCLA lab to begin charging for these services. OV-UCLA requested that UCLA lab continue to provide the services at no cost, until the quantity of services and the pricing of the services could be determined and agreed upon. After several discussions and meetings to gather data including a price list and the average volume of services that would be provided, OV-UCLA agreed to pay for the tests following submission of an HS2 in October 2006. UCLA lab had accepted charges up to October 2006.

Determination of payment amount

The payment amount is based on monthly invoices varying from $3,095 to $15,515.

Vendor invoices

Not applicable.

Disciplinary action

Reinforce with all managers and staff the need to timely and appropriately elevate critical contract and purchasing issues to hospital CEO. If indicated, formal action to counsel and document employees inappropriate actions will be taken.

Corrective action plan

On June 13, 2007, Purchase Order # T43177-1000 for $65,000 was established by ISD for ongoing services until a new agreement is put in place. ISD attended OV-UCLA's September 2007 Management Staff meeting to provide all managers with a remedial training session on purchasing practices.

OV-UCLA administration instructed: 1) OV-UCLA physicians and Lab Management to not request work of UCLA that can be completed in-house, and 2) Lab Management to maintain a log of all lab testing work that is requested of UCLA and perform monthly reconciliation of logs to invoices to verify completion of work by UCLA. This would be done prior to approval for payment of any UCLA invoices.

OV-UCLA administration developed policies/procedures that will provide guidelines to all hospital departments regarding process required to initiate a Board approved contract. This would include creation of a form similar to an HS2 that will be utilized to start the process. Routinely, at six month intervals, Administration will monitor Lab Management's compliance with new protocols.

The Department of Health Services is requesting Board approval of an agreement.

Procurement Accountability/Responsibility
The HS2 was to be used on a temporary basis until a Board-approved agreement could be put in place. The HS2 was rejected by ISD because the HS2 mistakenly characterized the requested services as consultant services. There was a delay in elevating the issue and requesting that an agreement be established for the services.

Fiscal Accountability/Responsibility
See above.

Urgency
These services are needed on an ongoing intermittent basis.

ATTACHMENT II

REVISED

RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

Department Name:	Health Services
Department Contact Name:	Fred Leaf
Departmental Contact Title:	Director, Contract Administration and Capital Planning
Departmental Contact E-mail:	fleaf@dhs.lacounty.gov
Departmental Contact Phone Number:	213.240.7738
Contract Title, Purchase Order, or Blanket Purchase Order No.:	H-702099
Vendor Name:	University of California
Type of Service(s):	Housestaff Services
Period of Service:	July 1, 2006 to present
Retroactive Period:	July 1, 2006 to December 11, 2007
Total Contract/Purchase Order Amount:	$25,329,500 per year
Retroactive Amount:	$671,519

Type of Retroactivity:

Description	Yes ✓	N/A ✓
The goods or services were ordered without a valid Purchase Order* or Board contract ever being established.		X
The services exceeded the scope and/or amount of a valid Board-approved contract.	X	
The retroactive services were ordered after the expiration of a valid Board-approved contract.		X
The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the $100,000 statutory threshold of the Purchasing Agent in order to continue services.		X
The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).**		X
Other (Explain Below)		

* Attach Purchase Order(s).

** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

General Information

Background

For many years, the County has purchased housestaff (residents and fellows) services from the University of California (UC) through the UCLA Medical School Affiliation Agreement (MSAA) which includes 82 residents in the County sponsored Medicine Program. The contract is amended periodically (but, per provision of the contract, no more often than annually) and payment rates are adjusted at that time to reflect the latest S&EB paid by UC to their housestaff. The determination of whether a cost of living is provided is made by the UC Office of the President in Oakland and dictated to the campuses. Individual campuses, such as UCLA, do not control this decision.

On June 20, 2006, the Board approved the latest MSAA effective July 1, 2006. In July 2006, UC granted a salary increase to the housestaff effective July 1, 2006. The percent of that raise varied from 1.5% to 5% depending on the Physician Post-Graduate Year, and an additional 2% was granted in October 1, 2006. Effective July 1, 2007, UC granted another 3% raise. While the Department anticipated a COLA in October 2006 and funding was included in the Agreement, the Department did not anticipate the July 2006 COLA and therefore had to marginally increase the amount previously included for the October COLA. This change was necessitated by the UC Regents' action to grant an additional COLA in July which increased the salary base.

However, because the UC Regents granted a COLA in July 2006, the amount included for the October 2006 COLA had to be adjusted to reflect the increase resulting from the July 2006 action by the UC Regents. The $671,519 includes $483,804 for the July 2006 COLA and the associated marginal increase for the October 2006 COLA. The remaining $187,715 is for the July 2007 COLA. Of the 180.33 UCLA residents rotating through OV-UCLA, 82 residents are in the County sponsored Medicine Program. The remaining residents that rotate to OV-UCLA are in UCLA sponsored programs.

The Department's business practice for these contracts is to pay the full resident salary in accordance with the UC's determination. This is the same business practice the Department employs for County residents that rotate to non-DHS facilities; e.g., the non-DHS hospital would be expected to pay the entire salary cost.

Determination of payment amount

Not applicable because the retroactivity is due to the UC's process for determining and granting cost of living increases.

Vendor invoices

Not applicable.

Disciplinary action
This retroactive payment is requested to make whole a long-standing partner (UCLA). For hospitals that buy resident services from us, we would expect them to reimburse us for unanticipated COLAs. In addition, the July 1, 2007 COLA could not have been reasonably foreseen. Therefore, disciplinary action is not warranted.

Corrective action plan
To prevent future requests for retroactive payments, DHS is requesting that the Board delegate authority to the Director to increase allocations in the UCLA Affiliation Agreement for UCLA housestaff salaries to address COLAs that the UC may grant in the future.

Procurement Accountability/Responsibility
Not applicable. No departmental policies were violated.

Fiscal Accountability/Responsibility
UCLA notified the Department of the July 1, 2006 cost of living increase in early July 2006 following Board approval of the new agreement and of the July 1, 2007 increase in June 2007.

Urgency
Services are continuing on a 24 hour 7days a week basis.

ATTACHMENT III

RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

Department Name:	Health Services
Department Contact Name:	John R. Cochran III
Departmental Contact Title:	Chief Deputy Director
Departmental Contact E-mail:	jcochran@ladhs.org
Departmental Contact Phone Number:	213.240.7926
Contract Title, Purchase Order, or Blanket Purchase Order No.:	H-702029
Vendor Name:	Health Management Associates
Type of Service(s):	Consulting Services
Period of Service:	May 9, 2006 through April 30, 2007
Retroactive Period:	April 1, 2007 through April 30, 2007
Total Contract/Purchase Order Amount:	$544,800
Retroactive Amount:	$55,962

Type of Retroactivity:

Description	Yes ✓	N/A ✓
The goods or services were ordered without a valid Purchase Order* or Board contract ever being established.		✓
The services exceeded the scope and/or amount of a valid Board-approved contract.	✓	
The retroactive services were ordered after the expiration of a valid Board-approved contract.		✓
The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the $100,000 statutory threshold of the Purchasing Agent in order to continue services.		✓
The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).**		✓
Other (Explain Below)		

* Attach Purchase Order(s).

** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

ATTACHMENT III

HEALTH MANAGEMENT ASSOCIATES – Consulting Services

General Information

Background

H-702029 – May 9, 2006 through April 30, 2007

On May 9, 2006, the Board approved a sole source Agreement with Health Management Associates (HMA) for the provision of consultant services related to the reconfiguration of clinical and related services at LAC+USC Medical Center. The Agreement provided for analyzing key areas of LAC+USC's operations and pinpointing efficiencies that would make the transition to the Replacement Facility a smoother process.

Near the end of the Agreement term, Department staff learned that the maximum obligation of $544,800 (funded from the Office of Ambulatory Care's budget) was insufficient for all the services expected to be provided through April 30, 2007, the end of the contract. In response, staff immediately notified HMA to cease services and undertook a review of the agreement to determine what services had been provided and the associated costs. It was determined that HMA had performed additional services in the amount of $140,642. Of that amount, HMA will be reimbursed for $54,480 using authority in the contract delegated to the Director to reimburse up to 10% of the maximum obligation for additional services. At the request of Health Services Administration, HMA had also performed additional services to address some of the recommendations for Juvenile Court Health Services identified by the Department of Justice (DOJ) Memorandum of Agreement (MOA). Juvenile Court Health Services is part of the LAC+USC Healthcare Network. For their work related to Juvenile Court Health Services, HMA will be paid $55,962. HMA agreed to absorb the remaining outstanding costs.

The DOJ findings included in the MOA were: the transfer of medical records and the readiness for electronic medical records, the medication administration process, and the utilization of psychotropic medications administered to the youth at Juvenile Court Health Services. On the basis of numerous site visits and interviews and a review of documents, HMA prepared a comprehensive assessment and recommended solutions to the patient care issues at the juvenile detention camps throughout the County.

Determination of payment amount

The $55,962 is based on actual billing for services related to DOJ.

Vendor invoices

Not applicable.

Disciplinary action

The Manager with lead responsibility for this Agreement has resigned from that position. The Chief Executive Office has discussed this incident with DHS Executive Managers and emphasized the need to ensure that work by contractors is not authorized until County contracting requirements are met. While the urgency of seeking the services was understood, CEO further emphasized that an expedited review and authorization process was available, but was not pursued by DHS. Compliance with these and other County requirements will be considered in evaluating overall performance.

Corrective action plan

The corrective action plan includes the implementation of a mandatory intensive contract training program developed in collaboration with County Counsel and ISD and for all staff including executives, managers, and line staff throughout the Department. This training emphasizes the legal authority to enter into contracts, purchase order and contract limitations, and purchasing and contracting processes. The Hospitals and their networks and the Audit and Compliance Division will reemphasize to staff and management the limits of purchasing authority and contracting requirements.

The Department will also re-issue policy guidance to all DHS staff that all instructions to contractors must be consistent with the terms of their existing agreements and notification to the Department's Chief of Contracts and Grants should be made as soon as possible to notify and obtain Board approval of any necessary amendments or contract actions. Staff will also be informed that prior to requesting services, they will confirm that the proper approval authority has been obtained. The Department will also re-issue policy guidance to all managers to monitor anticipated contract expenditures on a prospective basis to ensure that the contract funding limits are not exceeded.

The corrective action plan will be measured by maintaining the goal in the Department of avoiding retroactive contracts.

Procurement Accountability/Responsibility

Health Services Administration requested HMA to perform the additional services without ensuring that County contract requirements were met.

Fiscal Accountability/Responsibility

Fiscal Services became aware that the maximum obligation would be insufficient mid March 2007 and advised HMA to cease services; however, this occurred after the services had already been authorized.

Urgency

In April 2003, the DOJ submitted a "Findings" letter, identifying areas requiring remedial attention at three Juvenile Halls, to the Board of Supervisors. On August 24, 2004, the DOJ, the Board of Supervisors and the Los Angeles County Office of Education approved and fully executed the MOA. Compliance Monitors were appointed and required to review and report semi-annually on the progress toward complying with the provisions/areas requiring attention as identified in the MOA. One of the provisions was improving medical records transfer from one facility to another so that youth receive timely and consistent medical services. The next monitoring report was due within 90 days after the end of the six month period, October 1, 2006 through March 31, 2007

ATTACHMENT IV

RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

Department Name:	Health Services
Department Contact Name:	John R. Cochran III
Departmental Contact Title:	Chief Deputy Director
Departmental Contact E-mail:	jcochran@ladhs.org
Departmental Contact Phone Number:	213.240.7926
Contract Title, Purchase Order, or Blanket Purchase Order No.:	H-702814
Vendor Name:	Health Management Associates
Type of Service(s):	Consulting Services
Period of Service:	June 19, 2007 through November 30, 2007
Retroactive Period:	September 1, 2007 through September 30, 2007
Total Contract/Purchase Order Amount:	$272,400
Retroactive Amount:	$27,240

Type of Retroactivity:

Description	Yes ✓	N/A ✓
The goods or services were ordered without a valid Purchase Order* or Board contract ever being established.		X
The services exceeded the scope and/or amount of a valid Board-approved contract.	X	
The retroactive services were ordered after the expiration of a valid Board-approved contract.		X
The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the $100,000 statutory threshold of the Purchasing Agent in order to continue services.		X
The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).**		X
Other (Explain Below)		

* Attach Purchase Order(s).

** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

HEALTH MANAGEMENT ASSOCIATES – Consulting Services

General Information

Background

H-702814 – June 19, 2007 through November 30, 2007

On June 19, 2007, the Board approved an agreement with HMA for consultant services including the implementation and completion of long-term and lower level care related to the LAC+USC Replacement Project and assisting in the implementation of the Multi-Service Ambulatory Care Center (MACC) at Martin Luther King, Jr. (MLK) through November 30, 2007, for a total cost of $272,400. The Department requested HMA to perform additional MLK MACC related services. The Agreement allowed for an increase of 10 percent in the maximum obligation or $27,240. However, the Department did not fully follow the contract's provision related to the exercise of the 10 percent option. While the Department did provide the notice to the contractor, the required prior approval by County Counsel and CEO and the creation of a written amendment were not completed.

The Department was in the process of closing inpatient services at Martin Luther King, Jr. – Harbor Hospital and determined that an expansion of work was needed from the contractor to ensure as minimal disruption to patient care as possible.

Determination of payment amount

The $27,240 is based on 10 percent of the total maximum obligation of the contract, $272,400.

Vendor invoices
Not Applicable.

Disciplinary action

The Manager with lead responsibility for this Agreement has resigned from that position. The Chief Executive Office has discussed this incident with DHS Executive Managers and emphasized the need to ensure that work by contractors is not authorized until County contracting requirements are met. While the urgency of seeking the services was understood, CEO further emphasized that an expedited review and authorization process was available, but was not pursed by DHS. Compliance with these and other County requirements will be considered in evaluating overall performance.

Corrective action plan

The corrective action plan includes the implementation of a mandatory intensive contract training program developed in collaboration with County Counsel and ISD and for all staff including executives, managers, and line staff throughout the Department. This training emphasizes the legal authority to enter into contracts, purchase order and contract requirements and limitations, and purchasing and contracting processes.

The Department will also re-issue policy guidance to all DHS staff that all instructions to contractors must be consistent with the terms of their existing agreements and notification to the Department's Chief of Contracts and Grants should be made as soon as possible to notify and obtain Board approval of any necessary amendments or contract actions. Staff will also be informed that prior to requesting services, they will confirm that the proper approval authority has been obtained.

The corrective action plan will be measured by maintaining the goal in the Department of avoiding retroactive contracts.

Procurement Accountability/Responsibility

The Chief Network Officer sent the request to HMA for the additional services before County contracting requirements had been met.

Fiscal Accountability/Responsibility

Fiscal Services was not aware of the issue because no approved invoices were given to them for payment.

Urgency

The Chief Deputy Director stopped services with HMA on October 22, 2007. The Department is requesting Board approval of an agreement in a separate action to continue HMA's services to implement the staffing plan recommendations and clinic services recommendation for the new MLK MACC.

ATTACHMENT V

RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

Department Name:	Mental Health
Department Contact Name:	Dr. Roderick Shaner
Departmental Contact Title:	Medical Director, Dept. of Mental Health
Departmental Contact E-mail:	Rshaner@dmh.lacounty.gov
Departmental Contact Phone Number:	(213) 738-4684
Contract Title, Purchase Order, or Blanket Purchase Order No.:	Rebate Business Agreements
Vendor Name:	1) AstraZeneca Pharmaceuticals LP 2) Bristol-Myers Squibb Company 3) Janssen Pharmaceutical Products, 4) Pfizer, Inc
Type of Service(s):	N/A
Period of Service:	N/A
Retroactive Period:	1) AstraZeneca Pharmaceuticals LP 10/01/2004 to present 2) Bristol – Myers Squibb Company 10/14/2004 to present 3) Janssen Pharmaceutical Products, 12/16/2004 to present 4) Pfizer, Inc 10/01/2004 to present
Total Contract/Purchase Order Amount:	N/A
Retroactive Amount:	N/A

Type of Retroactivity:

Description	Yes ✓	N/A ✓
The goods or services were ordered without a valid Purchase Order* or Board contract ever being established.		x
The services exceeded the scope and/or amount of a valid Board-approved contract.		X
The retroactive services were ordered after the expiration of a valid Board-approved contract.		x
The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the		x

$100,000 statutory threshold of the Purchasing Agent in order to continue services.		
The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).**		x
Other (Explain Below)	x	

* Attach Purchase Order(s).
** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

General Information

Background

With the approval of your Board, DMH entered into its first Rebate Agreement with Eli Lilly and Company on March 26, 2002, effective August 1, 2001, and executed amendments with Eli Lily, which were approved by your Board on May 13, 2003 and November 8, 2005. After receiving Board approval to enter into an agreement with Eli Lilly, it was DMH's intent to seek similar agreements with other pharmaceutical companies in order to further reduce medication costs. The former Pharmacy Services Chief believed that Board approval of the first Rebate Business Agreement with Eli Lilly provided the department with authority to enter into similar agreements and amendments with other pharmaceutical companies. Due to this misunderstanding, DMH entered into agreements and amendments with four (4) pharmaceutical corporations: AstraZeneca Pharmaceuticals LP, Bristol-Myers Squibb Company, Janssen Pharmaceutical Products, L.P., and Pfizer, Inc. without Board authorization. Additionally, the department did not have adequate policies and procedures in place regarding the authority to sign contracts on behalf of DMH and fiscal controls relative to the receipt of revenue and payments.

The Department has since educated managers and provided training on procurement and contracting including the fact that all contracts, including rebate contracts, and payments require Board authorization. DMH has implemented procedures to tighten internal contracting and fiscal controls to ensure checks and balances are in place. Additionally, DMH will monitor compliance with procedures annually to ensure compliance with established County and departmental policies and procedures.

Pharmacy expenditures for DMH continue to rise due to escalating costs of medications and the increasing number of indigent consumers served by DMH. Ratification of these agreements will bring funds to DMH in the form of rebates, thereby lowering pharmaceutical costs and allowing DMH to sustain the level of psychiatric care provided. Rebates range between 1 and 15 percent and may vary based on market share. The total rebate amount is calculated based on the total dollar amount that DMH expends for each medication as the payor for uninsured patients. Continuation of the Program will enable DMH to capture savings from past medication expenditures and offset its pharmaceutical costs.

Corrective Action Plan

The Department of Mental Health (DMH) has educated managers and provided training on procurement and contracting to increase knowledge and awareness that contracts, payments, and revenue (including rebates) require Board authorization. DMH has implemented procedures to tighten internal contracting and fiscal controls to ensure that checks and balances are in place. Additionally, DMH will monitor annually to ensure compliance with County and departmental polices and procedures and, thereby, prevent recurrences of contract retroactivity and acceptance of revenue payments without Board authorization.

The controls include the following new contracting procedures:

1. Rebate agreements and amendments, approved by County Counsel and CEO, are signed by the Director of Mental Health or the Medical Director.
2. The Contracts Division distributes fully executed rebate agreements and amendments to the Accounting Division and Pharmacy Services.

The new fiscal procedures are as follows:

1. The Pharmacy Services Chief submits copies to the Accounting Division of rebate claims data that is provided to the pharmaceutical companies on a calendar quarterly basis.
2. Designated accounting staff receive, enter into eCAPS, and deposit the rebate payments into a trust account. They notify the Pharmacy Services Chief, with a copy to the Contracts Division, the amount and the date of each rebate check received.
3. The Pharmacy Services Chief confirms by memo to the Accounting Chief, with a copy to the Contracts Division, the status of the rebate agreements/amendments and that the rebate payment amounts are correct.
4. Once confirmation is received from Pharmacy Services, the rebate checks are transferred from the trust account the appropriate offsetting expenditure account.

COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL HEALTH

REBATE BUSINESS AGREEMENTS
WITH
PHARMACEUTICAL COMPANIES

	CORPORATE HEADQUARTERS ADDRESS	EFFECTIVE DATE OF REBATE AGREEMENT	REBATE PERCENTAGE	REBATE AMOUNT RECEIVED TO DATE	COMPANY INFORMATION
1.	AstraZeneca Pharmaceuticals LP 1800 Concord Pike P.O. Box 15437 Wilmington, DE 19850-5437	October 1, 2004	3-12%	$1,728,782	AstraZeneca, a large global pharmaceutical company, produces a broad range of prescription medicines to fight diseases, including Seroquel to treat schizophrenia.
2.	Bristol - Myers Squibb Company 345 Park Avenue New York, New York 10154-0037	October 14, 2004	7.5%	$861,544	Bristol-Myers Squibb Company (BMS), a global leader in the health care industry, is a leading manufacturer of prescription medications, over-the-counter drugs, and health care products to fight cancer, cardiovascular and infectious diseases, and serious mental illness. Abilify is jointly marketed in the United States by BMS and Otsuka America
3.	Janssen Pharmaceutica Products, L.P. 1125 Trenton-Harbourton Road Titusville, NJ 08560-0200	December 16, 2004	1-4%	$0	Janssen, a pharmaceutical company of Johnson & Johnson Family of Companies, focuses exclusively on mental health prescription medications for treatment of schizophrenia, bipolar disorder, and autistic disorder.
4.	Pfizer, Inc. 235 E. 42nd Street New York, NY 10017-5755	October 1, 2004	6-15%	$0	Pfizer, the world's largest and one of the fastest-growing pharmaceutical companies, manufactures medications and over-the-counter consumer products.
5.	Eli Lilly and Company Lilly Corporate Center 893 S. Delaware Indianapolis, IN 46285	November 8, 2005 **Board Approved Renewal**	8-13%	$1,470,924	Eli Lilly, one of the world's largest global pharmaceutical company, produces pharmaceutical products, such as Prozac, Zyprexa, and Cymbalta, to treat depression, schizophrenia, bipolar disorder, and other medical conditions
	TOTAL REBATES RECEIVED			$4,061,250	