

**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: 5/4/04
Department Name: Public Health
Department No.: 041
Agenda Date: 6/1/04
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: Anne Fearon, IT Manager
Public Health Department IT (681-5171)

SUBJECT: Agreement between Public Health Department and McKesson Information Solutions LLC for Information Technology Services for September 23, 2003 to September 22, 2007.

Recommendation(s):

That the Board of Supervisors:

- A) Approve and authorize the Chair to execute a License Agreement and Contract Supplement with McKesson Information Solutions LLC, a non-local vendor, in the amount not to exceed \$934,050 that includes software licensing, maintenance, anticipated upgrades and processing services for patient billing for the period September 23, 2003 to September 22, 2007.
- B) Authorize the Public Health Director to approve and execute any contract amendments not to exceed 10% of total contract amount.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with Goal No. 1: An Efficient Government Able to Respond Effectively to the Needs of the Community.

Executive Summary and Discussion:

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.

This license agreement and contract supplement replace a prior agreement approved and executed by your Board in September, 1997 that included a major upgrade from a mainframe to a PC-based system. An amendment to the original agreement was approved by your Board in October, 2002 that provided for a hardware and system upgrade and a one-year extension to the term of the agreement. The agreement before

the Board will enable the continuation of this mission-critical practice management system over the next four years. Annual patient billing revenue generated by the system is approximately \$20,000,000.

The following table illustrates the cost per year for the four (4) year term - September 23, 2003 through September 22, 2007:

		FY 03/04	FY 04/05	FY 05/06	FY 06/07
1.	Licensing fees for additional 6 Physician Full-Time Equivalents (PFTes)	\$30,000			
2.	Annual software maintenance fee	55,100	63,000	65,500	68,000
3.	Hourly technical support	7,000	7,500	8,000	8,500
4.	Insurance claims and statements processing services	102,000	117,300	123,000	129,150
5.	Anticipated Software Upgrade Costs	150,000 over 4 years			
	Grand total:				\$934,050

1. Software licensing is based on a count of Physician Full-Time Equivalents (PFTes). A recent audit indicated we have increased a total of 6 PFTes over our previous count of 28 PFTes. Licensing is \$5000 per PFTe for a one-time cost of \$30,000.
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 statements processing has increased historically at the rate of approximately 5% per year over the last 5 years. With the opening of the Santa Maria Women’s Center and the expansion of clinic services in Lompoc, we anticipate an approximate growth of 15% in FY 04/05 and 5% in future years.
5. McKesson distributes a major version upgrade approximately once a year. During the next year they are changing databases from Cincom Supra to Oracle. The department will incur database expenses as well as modifications to our existing interfaces. We have budgeted \$100,000 in FY 04/05 to address this project. We expect an additional \$50,000 in expenses related to version changes over the remaining 3 years.

Mandates and Service Levels:

The assurance of access to Primary Care services for indigent patients is mandated by California Administrative Code, Title 17, Chapter 3, Article 2, Sections 1276, 2500, 2501, 2502, 2503 and 2505; California Administrative Code, title 17, Chapter 3, Subchapter 1 and Section 17000 of the Welfare and Institutions Code.

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.

Subject: Agreement between Public Health Department and McKesson Information Solutions for Fiscal Period 2003-2007 for Information Technology Services

Agenda Date: June 1, 2004

Page 3

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-176 of the County's FY 2003-04 Operating Plan.

Special Instructions:

Please return one original signed agreement along with a copy of the minute order to PHD Contracts Unit, 300 N. San Antonio Road, Building 8, Santa Barbara, CA 93111 Attn: Margaret Granger 681-5367.

Concurrence:

Not applicable.