

**COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH**

**F A C T S H E E T**

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

**SUBJECT**

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

**REQUEST**

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

**PURPOSE/JUSTIFICATION**

Board approval of the recommended action will increase Pool Dollars from \$3,435,705 to \$4,135,705 for County-requested Professional Services/Change Orders for Integrated System (IS)-related work. The IS is the system by which contract providers and DMH directly operated programs are able to claim services and receive reimbursement from various funding sources.

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

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

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

## **BACKGROUND**

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

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

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

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

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

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

### **CONTRACTING PROCESS**

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

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

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