

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

F A C T S H E E T

**APPROVAL OF AMENDMENT NO. 6 TO COUNTY AGREEMENT NUMBER 74144
WITH SIERRA SYSTEMS, INC.
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval of Amendment No. 6 to extend the term of the Agreement with Sierra Systems, Inc., a Washington Corporation (Sierra Washington), for continued maintenance services of the Integrated System and to add Pool Dollars for County-requested Professional Services/Change Orders.

REQUEST

Approve and authorize the Director of Mental Health, or his designee, to prepare, sign, and execute Amendment No. 6, substantially similar in format 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 Systems, Inc., a Washington Corporation (Sierra Washington) effective upon Board approval, to provide for continued maintenance services of the Integrated System (IS) in the amount of \$2,640,026; extend the term of the Agreement through June 30, 2014; provide an additional \$1,150,000 in Pool Dollars for Professional Services/Change Orders; and increase the Maximum Contract Sum (MCS) to \$31,735,551, funded by County General funds, Federal and State revenues and other sources; and delegate authority to the County Project Director, in his sole discretion, to extend the term of the Agreement for up to two (2) additional three (3) month periods, for a total extension not to exceed six (6) months, through December 31, 2014.

PURPOSE/JUSTIFICATION

Board approval of the recommended actions will extend the Agreement for the continued maintenance of the IS, and increase Pool Dollars from \$4,135,705 to \$5,285,705 for County-requested Professional Services/Change Orders for 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 extension is required because additional work is needed to comply with State-mandated changes in claiming methodologies, and to ensure an orderly transition to the Integrated Behavioral Health Information System (IBHIS), which is the planned successor system to the IS.

The primary reason for the increase in Pool Dollars is the significant State mandated IS changes which are required to implement the Short-Doyle/Medi-Cal (SD/MC) Phase II project. SD/MC Phase II 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.

Because of the potential fiscal impact of this project, SD/MC Phase II has been and will continue to be the top priority information technology and business process change project in DMH. Failure to meet the State's SD/MC Phase II requirements means that DMH would be unable to submit claims to the State of California Department of Mental Health (SDMH); this would stop all Medi-Cal revenue to DMH until SD/MC Phase II compliance was achieved. A second contributing factor for the need to increase available Pool Dollars is the implementation of short-term changes that must be made to the IS in order to comply with provisions of the California Medi-Cal Uninsured Care 1115 Waiver (1115 Waiver). A third contributing factor to the need to increase available Pool Dollars is the transition to DMH's new IBHIS. The implementation of IBHIS will require Sierra Washington to perform professional services that will facilitate a smooth shut-down of the IS and transition to the acquired IBHIS without disturbing DMH's fundamental business processes, relationships with business partners, and transactions with third party payers.

BACKGROUND

On September 3, 2002, your 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, 3, 4 and 5. 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 MCS 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. Amendment No. 4 increased the MCS by a total of \$700,000 to a total of \$27,945,525. Amendment No. 5 revised contract provisions to the Business Associate Agreement.

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