



Board Report

File #: A 12-100, **Version:** 1

Authorize the Purchasing Manager for Natividad Medical Center (NMC) to execute Amendment No. 2 to the Agreement (SC2222) with 3M Company for Medical Records Coding Software Maintenance, and; ICD-10 Software Implementation, License & Maintenance, and; Assessments & Training services at NMC, extending the Agreement to August 8, 2015 and adding \$554,250.31, over three years, for a revised total Agreement amount not to exceed \$726,367.91 in the aggregate.

RECOMMENDATION:

It is recommended the Board of Supervisors authorize the Purchasing Manager for Natividad Medical Center (NMC) to execute Amendment No. 2 to the Agreement (SC2222) with 3M Company for Medical Records Coding Software Maintenance, and; ICD-10 Software Implementation, License & Maintenance, and; Assessments & Training services at NMC, extending the Agreement to August 8, 2015 and adding \$554,250.31, over three years, for a revised total Agreement amount not to exceed \$726,367.91 in the aggregate.

SUMMARY/DISCUSSION:

Medical Coding Services; Items 3-9 on the 3M Company, Amendment #2

Accurate coding is at the core of the decision-making process which affects every level of service at NMC. Changes made to improve quality as well as obtaining new services for the public we serve are based on the data acquired from the medical record. It is becoming increasingly more difficult for coders to keep up with the frequent changes, various rules and regulations that govern the health care industry. Understanding classification guidelines, clinical information and the diverse payment methodologies of our payer sources is very challenging. Maintaining the 3M software upgrade allows the coder to navigate through the coding process with efficiency as well obtain the appropriate reimbursement for the organization.

Medical Necessity Dictionaries for Medi-Cal and Medicare; Items 10-11 on the 3M Company, Amendment #2

Medical necessity is a United States [legal doctrine](http://en.wikipedia.org/wiki/United_States) [related to activities which may be justified as reasonable, necessary, and/or appropriate, based on evidence-based](http://en.wikipedia.org/wiki/Legal_doctrine) [clinical standards of care](http://en.wikipedia.org/wiki/Evidence-based_medicine) [. Medicare](http://en.wikipedia.org/wiki/Standard_of_care) [and Medi-Cal](http://en.wikipedia.org/wiki/Medicare_(United_States)) pay for medical items and services that are "reasonable and necessary" for a variety of purposes. By statute, Medicare and Medi-Cal may only pay for items and services that are "reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member", unless there is another statutory authorization for payment. 3M offers medical necessity edits and content to help clinicians and coders validate that medical procedures are necessary and appropriate before services are rendered. By operating throughout the revenue cycle, the 3M™ Medical Necessity Dictionaries will help minimize compliance risk and reduce denials, rework and payment delays. In a pre-service environment such as a physician office, patient access, point of service, etc., the 3M Medical Necessity Dictionaries (for Medicare Part A and Part B) can be embedded within NMC's existing Meditech Health Care Information System (HCIS) to provide automatic medical necessity validation during scheduling and registration.

ICD-10, Assessment, Training and Software License & Maintenance; Items 12-20 on the 3M Company Amendment #2

The Department of Health and Human Services has mandated that ICD-9-CM code sets that medical coders & billers in the US currently use to report health care diagnoses and procedures, be replaced with ICD-10 code sets, effective Oct. 1, 2014. Additional information regarding this mandate is included in Attachment A. The services and software described in items 12-20 will assist NMC in determining what will be needed, and include the software, to meet this mandate.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved this Amendment as to legal form and risk provisions. Auditor-Controller has reviewed and approved this Amendment as to fiscal provisions. The Amendment has also been reviewed and approved by Natividad Medical Center's Board of Trustees.

FINANCING:

The cost for this Amendment over three years is \$554,250.31. \$245,842.55 is included in the Fiscal Year 2012/2013 Recommended Budget. \$157,709.64 will be included in the Fiscal Year 2013/14 Recommended Budget and \$150,698.11 will be included in the Fiscal Year 2014/15 Recommended Budget. There is no impact to the General Fund.

Prepared by: Jim Fenstermaker, IT Director, 783-2559

Approved by: Harry Weis, Chief Executive Officer, 783-2553

Attachments: Attachment A, Agreement, Amendments 1 and 2.