



Agenda Date: 7/25/2006  
Agenda Placement: 6J

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Shelli Brobst for Randy Snowden - Director  
Health & Human Services  
**REPORT BY:** Shelli Brobst, Contracts Analyst, 253-4720  
**SUBJECT:** Actions regarding Anasazi Software, Inc.

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### **RECOMMENDATION**

Director of Health and Human Services requests approval of the following actions regarding the purchase of an electronic clinical record and billing system and corresponding software maintenance support services from Anasazi Software, Inc. for the Mental Health and Substance Abuse divisions:

1. Authorization for the Chair to sign an agreement with a maximum of \$574,480 for the term July 25, 2006 through June 30, 2010 to purchase a software license and obtain related installation, training and maintenance services;
2. Authorization for the Chair to sign a Software Source Code Escrow agreement between R. Stewart Halstead, Anasazi Software, Inc. and the County of Napa relating to the software license portion of the agreement; and
3. Budget Transfer No. 3 increasing appropriations by \$379,438 in the Mental Health budget with offsetting revenues of \$351,912 from the Mental Health Services Act (Prop. 63) and \$27,526 from the cancellation of a portion of the Anasazi designation. (4/5 vote required)

### **EXECUTIVE SUMMARY**

Approval of the requested actions will allow HHS to purchase a permanent software license for an electronic clinical record and billing system to be used by the Mental Health and Substance Abuse divisions. The new Anasazi system will be replacing the current ECHO system to enable the Agency to better meet current state and federal documentation, billing and reporting requirements. The multi-year Agreement with Anasazi also provides for installation assistance, training, software maintenance and support services.

### **FISCAL IMPACT**

Is there a Fiscal Impact?                      Yes

Is it currently budgeted?	No
What is the revenue source?	While the maximum contractual cost of this multi-year contract amounts to \$574,480, the payments due in Fiscal Year 2006-2007 for the software acquisition and related support are expected to be \$379,438. These payments are to be funded with \$351,912 of Mental Health Services Act (MHSA) dollars and a portion of Anasazi designated funds in the amount of \$27,526. By canceling \$27,526 from the Anasazi designation, the balance remaining in the designation will be \$104,858. A corresponding Budgetary Transfer has been prepared to increase appropriations in the Agency's budget for Fiscal Year 2006-2007 to accommodate this expense. Contractual costs for subsequent years through 2010 will be paid for with MHSA funds to be received in the corresponding years.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	<p>This is a discretionary activity which will allow H&amp;HSA to purchase, implement and maintain a new electronic clinical record and billing system for the Agency's Mental Health and Substance Abuse Programs. However, the capabilities of this new software system are needed for the Mental Health and Substance Abuse Programs to adequately capture clinical performance outcome measures and to update the billing capabilities to meet current State requirements. The County's current system does not have the capability to meet the State's current requirements.</p> <p>MHSA funds are restricted in their use as stated in Proposition 63. They must be used for the implementation of the County's Community Services and Support Plan. In this regard, the County has obtained authorization from the State Department of Mental Health for the use of these funds specifically for the purchase of this software system.</p>
Is the general fund affected?	No
Future fiscal impact:	<p>The Agreement contains an automatic renewal provision which allows the County the option to continue the software maintenance and support services through June 30, 2010. The total contract maximum for the Agreement shall not exceed \$574,480, if approved and renewed annually as provided for in the Agreement. The anticipated costs for each fiscal year are:</p> <p>Fiscal Year 2006-2007: \$379,438;  Fiscal Year 2007-2008: \$ 61,869;  Fiscal Year 2008-2009: \$ 64,962;  Fiscal Year 2009-2010: \$ 68,211.</p> <p>The requested budgetary transfer incorporates the appropriation required for Fiscal Year 2006-2007. Appropriations for fiscal years after 2006-2007 will be budgeted accordingly, appropriating funds from the County's annual MHSA allocations.</p>
Consequences if not approved:	If this Agreement is not approved, the Agency will be unable to utilize the funds specifically being disbursed by the state for the purpose of acquiring the Anasazi software system. These funds will need to be returned to the State if unused within three years, unless an approval to use the funds for another MHSA purpose is received from the State.

Additional Information: This expense item was not included in the Agency's requested budgeted for FY 2006-2007 because the State had not yet instructed the counties on the processes and allowable uses, such as Information Technology (IT) requests, for the one-time MHSA funding until after the requested budgets were submitted. The Agency requested approval to utilize MHSA start-up funding for the IT expense on February 14, 2006, but did not receive approval from the State for this specific expense until July 12, 2006.

### **ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

### **BACKGROUND AND DISCUSSION**

In March 1999, the Board approved an agreement with ECHO Management Group for the purchase of a new Medi-Cal billing system for the Mental Health and Substance Abuse programs. In the spring of 2001, HHSA implemented the Clinician's Desktop automated clinical record, tied to the Revenue Manager billing system by ECHO. For the first time, clinical records in the Mental Health and Substance Abuse programs had typed records in a single format and available to all clinicians. The system also provided a variety of error reports and cross checks that captured errors before the services were billed. It ensured that all billing codes were updated and validated with state authorities before submission of the bill.

The tremendous effort to move from a manual to automated system provided many new capabilities, but the limitations in the ECHO system became apparent as new demands were made from the state and federal revenue sources. The ECHO billing system still left several important areas that required additional resources to make them functional. For example, ECHO cannot track client treatment plans, as mandated by state and federal agencies. Also, the ever-changing client demographics and performance measures currently have to be compiled and calculated by staff outside of the ECHO product. Finally, the Agency's large outpatient community provider network is not automated and their records still must be entered in the ECHO system manually.

To identify a provider for the next evolution in behavioral health medical records, HHSA joined a coalition of fourteen counties and participated in a massive Request for Proposals process (121 vendors) in 2003-2004. The top three vendors were identified through established weighting of all scoring information. Proposals were further analyzed by the Agency and Information Technology Services (ITS) staff. This information and process was shared with the County's ITS Strategic Team Committee, which agreed with the recommended selection of the Anasazi Software, Inc. ("Anasazi") system. The proposed Agreement represents the outcome of this process.

Approval of the requested actions will allow Anasazi to implement an automated clinical record and billing system that will add the products and processes absent from the current ECHO system. The Anasazi system is California-compliant and has already passed acceptance testing in Kern County for Drug Medi-Cal, Medi-Cal and Medicare. Client plan tracking as well as required client data not available in the current ECHO system is included. Since Anasazi is a web-based program, the Agency will be able to implement the same clinical record system throughout its outpatient provider network. This upgrade alone will dramatically improve treatment coordination and billing compliance. Finally, the annual maintenance component of the Agreement will require the vendor to make all improvements necessary to keep the system current with state and federal requirements.

Included within the Agreement are Business Associate provisions setting forth the Health Insurance Portability and

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Accountability Act of 1996 (HIPAA) regulations to which the contractor is subject. Inclusion of these provisions will provide the County with assurances that Anasazi will comply with any and all HIPAA requirements.

The Agreement also includes an escrow agreement between Anasazi, the County and a third party escrow agent. When a software customer purchases a permanent rather than temporary license from the software owner, but only purchases maintenance services for a limited term, it may become necessary in the future for the customer to access the software's source code for limited backup purposes when a problem arises with the system and the maintenance services agreement is no longer in effect. To satisfy this need of the customer while still protecting the ownership rights of the software company, a copy of the source code is commonly placed into escrow to be released by the escrow agent to the customer only under the circumstances spelled out in the escrow agreement. The Agency recommends the Board authorize the Chair to execute on behalf of the County an escrow agreement containing the terms and provisions and in substantially the form set forth in Exhibit F of the Agreement.

### **SUPPORTING DOCUMENTS**

None

CEO Recommendation: Approve

Reviewed By: Lorenzo Zialcita