



Board Report

File #: A 15-321, Version: 1

Ratify and authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute Amendment No. 3 to the Agreement (A-12260) with 3M Company for medical records coding software maintenance, ICD-10 software licensing and maintenance and medical necessity dictionaries software maintenance services at NMC, with a retroactive date of June 30, 2015, extending the Agreement an additional 5-year period for a revised full term August 9, 2010 through August 8, 2020 and adding \$1,037,102 for a revised total Agreement amount not to exceed \$1,763,470.

RECOMMENDATION:

It is recommended the Board of Supervisors:

Ratify and authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute Amendment No. 3 to the Agreement (A-12260) with 3M Company for medical records coding software maintenance, ICD-10 software licensing and maintenance and medical necessity dictionaries software maintenance services at NMC, with a retroactive date of June 30, 2015, extending the Agreement an additional 5 year period for a revised full term August 9, 2010 through August 8, 2020 and adding \$1,037,102 for a revised total Agreement amount not to exceed \$1,763,470.

SUMMARY/DISCUSSION:

As the vendor of choice with the Center for Medicare and Medicaid Services (CMS) NMC has worked with 3M for over two decades for the provision of software and services pertaining to medical records coding. These services help NMC to achieve the highest reimbursement rates by several state and federal organizations for services provided to patients at NMC.

In June of 2012 this board approved Amendment No. 2 to extend the agreement with 3M Company to August 8, 2015 and adding \$554,250.31 for medical coding software licensing and maintenance services including new physician professional coding and reimbursement software, medical necessity dictionaries for Medi-Cal and Medicare software and maintenance services, on-going coding education of ICD10 code sets and for the replacement of ICD-9 to ICD-10 coding software licensing, installation and maintenance services.

The approved Amendment No. 2 included some services previously provided by the original Agreement with 3M as well as new services listed in the above paragraph which were required to meet federal and state requirements and mandates of medical record coding standards and guidelines. Also included in Amendment No. 2 were ICD-10 Facility Readiness Assessments and Reports required of 3M Company to meet Department of Health and Human Services mandates for the conversion from ICD-9 code sets to ICD-10 code sets the acquired services totaled \$204,648.91. The annual fees for services and maintenance under this amendment were \$137,864.09 and \$150,698.11.

This Amendment No. 3 extends the previously approved software maintenance and licensing services for coding, medical necessity dictionaries and ICD-10 code sets, while eliminating the reports and assessments provided by Amendment No. 2 that are no longer needed. Amendment No. 3 also includes one additional new piece of regulated coding software (Reimbursement Calculation APR CA Medi-Cal) that operates in conjunction with existing software included in the agreement, this additional software better estimates California reimbursement rates for specific types of patient diagnosis.

The 3M software and maintenance service fees increase every year based on inflation and market changes therefore the amendment allows NMC to lock-in costs and ensure a clear price schedule with no additional increases for the five year term. Recognizing that it is critical and necessary to sustain these services for coding, reimbursement, data and statistical reporting it is beneficial to the organization by securing a five year contract. Pricing for this Amendment No. 3 includes a discount of \$9,277 per year for a total savings of \$46,390 over the life of Amendment No. 3 (five years). 3M is a government regulated vendor to ensure all pricing policies,

criteria for setting pricing discounts, timelines and compliance are fair and consistent for all customers.

Due to the deadline date of June 30, 2015 on establishing the pricing discounts for the five year term, NMC executed the agreement prior to presenting the agreement to the Board of Supervisors in order to receive the savings and requests that the Board ratify full execution of the Agreement

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved this Amendment No. 3 as to legal form only, and the Auditor-Controller has reviewed and approved as to payment provisions. The Amendment No. 3 has also been reviewed and approved by NMC's Finance Committee on August 27, 2015 and by its Board of Trustees on September 11, 2015.

FINANCING:

The cost for this Amendment No. 3 is \$1,037,102 of which \$183,075 is included in the Fiscal Year 2015-16 Adopted Budget. Amounts for remaining years of the Agreement will be included in those budgets as appropriate. There is no impact to the General Fund.

Prepared by: Kim Williams-Neal, Director of Health Information Management, 783-2440

Approved by: Gary R. Gray, DO, Interim Chief Executive Officer, 783-2504

Attachments:

Amendment No. 3 to 3M Company Agreement

Amendment No. 2 to 3M Company Agreement

Amendment No. 1 to 3M Company Agreement

Original 3M Company Agreement

Amendment No. 3 Cost Sheet

Spend Sheet

Attachments on file with the Clerk of the Board