

File No. 100752

Committee Item No. 26

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 6/21/10

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

- |                                     |                          |  |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/>            | <input type="checkbox"/> | Motion                                       |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Budget Analyst Report                        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Analyst Report                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Public Correspondence                        |

#### OTHER

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<input type="checkbox"/>	<input type="checkbox"/>	_____
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Completed by: Gail Johnson

Date 6/18/10

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.



1 [Approval of Contract with Siemens Medical Solutions USA, Inc. - Not Exceed \$33,820,487]

2  
3 **Resolution authorizing the San Francisco Department of Public Health, to enter into a**  
4 **contract with Siemens Medical Solutions USA, Inc. (Siemens) for the continued**  
5 **licensing and maintenance of proprietary Siemens Applications for the initial term of**  
6 **July 1, 2010, through June 30, 2017, with one option to extend the initial term for an**  
7 **additional twenty four months ending June 30, 2019.**

8  
9 WHEREAS, DPH has entered into two current Agreements with Siemens as the  
10 principal vendor of clinical and financial applications for the Department of Public Health and  
11 Community Health Network known as the Product and Professional Services Contract and  
12 Remote Computing Option; and

13 WHEREAS, The terms of these existing contracts expire on June 30, 2012; and

14 WHEREAS, DPH and Siemens wish to terminate the existing contracts and consolidate  
15 the services into one contract with a seven-year term, which includes the two remaining years  
16 of the existing contracts plus an additional five years, in order to achieve operational  
17 efficiencies and realize ongoing budget savings; and,

18 WHEREAS, The Health Commission has approved the consolidation of the existing  
19 contracts in order to achieve operational efficiencies and budget savings; and,

20 WHEREAS, The cost of the initial term of the consolidated contract would not exceed  
21 Thirty Three Million Eight Hundred Twenty Thousand Four Hundred Eighty Seven Dollars  
22 (\$33,820,487); and

23 WHEREAS, Siemens has agreed to fully indemnify the City in cases of infringement in  
24 compliance with Administrative Code Section 21.21; and

1 WHEREAS, in order to achieve full functionality for the radiology component of the  
2 application, Siemens and The City must use third party software from the American College of  
3 Radiology, who will not extend to users of its software protection against intellectual property  
4 claims, and therefore does not fully comply with Administrative Code Section 21.21; and

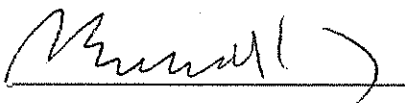
5 WHEREAS, any contract that does not fully comply with the requirements of  
6 Administrative Code Section 21.21 requires a resolution from the Board of Supervisors  
7 approving such contracts, and

8 WHEREAS, Article IX, SEC. 9.118.B of the San Francisco Charter requires that  
9 contracts that could require anticipated expenditures of the City and County in excess of Ten  
10 Million (\$10,000,000) Dollars be approved by the Board of Supervisors; and

11 WHEREAS, When the consolidated contract is fully signed and certified, a copy shall  
12 be on file with the Clerk of the Board of Supervisors in File No. , which is hereby  
13 declared to be a part of this resolution as if set forth fully herein; now, therefore, be it

14 RESOLVED, That the Board of Supervisors hereby authorizes the Department of  
15 Public Health and The Office of Contract Administration on behalf of the City and County of  
16 San Francisco to enter into the contract with Siemens Medical Solutions USA, Inc.

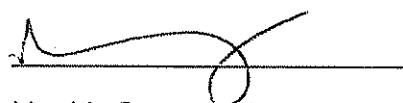
17  
18 APPROVED:

19  
20 

21 Mitchell H. Katz, MD

22 Director of Health

23 APPROVED:

24 

25 Health Commission



Gavin Newsom  
Mayor

Mitchell H. Katz, MD  
Director of Health

**MEMORANDUM**

**DATE:** June 4, 2010

**TO:** The Honorable David Chiu  
President, of the Board of Supervisors

**THRU:** Mitchell H. Katz, MD  
Director of Health

**FROM:** Gregg Sass *ms*  
Chief Financial Officer

**RE:** Resolution authorizing the San Francisco Department of Public Health (DPH), to enter into a contract with Siemens Medical Solutions USA, Inc. (Siemens) for the continued licensing and maintenance of proprietary Siemens Applications.

The Department of Public Health is seeking approval from the Board of Supervisors to enter into a contract with Siemens Medical Solutions USA, Inc. (Siemens) for a new contract to maintain user licenses, provide systems support, and upgrades for the Siemens information systems installed throughout the Department's healthcare services and operated by the Department.

This new contract will have an initial term from July 1, 2010 through June 30, 2017, with one two year option to renew. The initial term of the contract is estimated at \$33,820,487 and includes the two remaining years of the existing contract. Upon certification, the current contracts (The Remote Computing Option and Product and Professional Services agreement), which are scheduled to end June 30, 2012 will be terminated. The Department is entering into a new consolidated contract in order to achieve operational efficiencies and to realize ongoing budget savings from a renegotiated master agreement with Siemens.

The Siemens information systems installed at DPH have performance features that are essential for the Department to maintain its ability to provide critical healthcare services. Replacement of the information systems are neither economically nor operationally feasible.

- The contract will continue to provide information systems licenses and support for Financial and Clinical application at San Francisco General Hospital, Laguna Honda Hospital, Primary Care and specialty Clinics. Service areas include Inpatient and Ambulatory Care Patient Registration; Billing and Account Receivable; On-Line Eligibility; Clinical Orders and Lifetime Clinical Record; Pharmacy; Radiology and Openlink Integration Engine. The contract will also combine separate Remote Computing Option (RCO) and Products and Services contracts into a comprehensive Master Agreement with a reduced annual fee schedule resulting in over \$1,000,000 in annual Base Budget expenditure savings.
- The information systems provided by Siemens and related support services are required for regulatory compliance for State Licensing and Certification of Healthcare facilities as well as meeting the standards mandated by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). In addition the Invision system software applications support patient billing functions resulting in over \$500,000,000 in annual patient care related revenue.
- The Siemens Invision products will also be immediately applicable to the goal of attaining "Meaningful Use" of Electronic Medical Records (EMR) at San Francisco General Hospital in the 2011-2015 timeframe, and will greatly enhance the ability of the Hospital to qualify for approximately \$6-\$7 Million in EMR-related incentive payments to be made available through the Federal ARRA HITECH grant program. It is anticipated that Hospital ARRA incentive payments will be made available in early 2012.

If you have any questions please contact, David Counter, Director, Information Technology, Department of Public Health at 554-255-3575.

## **MIS contract between CCSF and SIEMANS Medical Solutions Overview of Contract**

### **History:**

SIEMANS is the Health Departments largest IT service provider. SIEMANS has provided critical clinical and financial applications and support to DPH for 25 years. All billing and collection at our hospitals and clinics are processed using INVISION, a SIEMENS financial system used in hundreds of hospitals. Attachment 1 is a graph that details the growth in collections we have achieved using their applications.

### **Existing contracts:**

There are two contracts, known as the *Product and Professional Services Contract* and *Remote Computing Option*. These contracts have terms ending in June 2012.

The annual cost of these contracts for each of the next two years is \$5,034,102.

### **New Contract:**

If approved, the existing contracts will be terminated early and replaced by a seven-year contract (two remaining years of current contracts plus five additional years). The new contract will have an annual cost of \$3,967,568.

### **Estimated Savings:**

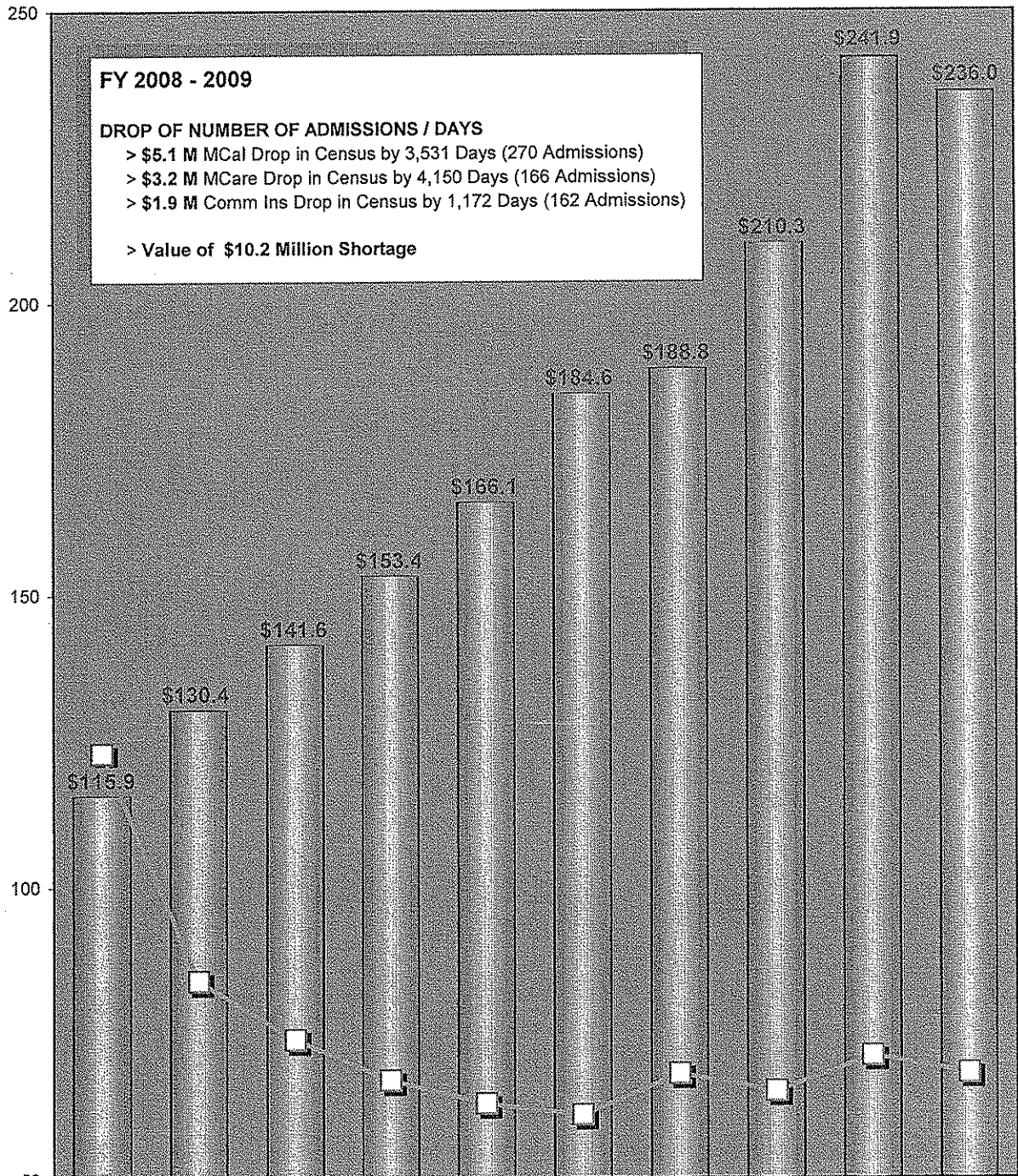
The new contract will save the City close to \$1.1 million annually for a 21% savings beginning July 1, 2010. Attachment 2 is a comparison of the existing contracts and new contract detailing the savings.

### **Justification:**

This is responsive to the request by the Mayor and PEC to reduce contract expenses and the request by the BOS to reduce the cost of IT services. The full \$1,066,536 annual savings is included in the DPH budget submission to the Mayor for 2010-2011 and contributes to the Department's General Fund reduction target. Attachment 3 is the budget initiative write-up.

### **Other Benefits:**

The contract also exchanges certain license agreements that will not be used by the Department, and provides licenses and implementation services for other products. These products and services will be immediately applicable to the goal of attaining *Meaningful Use* of Electronic Medical Records at San Francisco General Hospital in the 2011-2015 timeframe and will greatly enhance the ability of the Hospital to qualify for approximately \$6-\$7 Million in incentive payments to be made available through the Federal ARRA, HITECH grant program. It is anticipated that Hospital ARRA incentive payments will become available in 2012. Conversely, should we fail to achieve *meaningful use* by 2015, we face financial penalties that would reduce funding to the Department.



	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09
<b>CASH COLLECTION IN MILLION \$</b>	\$115.9	\$130.4	\$141.6	\$153.4	\$166.1	\$184.6	\$188.8	\$210.3	\$241.9	\$236.0
<b>A/R DAYS</b>	123	84	74	67	63	61	68	65	71	68

FISCAL YEAR END A/R DAYS AND CASH COLLECTIONS  
SFGH & COPC COMBINED  
FISCAL YEAR END 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

Attachment 1

City and County of San Francisco  
 - Siemens Proposed vs Existing Fees  
 - April 16, 2010

EXISTING SUMMARY		Monthly	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
CONTRACT FEES		7/1/2010								
RCO (Note 1)		210,538								
PPS (Note 2)		149,984								
Radio (Note 3)		166								
Inviced addition to Existing PPS & RCO (Note 3)		9,212								
Subtotal		369,300	\$ 4,431,600	\$ 4,431,600	\$ 4,431,600	\$ 4,431,600	\$ 4,431,600	\$ 4,431,600	\$ 4,431,600	\$ 31,021,200
Taxes		35,984	421,002	421,002	421,002	421,002	421,002	421,002	421,002	2,947,014
Project Manager/Site Manager (1,000 hours/and 7.6)		15,125	181,500	181,500	181,500	181,500	181,500	181,500	181,500	1,270,500
<b>TOTAL</b>		<b>419,809</b>	<b>\$ 5,034,102</b>	<b>\$ 5,034,102</b>	<b>\$ 5,034,102</b>	<b>\$ 5,034,102</b>	<b>\$ 5,034,102</b>	<b>\$ 5,034,102</b>	<b>\$ 5,034,102</b>	<b>\$ 35,288,714</b>

PROPOSED SUMMARY		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
1. RCO EXISTING									
Existing Support and Services									
Existing Subtotal		\$ 3,004,164	\$ 3,004,164	\$ 3,004,164	\$ 3,004,164	\$ 3,004,164	\$ 3,004,164	\$ 3,004,164	\$ 21,229,148
2. RCO New Applications/Services									
One-time Fees (Technology, Install, T&U)		\$ 181,428	\$ 108,603	\$ 50,540	\$ 61,860	\$ 129,320	\$ 124,820	\$ 124,820	\$ 774,889
Monthly Fees (Est. Monthly - estimate)		\$ 3,225,492	\$ 3,172,987	\$ 3,144,705	\$ 3,125,824	\$ 3,187,484	\$ 3,187,484	\$ 3,187,484	\$ 22,220,837
New App. One-time and Monthly Subtotal		\$ 3,406,920	\$ 3,281,590	\$ 3,195,245	\$ 3,187,684	\$ 3,316,804	\$ 3,312,368	\$ 3,312,368	\$ 24,995,726
RCO Grand Total: Existing and New Applications w/Taxes		\$ 6,411,084	\$ 6,285,754	\$ 6,199,409	\$ 6,191,848	\$ 6,320,968	\$ 6,316,532	\$ 6,316,532	\$ 46,224,874
3. PPS/Taxes									
Taxes Subtotal		\$ 201,096	\$ 295,633	\$ 291,096	\$ 298,953	\$ 302,814	\$ 302,814	\$ 302,814	\$ 2,083,210
PPS Grand Total: Existing and New Applications w/Taxes		\$ 2,112,192	\$ 2,577,166	\$ 2,486,505	\$ 2,486,807	\$ 2,611,782	\$ 2,611,782	\$ 2,611,782	\$ 17,106,936
<b>GRAND TOTAL w/TAXES</b>		<b>\$ 8,523,276</b>	<b>\$ 8,862,920</b>	<b>\$ 8,685,914</b>	<b>\$ 8,678,655</b>	<b>\$ 8,932,750</b>	<b>\$ 8,928,314</b>	<b>\$ 8,928,314</b>	<b>\$ 63,331,810</b>

1. PPS EXISTING		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Term Licenses									
Existing Subtotal		\$ 213,808	\$ 213,808	\$ 213,808	\$ 213,808	\$ 213,808	\$ 213,808	\$ 213,808	\$ 1,496,656
2. PPS New Applications/Services									
One-time Fees (S/Upgrade, S/BL)		\$ 195,870	\$ 202,920	\$ 202,920	\$ 202,920	\$ 202,920	\$ 202,920	\$ 202,920	\$ 1,409,730
Monthly Fees (S/Support, Maint)		\$ 408,678	\$ 416,128	\$ 416,128	\$ 416,128	\$ 416,128	\$ 416,128	\$ 416,128	\$ 2,906,446
Project Mgmt & Site Mgmt (1000 hours per year) and T&U									
New App. One-time and Monthly Subtotal		\$ 604,548	\$ 621,168	\$ 621,168	\$ 621,168	\$ 621,168	\$ 621,168	\$ 621,168	\$ 4,238,574
Existing and New Applications Total		\$ 818,356	\$ 834,976	\$ 834,976	\$ 834,976	\$ 834,976	\$ 834,976	\$ 834,976	\$ 5,735,230
3. PPS/Taxes									
Taxes Subtotal		\$ 21,901	\$ 22,290	\$ 22,290	\$ 22,290	\$ 22,290	\$ 22,290	\$ 22,290	\$ 157,038
PPS Grand Total: Existing and New Applications w/Taxes		\$ 840,257	\$ 857,266	\$ 857,266	\$ 857,266	\$ 857,266	\$ 857,266	\$ 857,266	\$ 5,892,268
<b>GRAND TOTAL w/TAXES</b>		<b>\$ 1,658,533</b>	<b>\$ 1,692,232</b>	<b>\$ 1,692,232</b>	<b>\$ 1,692,232</b>	<b>\$ 1,692,232</b>	<b>\$ 1,692,232</b>	<b>\$ 1,692,232</b>	<b>\$ 11,627,042</b>

FEE REDUCTION		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
EXISTING SUMMARY		\$ 5,034,102	\$ 5,034,102	\$ 5,034,102	\$ 5,034,102	\$ 5,034,102	\$ 5,034,102	\$ 5,034,102	\$ 35,238,714
PROPOSED SUMMARY		\$ 3,967,566	\$ 3,908,417	\$ 3,844,217	\$ 3,861,195	\$ 3,928,712	\$ 3,928,712	\$ 3,928,712	\$ 27,655,532
<b>REDUCTION OF FEES</b>		<b>\$ 1,066,536</b>	<b>\$ 1,125,685</b>	<b>\$ 1,189,885</b>	<b>\$ 1,172,907</b>	<b>\$ 1,105,390</b>	<b>\$ 1,105,390</b>	<b>\$ 1,105,390</b>	<b>\$ 7,583,182</b>

Notes:  
 1) \$149k includes HDX (\$34k), and RIS (\$52k) that were unbundled and separated out on invoice  
 2) ICM \$18k invoice in addition to \$52k  
 3) Itemized invoice fees in addition to RCO/PPS bundled fee for add-on applications/services  
 4) Does not include CPE estimates



2010-2011 Program Change Request

DEPARTMENT NAME:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> San Francisco General Hospital | <input type="checkbox"/> Public Health          |
| <input checked="" type="checkbox"/> Laguna Honda Hospital          | <input type="checkbox"/> CBHS - Mental Health   |
| <input checked="" type="checkbox"/> Primary Care                   | <input type="checkbox"/> CBHS - Substance Abuse |
| <input type="checkbox"/> Jail Health                               | <input type="checkbox"/>                        |
| <input type="checkbox"/> Health At Home                            |   |

DPH SECTION: **Community Health Network**

PROGRAM CONTACT NAME/PHONE: **Gregg Sass (554-2610), David Counter (255-3575)**

PROGRAM / INITIATIVE TITLE: **MIS Contract Savings FY 2010 through FY 2016**

GENERAL FUND: **(\$1,066,566)**

TARGETED CLIENTS: San Francisco General Hospital, Laguna Honda Hospital and Primary Care Clinics

**PROGRAM DESCRIPTION: (Description of Program Change)**

(If proposing reductions to Contractors, provide name of contractor, program and amount)

This initiative will allow for the approval of a re-negotiated multi-year Master Agreement (FY 2010 through FY 2016) with Siemens Medical Systems at a reduced annual rate resulting in a savings of approximately \$1,066,566 annually in the Department's Information Technology Base Budget for the next seven years. The re-negotiated contract with Siemens Medical Systems will also enable the Department to exchange previously licensed software products relating to Siemens SOARIAN, a clinical and financial application for hospitals, that we no longer expect to implement, for software licenses and implementation services for clinical and financial tracking applications relating to Siemens INVISION.

These Siemens INVISION software products will be immediately applicable to the goal of attaining *Meaningful Use* of Electronic Medical Records (described in initiative E2) at San Francisco General Hospital in the 2011-2015 timeframe and will greatly enhance the ability of the Hospital to qualify for approximately \$6-\$7 Million in incentive payments to be made available through the Federal ARRA, HITECH grant program. It is anticipated that Hospital ARRA incentive payments will be made available in early 2012. Conversely, should we fail to achieve *meaningful use* by 2015, we face financial penalties that would reduce funding to the Department.

**JUSTIFICATION: (required by the Mayor's Office)**

The Director of Health and Clinical Leadership team of the Department have identified several key benefits associated with Electronic Medical Records (EMR) relating to clinical patient care services, regulatory compliance and positive fiscal impacts.

Also, this initiative allows us to make significant progress on Electronic Medical Record and maintain our IT services AND decrease costs.

**IMPACT ON NUMBER OF CLIENTS SERVED AND UNITS OF SERVICE PROVIDED**

The initiative anticipates a positive impact on patient care services for Hospital and Community Primary Care Treatment areas and specialty clinics.

**EXPENSE AND REVENUE IMPACT (Reductions/Reallocations-complete supporting budget doc)**

This initiative anticipates an annual Base Budget savings of \$1,000,000 due to a re-negotiated monthly rate for information technology software products and services provided by Siemens Medical Systems.

Current Annual Payment FY 10-11	\$5,034,102
<u>Revised Annual Payment FY 10-11</u>	<u>\$3,967,568</u>
<b>Total Annual Savings</b>	<b>\$1,066,536</b>

**IMPACT ON DEPARTMENT'S WORKFORCE (increase or decrease of FTE's)**

The initiative anticipates no increase or decreases in the Department's workforce.