

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Prepared on: 10/5/02
Department: Public Health
Budget Unit: 041
Agenda Date: 10/22/02
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors
FROM: Roger E. Heroux, Director
Public Health Department
STAFF CONTACT: Tara Brown, Assistant Director
681-5217
SUBJECT: Amendment to McKesson Agreement

Recommendation(s):

That the Board of Supervisors:

Execute the Second Amendment to the McKesson Agreement for hardware, application software, processing services, and upgrade support including customization in the amount of \$161,140 one-time and \$185,067 annual services effective September 23, 2002 and ending September 22, 2003. This is a sole source agreement with a non-local vendor.

Alignment with Board Strategic Plan:

These recommendations align with Goal No. 1 – Be an efficient government able to respond effectively to the needs of the community and Goal No. 2 Provide a safe and healthy community in which to live, work and visit.

Executive Summary and Discussion:

The Public Health Department provides direct medical services to residents of Santa Barbara County at six clinic locations. The McKesson practice management system that provides scheduling, registration, and billing has been in place since 1989.

One-time costs

The system needs a new Hewlett-Packard server for \$106,775. This \$54,365 balance is for customization, interfaces, training and upgrade support to the 7.0 release. This new release has Financial Information Network (FIN) Program specific payment posting and Health Insurance Portability and Accountability Act (HIPAA) compliant transactions.

On-going Costs

About \$112,000 of the total \$185,067 ongoing cost is for processing claims and statement and \$60,000 is for software licensing. The balance of \$13,067 is for hardware and software maintenance.

Your Board granted the County Administrator the authority to sign renewals of service agreements approved as part of the budget process beginning in Fiscal Year 2001-02. Therefore, the County Administrator will have the authority to execute future amendments to the McKesson Agreement for the amount listed in the approved budget.

There is no increase in the \$185,000 budgeted for on-going costs for the current Fiscal Year 2002-03.

Sole Source Request

The McKesson practice management system has been in place since 1989. In 2001 the Department analyzed the cost-benefit of changing practice management software vendors and decided to stay with the McKesson system for the following reasons:

- a) The McKesson system is used throughout the United States in 125 different clinic locations and thousands of hospital locations. It is one of the “big five” medical group management software vendors in the United States.
- b) McKesson offers HIPAA secure transactions and a transition path to electronic medical records.
- c) The Department has over 100 users are trained in the use of scheduling, registration, and billing in the “Pathways” McKesson system. A change in vendors would require a one-time licensing cost of over \$300,000 and a huge investment of staff time for implementation and training.

McKesson matched the State of California’s negotiated prices for the new Hewlett-Packard server at a discount of 18% off list price.

Mandates and Service Levels:

This is a non-mandated, essential infrastructure service.

This action will not result in a change in service levels.

Fiscal and Facilities Impacts:

The Pathways billing system is very important to the financial viability of the Public Health Department. This is because an accurate and flexible billing system is not only essential for optimal reimbursement, but is also essential for good patient information for data-driven decision making.

The funding for the one-time costs of \$162,140 are provided through a combination of Realignment and Federally Qualified Health Center (FQHC) Medicare and Medi-Cal funds. The allotment is included in the Capital Improvements line-item in the Public Health Department’s Summary on Page D-162 of the County’s FY 2002-03 Operating Plan. As was mentioned earlier in this Board item, the upgrade to the 7.0 release is mandatory for the department to comply with HIPAA compliant patient security mandates and maintain our custom FQHC billing system and procedures.

The funding for the on-going costs of \$185,067 are also provided through a combination of Realignment and FQHC Medicare and Medi-Cal funds. The allotment is included in the Information Technology cost center

of the Administration and Support Division shown on page D-166 of the County's FY 2002-03 Operating Plan.

This action does not impact facilities.

Special Instructions:

Return one (1) fully-executed original Amendment to the Department, attention: Anne Fearon.

Concurrence:

Not Applicable