

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

F A C T    S H E E T

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 ( )

REQUEST:

Request Board approval for the Director of Mental Health or his designee to prepare, sign, and execute Amendment No. 6, 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.

**INTENT/JUSTIFICATION:**

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 over 500 network providers for up to an additional three months.

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.

The Chief Information Office (CIO) has reviewed and approved DMH's requested action to extend the term of the existing Agreement with EDS. See attached CIO analysis.

**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:**

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

Subsequent to the adoption of the original Agreement with EDS on April 13, 1998, there have been three amendments to extend the contract term. On May 11, 1999, the Board approved Amendment No. 1, extending the contract term for three fiscal years through FY 2001-2002. On June 11, 2002, the 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. On June 30, 2003, the Director exercised the option to execute Amendment No. 5 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 software to ISD.

**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, and to ensure minimal disruption of services to over 500 network providers of specialty mental health services.

Without Board approval, DMH will not have a contingency plan in place to process claims for over 500 network providers should unanticipated problems occur with the implementation of the IS.

RK:KT:lw

Attachment

# 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
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project legislatively mandated? CCR, Title 9, Chapter II, State Medi-Cal Managed Care mandate
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project subvented? If yes, what percentage is offset?

**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?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	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. Subsequently, 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:

Jes Melendez

Date:

11/25/03

Approved:

Joseph G. Smith Jr.

Date:

11/25/03