



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

June 20, 2011

Motion 13495

Proposed No. 2011-0132.1

Sponsors Patterson

1 A MOTION accepting the executive's financing plan for
2 the procurement of a health information technology system,
3 as required by a proviso included in the 2011 Budget
4 Ordinance, Ordinance 16984, Section 120, Proviso P2, as it
5 pertains to CIP project 377234.

6 WHEREAS, the 2011 Budget Ordinance, Ordinance 16984, Section 120, Proviso
7 P2, required that the appropriation for CIP project 377234, health improvement
8 technology ("HIT"), \$902,023 shall not be expended or encumbered until the executive
9 transmits and the council adopts a motion that references the proviso's ordinance, section
10 and number and states that the executive has responded to the proviso; and

11 WHEREAS, the executive has responded to the proviso by submitting CIP Project
12 377234 - financing plan for the HIT in response to the 2011 Budget Ordinance,
13 Ordinance 16984, Section 120, Proviso, P2, which is Attachment A to this motion;

14 NOW THEREFORE BE IT MOVED by the Council of King County:

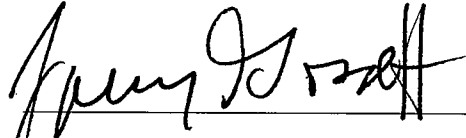
15 The King County council accepts the executive's CIP Project 377234 - financing

16 plan for the HIT, which is Attachment A to this motion and which responds to the 2011
17 Budget Ordinance, Ordinance 16984, Section 120, Proviso P2.
18

Motion 13495 was introduced on 5/2/2011 and passed by the Metropolitan King County Council on 6/20/2011, by the following vote:

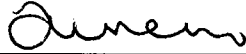
Yes: 9 - Mr. Phillips, Mr. von Reichbauer, Mr. Gossett, Ms. Hague,
Ms. Patterson, Ms. Lambert, Mr. Ferguson, Mr. Dunn and Mr.
McDermott
No: 0
Excused: 0

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Gossett, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments: A. CIP Project 377234, Financing Plan for the health improvement technology (HIT) proviso, P2 of the 2011 Budget Ordinance 16984, Section 120

This Proviso Response is submitted in accordance with Section 120, Proviso P2 of the 2011 Adopted King County Budget, Ordinance 16984, and responds to the King County Council's direction to submit a financing plan for the procurement of a health information technology system. The Proviso states:

P2 PROVIDED FURTHER THAT:

Of the appropriation for CIP project 377234, health improvement technology (HIT), \$902,023 shall not be expended or encumbered until the executive transmits and the council adopts a motion that references the proviso's ordinance, section and number and states that the executive has responded to the proviso. This proviso requires a financing plan for the procurement of a health information technology system. The financing plan shall identify: 1) all revenue sources that will support the procurement of the software; 2) the timeline for anticipated receipt of revenues dedicated for the project; and 3) all requirements that must be met by the county to satisfy receipt and expenditure of external revenue sources such as grants.

The executive must transmit to the council the financing plan and motion required by this proviso by March 15, 2011, in the form of a paper original and an electronic copy with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff and the lead staff for the budget and fiscal management committee or its successor.

Background

The Seattle-King County Department of Public Health (DPH) utilizes the Siemens Signature practice management system (PMS) to register, schedule, and bill for patient services. The Signature product is a 25-year old legacy patient management system hosted by Siemens Health Care on their mainframe. The vendor is sunsetting the application and moving all users to newer systems by the end of 2013. If DPH does not have a replacement system in place when the vendor shuts this system down, it will not be able to schedule patient visits, bill third parties, provide required data to state and federal programs, count clients and services, or track medical records, which are all required business functions to operate patient services. Furthermore, no upgrades to the legacy system are available, and as a result, DPH must replace this mission-critical system as there are no practical or viable non-technology solutions to DPH's business requirements for these functions. In 2010, the department received \$41 million for services billed through this legacy system. These revenues are at risk without a replacement to Signature.

In procuring a replacement patient management system, DPH plans its new system to include an integrated electronic health record (EHR). This integrated application is referred to as a health information technology (HIT) system.

This HIT Project will plan, purchase and implement a replacement patient management system with an integrated federally certified EHR that will meet Public Health's varied business

requirements (e.g., primary care services, dental clinics, maternity support services, family planning services, Jail Health Services, STD/HIV services, TB and DPH nursing services). In 2011, DPH will issue an RFP, solicit and select a vendor through a competitive process, and develop a detailed implementation plan, which will include work process re-engineering, interfaces with other DPH systems, testing, training, report development, and support during and following the system deployment. In order to be eligible for Medicaid Incentive dollars under the federal law called The Health Information Technology for Economic and Clinical Health Act (HITECH), the system will have to meet certification requirements for Meaningful Use by the U.S. Department of Health & Human Services (HHS) Office of National Coordinator.

As further background, EHR are at the heart of the health care industry's and federal government's effort to improve care, reduce risks, and implement efficiencies. The adoption of this technology enables health care providers to gain efficiencies by making it possible for health care providers to securely share medical data with other health care providers in their own institution regardless of location. It also permits the safe sharing of medical data with patients and through health information exchanges, allows secure provider-to-provider exchanges of medical information across institutions for clients seen in common. The federal government, as both a policy setter and the largest payer of medical costs in the country, recognizes the many benefits and efficiencies that such systems can provide and as a result has adopted legislation to provide incentives for use, and disincentives for non use.

For Public Health, the adoption of an enterprise EHR will enable better patient coordination with local and regional partners and support broader population-based health promotion and disease control. Other health care organizations in King County are already using or in the process of adopting electronic health record systems. Examples include Group Health Cooperative, U.W. Medicine, Swedish Hospital (the latter is DPH's partner in the physician residency program at the Downtown DPH Center), and local community health centers such as HealthPoint, with whom extensive patient and program collaborations occur. In fact, DPH's planning and evaluation includes consideration of collaboration with these partners to leverage the procurement and maximize efficiencies in the deployment of the system.

To support its legislated goals, the federal government has put financial incentive programs in place that encourage health care providers to adopt EHR technology by 2015. These Medicaid Incentive funds are an important component of the project's financing plan described herein.

Financing Plan

1) Projected cost of system

Public Health has contracted with Qualis Health Care, an experienced health care consulting firm familiar with public health practices and EHR implementation, to assist with strategic and business decisions related to planning, evaluation and selection of the PMS/EHR vendor. Qualis developed cost estimates and analyses using its industry knowledge and independent market research, but those data are not cited here to avoid any interference with the County's procurement process. The cost to procure an integrated PMS/EHR will be incurred over a period of five years. Public Health is preparing to issue a request for proposals, and once responses are received, the vendor is selected and the best and final offer is negotiated, actual costs and financing specifics will be determined.

Qualis has advised DPH that based on PMS/EHR procurements occurring around the country, vendors are providing competitive bids and great flexibility in payment options including deliverables-based payments. Based on their advice we can expect bid proposals to feature elements such as a limited payment at contract signing and payments based on timelines and key negotiated milestones over the life of the project.

2) Revenue sources that will support procurement of the software

A variety of revenue sources are being used to plan, launch and fund the procurement and further development of the financing plan is underway with DPH consultant Qualis.

- In 2010, \$360,000 America Recovery and Reinvestment Act of 2009 (ARRA) funds were granted to DPH for the planning stages of this HIT project. This revenue is supporting DPH project staff and the contract with Qualis Health Care during the planning and procurement process. In 2011, the budget for this project includes carryover of unspent funds within the ARRA grant.
- Medicaid Administrative Match funds are an additional revenue source for this project. Medicaid Administrative Match revenue results from payment for outreach and administrative activities that support Medicaid-covered services; this revenue (\$200,000-\$500,000 during 2011 and 2012 – funding for out-years will be available but is not currently estimated) may be applied to other Medicaid-related departmental services and programs.
- DPH will also take advantage of Medicaid Incentive dollars to help support the purchase and implementation of the system. Medicaid Incentive dollars provide \$63,750 per eligible health care provider who purchases and “meaningfully” uses a certified EHR. This requirement is described more fully in the next section. The Medicaid incentive payments are initiated up front, within the first year, to help pay for EHR implementation. Thereafter, the incentives continue to be paid over an additional five years. The payments are structured as follows: eligible health care providers can receive up to \$21,250 in the first year to cover the cost of purchasing certified technology. An additional \$8,500 is paid annually for five years to providers who continue to demonstrate meaningful use. Public Health has estimated the range of Medicaid Incentive dollars for its eligible health care providers, and the total will be \$3.2-\$3.6 million over a five year period.
- Public Health has also designated funds within the DPH Fund to provide support to the project. The initial fund balance designation is estimated to be between \$1.5-\$1.75 million and would provide support over the term of the project. Additional fund balance designations may be available in the out-years as well.
- Other federal funding and grants may also become available through the federal Affordable Care Act’s Prevention and Public Health Fund. The department anticipates submitting an application for project support through the “infrastructure” funding category. The application process for this potential grant revenue is expected to be announced soon; this revenue is subject to funding availability and a successful application.

3) Requirements that must be met by the county to satisfy receipt and expenditure of external revenue sources such as grants

Most of this section focuses on Medicaid Incentive dollars. Public Health will qualify for Medicaid Incentive dollars through the procurement and use of a certified EHR. As noted in the previous section, in order to qualify for these funds, Public Health's eligible health care providers must use a certified EHR in a "meaningful" manner, described as the use of certified EHR technology for electronic exchange of health information to improve quality of health care and use certified EHR technology to report clinical quality measures. All certified EHR systems will have the required quality reporting capabilities embedded in them.

Public Health will meet the criteria in year one by the act of procuring and adopting a certified electronic health record. Requirements for the following five years include using the certified EHR in a meaningful way, improving quality of care and submitted clinical quality measures as the meaningful use criteria for each stage are developed. The vendor contract will require that the system be certified and maintain certification, comply with HITECH including meaningful use requirements, and be able to report clinical quality measures as required by HITECH.

The Medicaid Incentive Dollars originate from the HITECH legislation that was passed as part of the ARRA, and is not part of the federal Affordable Care Act health care reform initiative. DPH's consultant Qualis indicates that these incentive funds are currently considered secure. There continues to be broad policy and funding support for efforts to promote the widespread adoption of electronic health records, in order to help reduce costs and waste, and improve patient care. At the state level, the funding environment for public health continues to experience some uncertainties. At the same time, a replacement Patient Management System with an integrated Electronic Health Record is required, and Public Health anticipates a competitive procurement process with financing costs and terms that will be advantageous.

Lastly, as mentioned above, the requirements for federal Affordable Care Act's Prevention funding have yet to be released. Public Health does intend to apply for these grant funds after more information is released about the required qualifications and the overall application process.

Summary

Public Health plans to acquire a replacement Patient Management System with an integrated electronic health record in 2011. The actual cost will be determined through a request for proposal and contract negotiation process. System procurement costs will be financed as described herein. Public Health will contract with a system vendor who provides a federally certified product that meets payer requirements for billing, receipt and distribution of reimbursement dollars, and who will negotiate payment terms consistent with DPH financing plans.