



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: Public Health
Department No.: 041
For Agenda Of: 6/3/08
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Elliot Schulman, MD, MPH, Director and Health Officer
Director Public Health Department
Contact Info: Darrin Eisenbarth, IT Manager, Public Health Department
681-5293
SUBJECT: Agreement with McKesson Information Systems, LLC

County Counsel Concurrence

As to form: [X] Yes [] No [] N/A

Auditor-Controller Concurrence

As to form: [X] Yes [] No [] N/A

Other Concurrence: Risk Management

As to form: [X] Yes [] No [] N/A

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the Public Health Director to execute an Amendment to Contract with McKesson Information Solutions LLC, a non-local vendor, that includes software licensing, maintenance, anticipated upgrades and processing services for patient billing in an amount not to exceed \$807,500, for the period June 1, 2008 to June 30, 2011.
b) Authorize the Public Health Director to approve and execute any future contract amendments not to exceed 10% of total contract amount.

Summary Text:

The Public Health Department has used practice management software provided by McKesson for over ten years. The computer application provides registration, appointment scheduling, and patient billing processing including statements, insurance claims and electronic remittance. Your Board has previously approved this agreement in September 1997, October 2002, June 2004 and an extension of the contract in December 2007. The Contract Amendment before the Board will enable the continuation of this mission-critical practice management system over the next three (3) years.

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

management and maximizing revenue. Annual patient billing revenue generated by the system is approximately \$25,000,000.

The following table illustrates the cost per year for the three (3) year term – June 1, 2008 through June 30, 2011:

		FY 08/09	FY 09/10	FY 10/11
1.	Licensing fees for additional 10 Physicians Full-Time Equivalents (PFTes)	50,000		
2.	Annual software maintenance fee	87,500	91,000	95,000
3.	Hourly technical support	7,500	8,000	8,500
4.	Insurance claims and statements processing services	115,000	120,000	125,000
5.	Anticipated Software Upgrade Costs	100,000	over 3 years	
	Grand total:			\$807,500

The following is an explanation of each itemized cost:

1. Software licensing is based on a count of Physician Full-Time Equivalents (PFTes). A recent audit indicated we have increased a total of 10 PFTes over our previous count of 34 PFTes back in 2004. Licensing costs are \$5,000 per PFTe for a one-time cost of \$50,000.
2. Annual software maintenance fees can increase at the lesser of 5% or the Consumer Price Index for Los Angeles/Orange. A 4% increase was used in the above table.
3. Certain technical support calls are billable if the problem is specific to our organization, such as a custom interface. Current billing is \$174/hour and we have averaged about 30-40 hours per year.
4. Insurance claims and statement processing has increased historically at the rate of approximately 5% per year over the last 5 years.
5. McKesson distributes a major version upgrade approximately once a year. The department can expect to incur database expenses as well as modifications to our existing interfaces. We have budgeted \$30,000 in FY 08/09 to address this project. An additional \$70,000 in expenses related to version changes is projected over the remaining 3 years.

Fiscal and Facilities Impacts

Budgeted: Yes No

Fiscal Analysis:

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 these costs is provided through a combination of Medi-Cal, Medicare, and other patient service funding. The appropriation is included in the Information Technology cost center of the Public Health Department’s Administration and Support Division shown on page D-178 of the County’s FY 2007-08 Operating Plan.

Staffing Impacts:

Legal Positions:

0

FTEs:

0

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Special Instructions:

Please return an electronic copy of the Minute Order to the PHD Contracts Unit at PHDRES.ContractsUnit@sbcphd.org

Attachments:

Not applicable.

Authored by:

Kim Loyst, Systems Analyst, Public Health Department