



## County of Los Angeles CHIEF EXECUTIVE OFFICE OPERATIONS CLUSTER

WILLIAM T FUJIOKA  
Chief Executive Officer

**DATE:** December 4, 2014  
**TIME:** 1:00 p.m.  
**LOCATION:** Kenneth Hahn Hall of Administration, Room 830

### AGENDA

Members of the Public may address the Operations Cluster on any agenda item by submitting a written request prior to the meeting.  
Three (3) minutes are allowed for each item.

1. Call to order – Santos H. Kreimann
  - A) **Board Letter – APPROVAL OF AMENDMENT NO. 9 TO COUNTY AGREEMENT NO. 74144 WITH SIERRA-CEDAR, INC. FOR FY 2014-15, 2015-16, 2016-17, 2017-18**  
DMH/CIO – Marvin J. Southard and Richard Sanchez or designee(s)
  - B) **Vermont Corridor Update**  
CEO – Santos H. Kreimann or designee
  - C) **Enterprise IT Initiatives Update**  
CIO – Richard Sanchez or designee
2. Public Comment

### NOTICE OF CLOSED SESSION

CS-1 **CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**  
(Paragraph (1) of subdivision (d) of Government Code Section 54956.9)  
*Reverend Father Ian Elliot Davies, et al. v. Los Angeles County Board of Supervisors, et al.*, United States District Court Case No. CV14-00907

This is a Federal lawsuit alleging the official County seal violates the federal and California Constitutions.

3. Adjournment



LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH  
550 S. VERMONT AVE., LOS ANGELES, CA 90020 HTTP://DMH.LACOUNTY.GOV



MARVIN J. SOUTHARD, D.S.W.  
Director  
ROBIN KAY, Ph.D.  
Chief Deputy Director  
RODERICK SHANER, M.D.  
Medical Director

December 16, 2014

**DRAFT – VERSION 4 – 11/19/14**

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 9 TO COUNTY AGREEMENT NUMBER 74144  
WITH SIERRA-CEDAR, INC.  
FOR FISCAL YEARS 2014-15, 2015-16, 2016-17, 2017-18  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**CIO RECOMMENDATION: APPROVE ( )**

**SUBJECT**

Request approval of Amendment No. 9 to acknowledge and consent to the assignment of County Agreement No. 74144 to Sierra-Cedar, Inc., (formerly known as Sierra Systems US, Inc.), to extend the term of the Agreement to allow for continued maintenance services of the Integrated System and to add Pool Dollars for the extended term for County-requested Professional Services/Change Orders.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and authorize the Director of Mental Health, or his/her designee, to prepare, sign, and execute Amendment No. 9, substantially similar in format to Attachment II, to the existing Department of Mental Health (DMH) Health Insurance Portability and Accountability Act (HIPAA) Remediation Project, County Agreement No. 74144 (Agreement) with Sierra-Cedar, Inc., effective upon Board approval, to acknowledge and approve the assignment of the Agreement to Sierra-Cedar, Inc, to provide for continued maintenance services of the Integrated System (IS) in the amount of \$4,005,095; to extend the Term of the Agreement through June 30, 2017; to provide an additional \$600,000 in Pool Dollars for Professional Services/Change Orders; and to increase the Maximum Contract Sum (MCS) to \$36,340,646, funded by County General funds, Federal and State revenues and other sources;

2. Delegate authority to the Director of DMH, in his sole discretion, to extend the term of the Agreement for up to two additional 3-month periods, for a total extension not to exceed six months, through December 31, 2017; and
3. Delegate authority to the Director of DMH, in his sole discretion, to terminate the Agreement for convenience when DMH's planned replacement system, the IBHIS, is fully developed and operational, as determined in the sole judgment of the Director of DMH.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Board approval of the recommended actions will extend the Agreement for an additional 2.5 years to allow for the continued maintenance of the IS and increase Pool Dollars by an additional \$600,000 from \$5,285,705 to \$5,885,705 for County-requested Professional Services/Change Orders for IS-related work. This Agreement was originally awarded by the Board in 2002. 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 to allow DMH to effectively respond to requirements under the Affordable Care Act (ACA) and to ensure an orderly transition to the Integrated Behavioral Health Information System (IBHIS), which is the planned successor system to the IS. DMH's IBHIS is currently about 80 percent deployed to DMH directly operated clinics with additional rollouts scheduled through May 2015; however, DMH sites will remain on the IS for limited purposes through calendar year 2015. Additionally, only four Legal Entity (LE) contract providers of mental health services are transitioned to IBHIS and the remaining LE and Fee-for-Service (FFS) contract providers will be brought on beginning February 2015 through June 2016. Not all contract providers will be off of the IS until sometime after December 2016, and possibly as late as March 2017. Once the contract providers are off of the IS, they will still have claims being processed in the IS for six to nine months after their transition due to State processing times. The additional Term extensions through December 2017 are included as a matter of prudence allowing time for unforeseen problems with transitioning contract providers and delays in State processing of claims. Without the requested extension, the Agreement is set to expire on December 31, 2014.

The primary reason for the need to increase available Pool Dollars is the transition to DMH's new IBHIS. The implementation of IBHIS will require Sierra-Cedar 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. Coordination of such a transition will also require DMH to extend the term of the Agreement through June 30, 2017, with two additional optional 3-month extensions, not to exceed six months, through December 31, 2017, and adjust the MCS as to reflect an increase in maintenance fees in order to ensure uninterrupted day-to-day operations and continued maintenance of the IS. Plans to extend the Agreement beyond June 30, 2017 will only be considered by DMH if it is absolutely necessary.

Board acknowledgement of a series of mergers involving Sierra-Cedar, Inc. and approval of an assignment of the Agreement to Sierra-Cedar, Inc. is also required. There have been no changes to the staffing or resources provided under this Agreement as a result of the merger, and the Agreement will continue to be administered and performed with no negative impact to the County.

### **Implementation of Strategic Goals**

The recommended actions are consistent with County Strategic Plan Goal 4, Health and Mental Health.

### **FISCAL IMPACT/FINANCING**

The Amendment increases the MCS by a maximum of \$4,605,095 for a revised total MCS of \$36,340,646 for the full term of the Agreement. This includes: additional Pool Dollars for Professional Services/Change Orders in the amount of \$100,000 for Fiscal Year (FY) 2014-15; \$200,000 in Pool Dollars for FY 2015-16; and \$200,000 for FY 2016-17; and \$100,000 for FY 2017-18 and \$4,005,095 for maintenance services. The increase in the MCS for FY 2014-15 is fully funded by DMH's FY 2014-15 Budget. Funding for future years will be requested by DMH as part of the annual budget process. Funding will come from realignment of DMH's existing appropriation given the priority of this effort; there is no increase in net County cost.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

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 (Sierra BC), 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, 5, 6, 7, and 8 on March 26, 2003; December 15, 2005; September 16, 2008; November 3, 2009; January 20, 2010; May 10, 2011; October 1, 2013; and July 1, 2014, 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 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. Amendment No. 6 extended the term of the Agreement through June 30, 2014, with an additional six-month extension through December 31, 2014, and increased the MCS by a total of \$3,790,026 to a total of \$31,735,551. Amendment No. 7 revised standard County language regarding HIPAA. Amendment No. 8 extended the Term of the Agreement from July 1, 2014 through December 31, 2014.

Following execution of Amendment No. 8 in July 2014, DMH learned that effective January 2, 2014, Sierra Washington was merged with and into Sierra US, a wholly owned subsidiary of The Sierra-Cedar Group, Inc., and Sierra Washington ceased to exist. As part of such corporate merger, Sierra US acquired all the assets, including, but not limited to, all hardware, software (including all copyrights and other intellectual property rights), facilities and personnel, of Sierra

Washington, and assumed all the obligations, responsibilities, and liabilities and rights of Sierra Washington under the Agreement.

DMH conducted a thorough review of the merger of Sierra Washington with and into Sierra US, pursuant to the standards set forth in the Board Policy on contractor mergers/acquisitions, approved by the Board on July 19, 2005. DMH's initial financial assessment found Sierra US not to be a financially viable entity, and DMH required additional documentation from Sierra US. While DMH was continuing with its review, effective July 1, 2014, Sierra US was merged with and into Sierra-Cedar (formerly known as CedarCrestone, Inc.), a wholly owned subsidiary of IT Services Holdco, Inc. (IT Services Holdco), and Sierra US ceased to exist. As part of such corporate merger, Sierra-Cedar acquired all the assets, including, but not limited to, all hardware, software (including all copyrights and other intellectual property rights), facilities and personnel, of Sierra US, and assumed all the obligations, responsibilities, and liabilities and rights of Sierra US under the Agreement.

DMH conducted a thorough review of the merger of Sierra US with and into Sierra-Cedar, pursuant to the standards set forth in the Board Policy on contractor mergers/acquisitions, approved by the Board on July 19, 2005. DMH found Sierra-Cedar to be a financially viable entity and has the necessary experience to perform the services required under the existing Agreement. Sierra-Cedar represents, and DMH agrees, that the July 1, 2014 corporate merger of Sierra US with and into Sierra-Cedar has or will have any financial impact or service delivery impact whatsoever for the County under the Agreement, and that Sierra-Cedar shall fully perform all of the obligations, responsibilities and liabilities of Sierra US under the Agreement.

On November 18, 2014, IT Services Holdco executed a Continuing Special Guaranty as guarantor for Sierra-Cedar on the Agreement, effective as of January 2, 2014.

The proposed Amendment acknowledges the merger of Sierra Washington with and into Sierra US, effective as of January 2, 2014 and the merger of Sierra US with and into Sierra-Cedar, effective as of July 1, 2014; extends the term of the Agreement through June 30, 2017, with an additional six-month extension (Option Term) through December 31, 2017, which can be exercised at the sole discretion of the Director of DMH; increases the Pool Dollars for Professional Services/Change Orders, which may include, without limitation, IS-related work needed to transition to DMH's new IBHIS; increases maintenance fees through December 31, 2017; and increases the MCS by \$4,605,095 to a total of \$36,340,646. The Agreement, and the MCS, provide for an increase in the annual maintenance fees of two percent for FYs 2014-15 and a projected increase of two percent for the remaining FYs 2015-16, 2016-17, and 2017-2018 provided that the actual percentage increase will be based on the lesser of the annual Consumer Price Index (CPI) increase of the general annual percentage salary change granted to County employees as of the prior July 1.

The proposed Amendment increases Pool Dollars for Professional Services/Change Orders, which will include, without limitation, IS-related work needed to facilitate a smooth transition to DMH's new IBHIS.

This Amendment also updates and includes new Board policy language, including revising the "Consideration of Hiring Gain/Grow Participants" provision to be consistent with the County's standard contract language. Also, included is the Board-mandated provision on "Local Small Business Enterprise (SBE) Preference Program, and "Time Off for Voting".

The Amendment has been reviewed and approved as to form by County Counsel. The County's Chief Information Officer reviewed this Amendment and recommends approval as indicated on the Analysis (Attachment I).

Except as expressly provided in the Amendment, all other provisions and conditions of the Agreement will remain the same and in full force and effect.

**CONTRACTING PROCESS**

Sierra California, the initial predecessor to Sierra-Cedar, 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 2-year extension periods and a single 1-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, which merged with and into Sierra US, which merged with and into Sierra-Cedar 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.

**IMPACT ON CURRENT SERVICES**

The Board's approval of the recommended Amendment will ensure that a smooth transition from the IS to IBHIS occurs and that uninterrupted mental health services to County will be maintained until the IBHIS is fully deployed.

Respectfully submitted,

Reviewed by:

Marvin J. Southard, D.S.W.  
Director of Mental Health

Richard Sanchez  
Chief Information Officer

MJS:MM:RG:RK

Attachments (2)

- c: Chief Executive Officer
- Executive Officer, Board of Supervisors
- County Counsel
- Chairperson, Mental Health Commission
- Chief Information Officer

SierraAmend No. 9/V4  
11/19/14