

File No. 160043

Committee Item No. 5

Board Item No. 12

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee Date March 9, 2016

Board of Supervisors Meeting

Date March 15, 2016

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance                                    |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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Completed by: Victor Young Date March 4, 2016

Completed by: Victor Young Date March 10, 2016

1 [No Competitive Solicitation Process - Selection of Preferred Contractor - Regents of the  
2 University of California - Modern Electronic Health Record System]

3 Ordinance providing that the competitive solicitation process requirement in  
4 Administrative Code, Section 21.1, shall not apply to the Department of Public Health's  
5 (DPH) contract for a modern, secure, and fully integrated electronic health record (EHR)  
6 system for the San Francisco Health Network to replace DPH's current system;  
7 ratifying the selection of the Regents of the University of California (UC), by and  
8 through the University of California San Francisco, as the preferred contractor; and  
9 ~~authorizing DPH's Director of Health to enter into negotiations with UC to procure the~~  
10 ~~new EHR system, or enter into negotiations with specified alternative vendors, as~~  
11 ~~defined in this Ordinance, if negotiations with UC are unsuccessful.~~

12 NOTE: Unchanged Code text and uncodified text are in plain Arial font.  
13 Additions to Codes are in *single-underline italics Times New Roman font*.  
14 Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.  
15 Board amendment additions are in double-underlined Arial font.  
16 Board amendment deletions are in ~~Arial font~~.  
17 Asterisks (\* \* \* \*) indicate the omission of unchanged Code  
18 subsections or parts of tables.

19 Be it ordained by the People of the City and County of San Francisco:

20 Section 1. Findings.

21 (a) The San Francisco Health Network (SFHN) of the Department of Public Health  
22 (DPH or Department) provides direct health services to thousands of insured and uninsured  
23 residents of the San Francisco bay area, including those most socially and medically  
24 vulnerable. The SFHN includes primary care, regional emergency and trauma treatment,  
25 medical and surgical specialties, diagnostic testing, skilled nursing and rehabilitation, dental  
care, comprehensive behavioral health and substance abuse treatment services, and jail

1 health services. This network of health care is an essential component of the San Francisco  
2 safety net.

3 (b) The growing complexity of managing information, documentation, and communication  
4 to meet the triple aim of health care reform – better care for individuals, better health for the  
5 population, and lower health care costs – requires adequate tools for all healthcare staff who  
6 play a role in providing safe, effective, and lower cost care.

7 (c) The SFHN needs a modern and fully-integrated electronic health record (EHR)  
8 system to improve patient safety and care coordination to better protect and promote the health  
9 of all San Franciscans, fulfill the federal requirements of EHR “meaningful use,” and help  
10 achieve the aims of health care reform. This EHR system would replace an outdated patchwork  
11 of multiple vendor-supported and internally created EHR systems, which developed piecemeal  
12 over several decades. This patchwork includes an outmoded clinical medical record system that  
13 does not fully comply with federal care delivery requirements and is ineligible for federal Eligible  
14 Professional and Hospital incentive payments.

15 (d) DPH must replace its aging EHR system, which houses all patient records,  
16 including charting, test results, medication administration, and demographics, records of  
17 hospital procurement processing, and all acute and long-term care and pharmacy billing for  
18 SFHN patients. The current EHR system was implemented in 1996 and will be phased out  
19 and no longer supported by Cerner Corporation (Cerner) within the next few years. To make  
20 a safe and successful transition from this system, as well as several other aging and disparate  
21 EHR systems, to a modern, fully-integrated EHR system, the Department plans to extend its  
22 current EHR system contract with Cerner, which ends on June 30, 2017, until at least June  
23 30, 2019.

24 (e) To encourage health care providers to upgrade their EHR systems, Congress  
25 mandated that Medicare eligible professionals, eligible hospitals, and critical access hospitals

1 (CAH) (collectively, Providers) that are not “meaningful users” of Certified EHR Technology  
2 under the Medicare EHR Incentive Program receive financial penalties. To participate in the  
3 Medicare EHR Incentive Program, and avoid penalties, Providers must demonstrate  
4 “meaningful use” in either the Medicare EHR Incentive Program or the Medicaid EHR  
5 Incentive Program.

6 (f) Based on analyses by the Chief Financial Officer of the Priscilla Chan and Mark  
7 Zuckerberg San Francisco General Hospital and Trauma Center (ZSFGH) and by KPMG, a  
8 consulting and audit firm, the SFHN estimates that its Medicare payment reductions related to  
9 inability to meet “meaningful use” requirements will be approximately \$876,000 annually  
10 starting in 2017, assuming that Stage 3 meaningful use penalties, as categorized under  
11 federal law, are enforced. The estimated reduction may be mitigated if the U.S. Department  
12 of Health and Human Services (HHS) grants the City a hardship waiver.

13 (g) In 2012, the Department embarked on an extensive research process to determine  
14 the best option for a modern, secure, and fully-integrated EHR system. The Department  
15 contracted with Sierra Systems (Sierra) to assess the Department’s information technology  
16 (IT) system and develop a plan for expanding the role of technology in the Department’s  
17 delivery of health care. Sierra made numerous recommendations, including: “Integration of  
18 Applications and Data to make the right data available to the right people at the right time.  
19 Integration would be easier if a single vendor software package could address all of the DPH  
20 information needs.”

21 (h) In 2013, with each SFHN unit using a different electronic records system, the strain  
22 of coordinating among acute care, specifically among the Emergency Department, medical  
23 surgical care, intensive care, and the perioperative areas became more apparent. While the  
24 electronic records systems within each individual unit met operational needs, there was only  
25 limited ability to coordinate care as patients transitioned to various units within the SFHN.

1 (i) As a result, through its affiliation with the University of California San Francisco  
2 (UCSF), the Department contracted with Kurt Salmon and Associates (KSA), to further assess  
3 the Department's needs and goals in relation to the EHR vendor marketplace. KSA worked  
4 with DPH to develop a matrix of priorities, guiding principles, and criteria to help the  
5 Department identify potential single-vendor solutions for an integrated EHR system.

6 (j) Two of the primary vendors considered by KSA in 2013, were Epic Systems  
7 Corporation (Epic) and the Department's then electronic record system vendor, Siemens  
8 Healthcare Systems (Siemens). However, Cerner acquired Siemens in January of 2015, and  
9 has confirmed it will not be enhancing or updating DPH's current electronic records system,  
10 the Siemens product, but could provide a migration to Cerner's integrated EHR system  
11 solution, called Cerner Millennium®. Cerner's decision forced DPH to accelerate its plans to  
12 implement a modern EHR system to replace the incumbent, aging Siemens system.

13 (k) Cerner and Epic are the largest vendors providing a single integrated EHR system  
14 with the breadth that could likely meet the needs of the entire SFHN. Both vendors are  
15 experienced in developing systems for acute, ambulatory, and long term care, skilled nursing,  
16 inpatient psychiatric, perioperative, Emergency Department, ICU, inpatient pharmacy,  
17 revenue cycle management, and the necessary analytics to improve care and refine  
18 operations.

19 (l) According to HHS' statistics, and other studies, Epic and Cerner are the market  
20 leaders for EHR systems in ambulatory care and hospital settings. While the HHS statistics  
21 show that Epic and Cerner are the volume leaders for Providers and hospitals, respectively,  
22 reports by Gartner Inc., an international health care technology research and consulting firm,  
23 put Epic and Cerner at the top of the EHR industry based on multiple industry criteria, which  
24 commonly include functional depth, organizational alignment, ability to execute, and technical  
25 integration.

1 (m) The healthcare IT research firm, KLAS, confirms that Epic and Cerner are at, or  
2 near the top of, multiple EHR categories, such as Surgery Management and Application  
3 Hosting, with one or the other ranking first or second in all ambulatory and acute care  
4 categories. See [http://thehealthcareblog.com/blog/2015/02/02/klas-announces-2014-best-in-](http://thehealthcareblog.com/blog/2015/02/02/klas-announces-2014-best-in-klas-winners)  
5 [klas-winners](http://thehealthcareblog.com/blog/2015/02/02/klas-announces-2014-best-in-klas-winners).

6 (n) Beginning in early 2015, DPH IT staff met with both Cerner and Epic to obtain  
7 information on the specifications that each of their respective EHR systems could deliver, the  
8 types of prerequisites that each would require from DPH, the ability of their systems to  
9 interface with some of the current products that their systems cannot replace, what  
10 implementation of their systems would look like, and the estimated costs associated with  
11 each.

12 (o) Between June and September 2015, DPH received several demonstrations from  
13 both Epic and Cerner about how their respective various EHR system modules functioned  
14 with respect to several key SFHN health care delivery services. These demonstrations  
15 served multiple purposes. They:

16 (1) Provided initial exposure and engagement of vendor offerings to targeted  
17 stakeholders, particularly for modules with a perceived functional gap between Cerner and  
18 Epic;

19 (2) Solicited feedback from stakeholders, documenting strong objections to  
20 any particular module;

21 (3) Developed a preliminary list of functional areas that may require a third  
22 party or supplemental solution not offered by Cerner or Epic.

23 (p) During the course of these meetings and presentations, DPH concluded, that the  
24 breadth of products and functionality offered by Cerner and Epic's respective EHR systems  
25 are comparable. DPH also noted that a key consideration is the use of the Epic system by

1 UCSF. Since the SFHN and UCSF need to continually share information and ZSFGH uses  
2 UCSF physicians to provide medical services through its Affiliation Agreement with UCSF, the  
3 familiarity and satisfaction of UCSF with Epic's EHR system, became an important factor.  
4 The Department recognized that it would receive substantially greater support from its  
5 provider community if it selected Epic, because physician adoption and acceptance of an EHR  
6 system is critical to the success of any EHR implementation.

7 (q) A report for the Department prepared by KSA in 2013, introduced the option of  
8 leveraging the Department's longstanding partnership with UCSF to link into the UCSF Epic  
9 EHR system, which allows this type of "shared use" via a process called Community Connect.  
10 Epic requires Community Connect hub organizations, like UCSF, to meet a rigorous set of  
11 accreditation criteria to ensure the product is kept updated and properly utilized and to adopt  
12 technology using EMR option Model<sup>SM</sup> (EMRAM, <http://www.himssanalytics.org/stage7>).  
13 Depending on the pricing and subsidy decisions at the host organization, a Community  
14 Connect satellite site can benefit from a shared record and the technical resources of the host  
15 organization, often at a lower cost, and with a faster implementation timeline than developing  
16 a freestanding integrated EHR system directly from the vendor.

17 (r) Since 1864, ZSFGH and the UCSF School of Medicine have closely collaborated to  
18 provide health care services for the people of San Francisco. ZSFGH is one of UCSF's  
19 primary teaching hospitals, where medical residents train under UCSF faculty and City staff.  
20 Today, more than 2,000 UCSF physicians and staff from all four UCSF professional schools  
21 work side-by-side with 3,500 DPH employees, at both the hospital and the specialty and  
22 primary care clinics located on the ZSFGH campus.

23 (s) Beginning in August 2014, DPH IT staff met several times with UCSF staff, and  
24 more recently with Epic representatives, to better understand Epic's Community Connect  
25 accreditation process and estimated timeline, and how the shared use of UCSF's Epic EHR

1 system would help the Department achieve “meaningful use” under federal law while  
2 maintaining the security and privacy of SFHN’s patients’ confidential information. These  
3 meetings confirmed three key justifications for DPH’s partnering with UCSF:

4 (1) The ability of UCSF to host the substantial infrastructure and hardware  
5 necessary to run their Epic EHR system sized to meet DPH’s needs;

6 (2) The option to expand UCSF’s existing EHR design, to the extent that it  
7 aligns with DPH’s needs. This design has been systematically configured and refined over  
8 several years by UCSF and Epic analysts to meet the requirements of clinical and non-clinical  
9 users who work at UCSF and ZSFGH. Starting from this design will be familiar to a majority  
10 of DPH providers and is the optimal baseline for user adoption, change management, and  
11 implementation timeline; and

12 (3) UCSF physicians and residents have already received considerable  
13 training on and have extensive experience with the Epic EHR system, which should  
14 significantly reduce the training effort required to learn a DPH Epic system. An additional  
15 benefit of this pre-existing familiarity with the Epic system is to enable providers to focus on  
16 optimizing the care they provide to patients, contributing to improved patient satisfaction,  
17 safety, and continuity of care.

18 (t) In March 2015, UCSF, through a contract with the Department, analyzed DPH’s  
19 current EHR system and information technology structure to determine the resources that  
20 would be required to extend and further customize UCSF’s current Epic EHR system to DPH’s  
21 entire SFHN via Epic’s Community Connect structure. In June 2015, UCSF presented the  
22 results of its analysis to DPH, which revealed the following advantages of sharing UCSF’s  
23 Epic EHR system:

24 (1) Leveraging UCSF’s Epic EHR content and system design;

25 (2) Shared physician and residents/trainees;



1 (3) Consistency of a single EHR system with many shared design elements  
2 for providers, supporting quality and safety;

3 (4) Safer coordination of patient care at both UCSF and SFHN facilities;

4 (5) Facilitation of research via a shared patient database; and

5 (6) Experience and lessons learned from UCSF's Epic implementation.

6 UCSF's report also included cost models for extending Epic to DPH and the proposed scope  
7 and timeline.

8 (u) On January 19, 2016, the San Francisco Health Commission, in  
9 Resolution No. 16-3, supported the Director of Health's (Director) decision to seek authority  
10 from the Board of Supervisors for the actions contemplated in this ordinance. A copy of this  
11 Resolution is on file with the Clerk of the Board of Supervisors in File No. 160043.

12  
13 Section 2. Rationale for Not Requiring Competitive Solicitation.

14 (a) Section 21.1 of the Administrative Code requires departments to have a formal  
15 competitive solicitation process to procure commodities or services. There are several  
16 reasons to not require competitive solicitation in this instance, and, in accordance with the  
17 desire of DPH, authorize DPH to enter into exclusive negotiations with the Regents of the  
18 University of California (UC) for an agreement for shared use of its preconfigured and fully  
19 integrated Epic EHR system as described in Sections 1 and 2.

20 (b) As outlined in Section 1, there are only two EHR systems, Epic and Cerner, that  
21 can provide DPH a single vendor EHR system solution with the breadth of modules needed to  
22 provide effective records and information management for the many ways that DPH delivers  
23 health care. The current industry standard for the implementation of either system is  
24 approximately two years from the date a contract is finalized.

1 (c) After extensively researching various options over the last three years, the  
2 Department has concluded that contracting with UCSF to implement Epic as a Community  
3 Connect Partner is the Department's most viable option for several key reasons: clinical  
4 coordination/patient safety, clinical implementation support, population health research, and  
5 training and implementation costs.

6 (d) As described in Section 1, DPH has maintained a partnership with UC, through and  
7 by UCSF, for over 150 years. ZSFGH serves as one of UCSF School of Medicine's flagship  
8 teaching hospitals, and UCSF Medical Center has long served as the primary source of  
9 tertiary and quaternary care for SFHN patients. More recently, UCSF has been developing a  
10 Bay Area Accountable Care Organization that SFHN is interested in joining. UCSF chose  
11 Epic as its EHR system in 2012, and has since gained experience implementing the system  
12 not only across its three major sites (Parnassus, Mt. Zion, Mission Bay), but also at Children's  
13 Hospital Oakland and UCSF Benioff Children's Physician Group. UCSF also plans to  
14 implement the system in the near future at John Muir Medical Center and for the SFGH  
15 Clinical Practice Group.

16 (e) UCSF Medical Center (UCMC) is the primary referral center for tertiary and  
17 quaternary care for SFHN patients, ranging from diagnostic tests that are not available on the  
18 ZSFGH campus, such as nuclear medicine, to complex longitudinal care such as organ  
19 transplantation. The Department's shared use of UCSF's Epic site license would enable the  
20 SFHN and UCSF to seamlessly, and securely, share data on these mutual patients requiring  
21 complex care. Tangible benefits to DPH and SFHN from shared use include decreased costs  
22 from avoidance of duplicative testing, as well as improved patient safety from a common  
23 medication and allergy list. In addition, clinician (e.g., MD, RN) familiarity with an  
24 organization's EHR system is essential to ensure patient safety when entering orders and fully  
25 accessing critical health care information. In a given year, more than 85% of SFHN patients

1 receive services at ZSFGH. Half of the ZSFGH attending physicians and all of the post-  
2 medical graduate trainees also provide care at UCMC, where they are intimately familiar with  
3 UCSF's Epic EHR system, and that familiarity reduces the risk of mistakes being made when  
4 entering information into, and accessing information from, the EHR system.

5 (f) Implementation and optimization of the SFHN's existing EHR systems has been  
6 hampered by a lack of clinical (RN and MD) resources to adapt and tailor clinical content and  
7 workflows, which is an extremely time-intensive process. UCSF spent thousands of hours  
8 creating and refining clinical templates that the Department anticipates can be used "out of the  
9 box" as a Community Connect satellite site. Implementing a COTS (commercial off-the-shelf)  
10 system with a proven and familiar design reduces the risk of missing project deadlines  
11 because of the extensive configuration of a new and unfamiliar alternative system. Ultimately,  
12 any project delays could result in a loss to the Department of federal incentive payments, and  
could adversely affect patient care coordination with UCSF.

14 (g) DPH and ZSFGH have a longstanding commitment to supporting research and  
15 evaluation focused on vulnerable populations. UCSF shares this commitment, and is a  
16 valued partner in these efforts. In recent years, the research has expanded to quality  
17 improvement focused on patients and clients. Now, with the advent of Accountable Care  
18 Organizations, and Department's Population Health Division's increased interest in a more  
19 comprehensive understanding of population health in San Francisco, shared data for  
20 evaluation and planning is more important than ever. Inclusion of the SFHN in UCSF's Epic  
21 EHR system would facilitate a deeper and fuller understanding of the health status of the  
22 City's population.

23 (h) The costs for training, and therefore implementation, will be significantly reduced  
24 by the Department using UCSF's existing Epic EHR system. Of the more than 1,200  
25 physicians who work in the SFHN, approximately 900 are UCSF School of Medicine faculty

1 based at ZSFGH. Many of these faculty, along with all 900 UCSF post medical graduate  
2 trainees, who constitute a large part of the workforce at ZSFGH, are familiar and facile with  
3 using the Epic system based on their clinical work at UCMC. Training in the Epic system is  
4 provided and supported by UCSF to all new incoming post medical graduate clinical trainees,  
5 all of whom work at both UCMC and ZSFGH. If SFHN implements UCSF's version of the  
6 Epic system, the Department would be able to leverage UCSF's training for this substantial  
7 and critical part of its workforce. In addition, UCSF serves as a major pipeline to fill SFHN  
8 positions – not only physicians, but nurses, pharmacists, and other health professionals.  
9

10 Section 3. Competitive Solicitation Process Not Required.

11 (a) The competitive solicitation process requirement in Administrative Code Section  
12 21.1 shall not apply to the Department for the specific purpose, as explained in Sections 1 and  
13 2 of this ordinance, of procuring a modern, secure, uniform, and fully integrated EHR system  
14 to replace the Department's current patchwork EHR system.

15 (b) This ordinance shall apply retroactively to all actions taken by City officials or City  
16 agencies or entities in connection with the Department's selection of the EHR system and  
17 vendor.

18 (c) The Board of Supervisors hereby ratifies and confirms all actions taken by City  
19 officials or City agencies or entities in selecting UC, through and by UCSF, as the City's  
20 preferred contractor.  
21

22 Section 4. Authority to Negotiate an Integrated Electronic Health Record System with  
23 the Regents of the University of California.

24 (a) The Board of Supervisors hereby authorizes the Director of Health to enter into  
25 negotiations exclusively with UC, through and by UCSF, for a contract to allow the

1 Department's shared use of UCSF's electronic health record system, under UCSF's  
2 accreditation as an Epic Community Connect Partner. If, within six months of negotiation with  
3 UC, the Director is unable to obtain sufficient assurances that UC will be able to substantially  
4 meet the criteria listed in subsection (b) below, to reach a fair and reasonable agreement, the  
5 Director may also commence a competitive solicitation process to procure an integrated EHR  
6 system for the Department. If the Director cannot successfully conclude negotiations with  
7 UCSF for a new EHR system, the Director shall commence a competitive solicitation process  
8 to procure an integrated EHR system for the Department ~~enter into direct negotiations with~~  
9 ~~Cerner Corporation and/or with Epic Systems.~~ The Director must obtain final approval from  
10 the Board of Supervisors of the agreement to procure an integrated EHR system for the  
11 Department.

12 (b) The final agreement for an integrated EHR system for DPH shall, at a minimum,  
substantially address the following criteria:

14 (1) Clearly calculated total cost of ownership over a 10-year period.

15 (2) Comprehensiveness of the EHR system to meet the breadth of care delivery  
16 within DPH.

17 (3) The EHR system will be fully hosted and supported "24/7" by the EHR  
18 partner.

19 (4) The EHR system will be maintained and updated to stay current with  
20 industry standards, compliant with Centers for Medicare and Medicaid Services (CMS)  
21 regulations pertaining to "meaningful use" current and future stages, and compliant with all  
22 state and federal regulations to protect patient privacy rights.

23 (5) DPH and the EHR partner will reach agreement on governance that would  
24 allow DPH the autonomy and accountability needed to be a conscientious steward of City  
25 resources.

1 (6) The EHR partner will agree with IT and Informatics on service levels for  
2 hosted solutions and technical support service levels.

3 (7) The EHR system will have sufficient interoperability and integration with  
4 other health care delivery organizations to effectively treat SFHN patients and clients.

5 (8) The EHR system will have a proven record of neutral or increase in revenue,  
6 including three clear examples of integrated delivery network (IDN) clients meeting this  
7 criterion within the past two years.

8 (9) The EHR system will have strong analytical capabilities to mitigate risks  
9 associated with readmissions and other CMS metrics impacting reimbursement, including  
10 three clear examples from academic teaching hospitals similar in size to ZSFGH.

11 (10) The EHR system will use population health analytics to support the real-  
12 time clinical decision making needs of a multi-faceted public health delivery system for optimal  
13 transitions of care, including three clear examples of IDN clients meeting this criteria. These  
14 analytical capabilities should also support DPH's mission to support ongoing research that  
15 improves outcomes.

16 (11) The EHR system will have proven solutions for public health organizations  
17 with an acute care Level 1 trauma center exceeding 200 beds, and for associated larger  
18 clinics (50+ providers), including three clear examples of IDN clients meeting this criteria.

19 (12) The EHR system will have a robust single patient portal that allows patients  
20 to engage in a meaningful way with all of their care providers.

21 (13) The EHR partner will be able to meet all terms and conditions of the City's  
22 contract requirements and requirements imposed by DPH on the scope of work and product  
23 solution.

24  
25 Section 5. Severability.

1 The provisions of this ordinance are severable. If any provision of this ordinance or the  
2 application thereof to any person or circumstance is held invalid, that invalidity shall not affect  
3 other provisions or applications of the ordinance which can be given effect without the invalid  
4 portion or application.

5  
6 Section 6. Effective Date.

7 This ordinance shall become effective 30 days after enactment. Enactment occurs  
8 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
9 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
10 Mayor's veto of the ordinance.

11  
12  
13 APPROVED AS TO FORM:  
14 DENNIS J. HERRERA, City Attorney

15 By:   
16 ARNULFO MEDINA  
17 Deputy City Attorney

18 n:\vegana\as2016\1600328\01088226.docx

## LEGISLATIVE DIGEST

[No Competitive Solicitation Process - Selection of Preferred Contractor - Regents of the University of California - Modern Electronic Health Record System]

**Ordinance providing that the competitive solicitation process requirement in Administrative Code, Section 21.1, shall not apply to the Department of Public Health's (DPH) contract for a modern, secure, and fully integrated electronic health record (EHR) system for the San Francisco Health Network to replace DPH's current system; ratifying the selection of the Regents of the University of California (UC), by and through the University of California San Francisco, as the preferred contractor.**

### Existing Law

Section 21.1 of the Administrative Code requires all city contracts for commodities and/or services be procured through competitive solicitation unless otherwise authorized in the Code.

### Amendments to Current Law

This proposed ordinance would provide that the competitive solicitation process requirement in Administrative Code, Section 21.1 shall not apply to the Department of Public Health's (Department or DPH) contract to procure a new, modern electronic health record (EHR) system to replace the Department's existing, outdated EHR system to comply with federal EHR "meaningful use" rules and regulations. This ordinance would apply retroactively to all actions taken by City officials or City agencies or entities in connection with the with the selection of the EHR system and vendor.

This ordinance would also ratify and confirm all actions taken by City officials or City agencies or entities in selecting the Regents of the University of California (UC), through and by the University of California San Francisco (UCSF), as the City's preferred contractor for the procurement of the new EHR system for the Department, and authorize the Director of Health (Director) of the Department to enter into negotiations, initially on an exclusive basis with UC, to procure the new EHR system to replace the Department's aging system. If, within six months of negotiation with UC, the Department is unable to reach a satisfactory agreement, the Director would be authorized to commence a new competitive process. At any point, if the Department is unable to reach final agreement with UC, then the Department would commence a competitive process.

This ordinance would require the Director to obtain final approval of the agreement to procure the new EHR system from the Board of Supervisors.

### Background Information



EHR systems house patient records, charting, test results, medication administration, acute and long-term care, and other important confidential patient information. The Department's current EHR system, which was originally implemented in 1996, and developed piecemeal over the years, does not comply with federal health care delivery, or EHR "meaningful use" requirements, is not certified EHR technology and is ineligible to receive federal Eligible Professional and Hospital incentive payments. (See <https://www.cms.gov/regulations-andguidance/legislation/ehrincentiveprograms/eligibility.html>) SFHN estimates that its payment reductions related to its inability to meet "meaningful use" requirements will be approximately \$876,000 annually starting in 2017, assuming that Stage 3 meaningful use penalties, as categorized under federal law, are enforced.

DPH needs a modern, fully integrated EHR system to improve patient safety and care coordination, fulfill the federal care delivery and HER meaningful use requirements, and help achieve the triple aim of health care reform: better care for individuals, better health for the population, and lower cost through improvement.

The Department embarked on an extensive research process to determine the best option for developing a fully-integrated EHR system that could provide effective records and information management for the various ways that the Department delivers health care services. The U.S. Department of Health and Human Services and multiple industry reports recognize Epic and Cerner as the top providers of EHR systems in ambulatory care and hospital settings. After the Department's own extensive analysis, DPH leadership recognized, consistent with industry findings, that the breadth and functionality offered by both Epic and Cerner, could provide the Department a single vendor EHR system solution that would fulfill federal requirements and replace a large part of the different patchwork of electronic records systems that are currently being used by the SFHN.

The Department learned that Epic allows a shared use of their EHR system via a process called Community Connect. Epic requires Community Connect host organizations, like UCSF, to meet a rigorous set of accreditation criteria to ensure the product is kept updated, properly utilized and that the hosts adopts technology using Epic's EMR option Model<sup>SM</sup>. Depending upon the pricing and subsidy decisions at the host organization, in this case, UCSF, a Community Connect satellite site, in this case SFHN, can benefit from a shared record and technical resources of the host, often at a lower cost, and with a faster implementation timeline than developing a free-standing integrated EHR system directly from the vendor.

In considering the many factors that would contribute to the successful implementation of a new EHR system, the Department confirmed several justifications for partnering with UCSF, including:

- the ability to leverage UCSF's Epic EHR content and system design because UCSF can host the substantial infrastructure and hardware necessary to run the EHR system;

- beginning from a design that is familiar to the health care providers who are shared by DPH and UCSF, but also having the option to expand UCSF's existing EHR system design to align with DPH's needs is an optimal baseline for successful user adoption;
- the considerable training and extensive experience that shared UCSF employees have with Epic, including lessons learned from UCSF's implementation of the Epic EHR system should significantly reduce the training effort required to implement a new EHR system; and
- safer and more efficient coordination and sharing of information will improve the safety and quality of care provided to SFHN patients.

After extensively researching various options over the last three years, the Department concluded that contracting with UCSF to implement Epic as a Community Connect Partner is the Department's most viable option for several key reasons: clinical coordination/patient safety, clinical implementation support, population health research, and training and implementation costs.

This legislative digest reflects amendments adopted by the Budget and Finance Committee on March 9, 2016.

|   |   |
|---|---|
| <p><b>Item 5</b><br/><b>File 16-0043</b></p>  | <p><b>Department:</b><br/>Department of Public Health (DPH)</p> |
| <p><b>EXECUTIVE SUMMARY</b></p>   |   |
| <p style="text-align: center;"><b>Legislative Objectives</b></p>  |   |
| <p>Ordinance waiving the competitive solicitation process requirement in Section 21.1 of the Administrative Code, for the DPH’s future award of a sole source contract for a new electronic health records system for the San Francisco Health Network; ratifying the selection of the Regents of the University of California, by and through the University of California San Francisco (UCSF), as the preferred contractor; and authorizing DPH to enter into negotiations with UCSF to procure a new electronic health records system. If DPH is not able to successfully conclude negotiations with UCSF within six months, authorizing DPH to enter into direct negotiations with Cerner Corporation (Cerner) and/or Epic Systems Corporation (Epic).</p> |   |
| <p style="text-align: center;"><b>Key Points</b></p>  |   |
| <ul style="list-style-type: none"> <li>• The existing SFHN electronic health records system with Cerner was implemented in 1996 and is now outdated. Cerner will cease ongoing support for the existing system by 2019.</li> <li>• UCSF is a major collaborator with SFHN, sharing many physicians, students, and patients. UCSF could amend their contract with Epic to allow SFHN to access Epic resources through Epic’s Community Connect program, thereby enabling DPH’s SFHN to obtain these services at a lower cost with an accelerated implementation timeline.</li> </ul>   |   |
| <p style="text-align: center;"><b>Fiscal Impact</b></p>   |   |
| <ul style="list-style-type: none"> <li>• A contract with UCSF would cost \$341,918,891 over nine years for one-time capital costs, ongoing operating costs, and contingencies. Including savings of \$160,617,182 from discontinuing existing systems and reduced costs for physician services results in total net new costs of \$181,301,709 for this potential contract.</li> </ul>  |   |
| <p style="text-align: center;"><b>Policy Consideration</b></p>  |   |
| <ul style="list-style-type: none"> <li>• A fully integrated system between DPH and UCSF through the Epic Community Connect program would create operational efficiencies that may not be possible through other vendors. As a result, a competitive Request for Proposal requiring seamless integration of UCSF and SFHN internal systems would inevitably exclude or make it prohibitively expensive and inefficient for most, if not all, vendors outside of UCSF and Epic to respond.</li> </ul>   |   |
| <p style="text-align: center;"><b>Recommendations</b></p>   |   |
| <ul style="list-style-type: none"> <li>• Amend the proposed ordinance to require that DPH issue a competitive Request for Proposals if DPH is unable to conclude successful negotiations with UCSF within six months, for the pending electronic health record-keeping system contract with UCSF.</li> <li>• Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.</li> </ul>  |   |

**MANDATE STATEMENT**

Section 21.1 of the City's Administrative Code requires that all City contracts for commodities and/or services be procured through competitive solicitation.

City Charter Section 9.118(b) requires that all contracts entered into by a City department having a term in excess of ten years or requiring anticipated expenditures of \$10,000,000 or more be subject to approval by the Board of Supervisors.

**BACKGROUND**

The Department of Public Health's San Francisco Health Network (SFHN) provides direct health services to thousands of insured and uninsured residents of the San Francisco Bay Area, through its network of service sites across the City.<sup>1</sup> The service sites include all divisions within the Department of Public Health that provide direct services such as the Pricilla Chan and Mark Zuckerberg San Francisco General Hospital, Laguna Honda Hospital, jail health services and community clinics.

***Siemens Healthcare Systems USA, Inc.***

In July 2010, the Board of Supervisors approved a contract between the Department of Public Health (DPH) and Siemens Healthcare Systems USA (Siemens) for a total not-to exceed amount of \$33,820,487 for seven years from July 1, 2010 through June 30, 2017 to provide software and technical assistance to upgrade DPH's use of electronic medical records and coordination of care and payments (File 10-0752). This contract included one two-year option to extend the contract through June 30, 2019.

The 2010 contract with Siemens was awarded on a sole source basis, because so much of the DPH's existing information systems were already provided by Siemens, and the possibility of migrating to a competitor was operationally prohibitive. Siemens has been DPH's principal provider of clinical and financial systems for the past 25 years.

The electronic health records system allows nurses and doctors to keep track of a patient's medical treatments, and to coordinate among providers of care, including those not immediately within DPH hospitals, clinics, and health centers. The embedded financial systems allow staff to generate bills, provide basic accounting, and keep track of revenues.

In 2013, the Board of Supervisors approved the first amendment to the Siemens contract to (a) increase the total not-to-exceed amount by \$18,474,493 from \$33,820,487 to \$52,294,980, and (b) include new services related to electronic health records and improving surgical information systems at San Francisco General Hospital (File 13-0514).

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<sup>1</sup> Services include primary care, regional emergency and trauma treatment, medical and surgical specialties, diagnostic testing, skilled nursing and rehabilitation, dental care, comprehensive behavioral health and substance abuse treatment services, and jail health services.

In 2015, Cerner Corporation (Cerner) acquired Siemens and formally assumed all responsibilities for the 2010 electronic health records system contract with the Department of Public Health.

***Existing Electronic Health Records System is Outdated and in Violation of Federal Requirements***

Despite periodic updates, the main existing SFHN electronic health records system was implemented in 1996 and is now outdated. Cerner has already started to limit updates to the existing system. Cerner has also informed DPH that Cerner will only provide limited support for the existing system after 2019. If DPH renews their contract with Cerner, DPH would have the option of replacing the existing SFHN system with Cerner's integrated electronic health record system solution, called Cerner Millennium.

In addition, the current SFHN electronic health records system does not meet federal requirements. As of 2015, Medicare began penalizing hospitals and clinics that were unable to demonstrate meaningful use, which included specific upgrades to electronic health records systems.<sup>2</sup> Mr. Greg Wagner, Chief Financial Officer of the Department of Public Health, estimated that the City will pay \$876,000 each year for penalties if SFHN technology is not updated.<sup>3</sup> These penalties could be avoided if the United States Department of Health and Human Services grants the City a hardship waiver.

***DPH Hired External Consultants to Evaluate SFHN Information Technology Needs***

In 2012, DPH initiated research on alternative options for a modern, secure, and fully-integrated electronic health records system that would meet federal requirements. DPH contracted with Sierra Systems to assess SFHN's information technology system and recommend future technology needs for SFHN. Sierra Systems recommended that SFHN integrate the 61 distinct applications and modules into a unified system, with a single vendor software package that could address all of SFHN's information technology needs.

In 2013, DPH contracted with Kurt Salmon and Associates, through their affiliation with the University of California San Francisco (UCSF), to further assess how existing vendors could address SFHN's needs and goals for a new electronic health records system and to obtain the estimated costs of each vendor. Kurt Salmon and Associates focused their analysis on Epic Systems Corporation (Epic) and Siemens Healthcare Systems (currently Cerner Corporation) as the vendors that could meet the needs of SFHN. Kurt Salmon and Associates estimated that it would cost approximately an additional \$266 million for DPH to contract directly with Epic over a ten-year period, \$228 million for a direct contract with Siemens, and \$193 million for a

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<sup>2</sup> To satisfy the meaningful use requirement, professionals and hospitals must be able to generate a variety of reports ad hoc, use certified technology, and complete electronic checks.

<sup>3</sup> This assumes that stage three meaningful use penalties are levied. The stage three requirements relate to health outcomes. Stage one requirements include data capture and sharing. Stage two requirements include advanced clinical processes.

contract with Epic through UCSF.<sup>4</sup> In 2015, both Epic and Cerner made several presentations to DPH information technology staff to demonstrate the functionality and integration offered through their respective products and provided details on projected costs. DPH concluded that both Epic and Cerner could likely meet the minimum requirements for SFHN.

***DPH Opportunity for Accelerated Implementation with UCSF***

The Priscilla Chan and Mark Zuckerberg San Francisco General Hospital is one of UCSF's primary teaching hospitals, where medical students train under UCSF Faculty and City staff. UCSF, a major collaborator with SFHN, currently uses Epic electronic health record systems. Epic allows existing clients to share the use of Epic electronic systems with other parties through a program called Community Connect. Therefore, UCSF, an Epic Community Connect host organization, could elect to share its system and technical resources with SFHN, with SFHN designated as a Community Connect satellite site. Through this type of arrangement, DPH would contract directly with UCSF; UCSF would amend its existing contract with Epic to allow SFHN to access Epic resources through UCSF at a lower cost with an accelerated implementation timeline.

In March 2015, UCSF analyzed DPH's current electronic health records system and information technology structure to determine the resources that would be required to customize UCSF's electronic health system to DPH's entire SFHN via Epic's Community Connect structure.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would:

- (a) waive the competitive solicitation process requirement in Section 21.1 of the Administrative Code, for the Department of Public Health's future award of a sole source contract with the University of California San Francisco for a new electronic health records system for the San Francisco Health Network;
- (b) ratify the selection of the Regents of the University of California, by and through the University of California San Francisco (UCSF), as the preferred contractor; and
- (c) authorize the Department of Public Health to enter into negotiations with the Regents of the University of California to procure a new electronic health records system. However, if DPH is not able to obtain sufficient assurances that UCSF will be able to substantially meet the criteria listed in subsection 4.b of the ordinance within six months and if the Director determines to conclude negotiations, this ordinance would authorize DPH to enter into direct negotiations with Cerner Corporation (Cerner) and/or Epic Systems Corporation (Epic).

The DPH award of the contract itself to actually procure a new integrated electronic health records system for the San Francisco Health Network would be subject to future Board of Supervisors approval.

<sup>4</sup> These estimates do not include the costs of the existing system, as those expenditures are captured in a different contract.

***DPH Justifications for Sole Source Contract with UCSF***

DPH identified four key justifications for requesting that UCSF be selected on a sole source basis without requiring the City's normal competitive process as the preferred contractor for SFHN electronic health record systems:

- (a) UCSF physicians and residents have already received considerable training on and have extensive experience with the Epic electronic health records system, which could significantly reduce the training effort required, improve patient care and result in operational efficiencies;
- (b) Because many of DPH's patients also receive services at UCSF Medical Center, there is significant overlap between patient data at the two organizations. A shared electronic health records system would allow improved coordination of patient care, which lead to better patient health outcomes and ease access to data for medical and population health research at both organizations;
- (c) The technical ability and experience of UCSF to implement and manage Epic's electronic health records systems on the scale required to meet SFHN's needs; and
- (d) UCSF, in collaboration with Epic, has systemically refined the design of their electronic health records system to meet the requirements of clinical and non-clinical users who work at UCSF and San Francisco General Hospital. These resources could be extended to SFHN only through a contract with UCSF.

***Mandatory Terms of Proposed UCSF Contract with DPH***

DPH outlined minimum requirements that the pending new contract with UCSF must include, which are specified in the proposed ordinance.

DPH would require that the pending contract with UCSF include four key components. The first component includes the total costs to be incurred by DPH over the nine-year contract period and the system's demonstrated ability to provide positive or neutral revenue generation. According to Mr. Wagner, the new health records system should enable DPH to provide more detailed and accurate billing, and potentially capture up to an additional 3-5% in annual revenues. The second component concerns clear articulation of the technical functions required by the new electronic health records system to adequately fulfill SFHN needs. The third component requires that the new electronic health records system is regularly updated to remain current with industry standards and comply with federal regulations. Finally, the contract between UCSF and DPH must clearly outline a governance agreement that grants DPH the autonomy and accountability needed to appropriately manage City resources and comply with City mandates.

If the Board of Supervisors approves this ordinance, DPH intends to make significant progress in the negotiation process with UCSF within six months, and to submit the needed legislation for the award of the contract with UCSF for Board of Supervisors approval in FY 2016-17.<sup>5</sup>

## FISCAL IMPACT

Actual and projected expenditures from July 1, 2010 through June 30, 2017 under the existing contract for the electronic health records system for San Francisco Health Network (SFHN) between DPH and Cerner Corporation are \$52,294,980, as shown in Table 1 below. The Board of Supervisors has previously appropriated General Fund revenues in the DPH annual budget for the existing contract.

**Table 1. Actual and Projected Expenditures**

| Fiscal Year                                    | Total Amount        |
|--|---------------------|
| FY 2010-11                                     | \$4,253,880         |
| FY 2011-12                                     | 5,742,108           |
| FY 2012-13                                     | 6,620,431           |
| FY 2013-14                                     | 8,770,067           |
| FY 2014-15                                     | 10,782,665          |
| FY 2015-16 (projected)                         | 7,929,578           |
| <i>Subtotal</i>                                | <i>\$44,098,729</i> |
| <b>Projected Expenditures</b>                  |                     |
| FY 2016-17                                     | \$8,196,252         |
| <b>Total Actual and Projected Expenditures</b> | <b>\$52,294,980</b> |

Source: Department of Public Health staff.

DPH intends to request Board of Supervisors approval to extend the existing contract with Cerner by two years through June 30, 2019, to allow for sufficient time to transition to the new system through UCSF.

As previously noted, the proposed ordinance would authorize DPH to begin negotiations with UCSF for the purpose of awarding a sole source electronic health records system through Epic's Community Connect program. As shown in Table 2 below, DPH estimates that the contract with UCSF would cost an estimated \$341,918,891 over nine years, including \$114,627,938 in one-time project capital costs with a contingency fund of \$11,460,000, and \$196,220,953 in ongoing operating costs with a contingency fund of \$19,610,000. DPH anticipates savings of an estimated \$160,617,182 from the discontinuation of the existing Cerner systems and reduced growth in the costs for physician services, which would result in a total estimated net cost of \$181,301,709 for this contract, as shown in Table 2 below.

<sup>5</sup> The proposed ordinance authorizes the Director of DPH to extend negotiations beyond six months if at the six-month mark, DPH has obtained sufficient assurances that UCSF will be able to substantially meet the criteria listed in subsection 4.b of the ordinance.



**Table 2. Projected Net Cost of Potential Contract with University of California San Francisco**

| Fiscal Year        | One-Time Costs        |                     | Ongoing Costs        |                     | Subtotal             | Mean Benefit Estimates* | Net Total Cost       |
|--------------------|-----------------------|---------------------|----------------------|---------------------|----------------------|-------------------------|----------------------|
|                    | Project Capital Costs | Contingency         | Operating Costs      | Contingency         |                      |                         |                      |
| FY 2016-17         | \$25,749,265          | \$2,570,000         | \$4,178,561          | \$420,000           | \$32,917,826         | \$0                     | \$32,917,826         |
| FY 2017-18         | 40,499,611            | 4,050,000           | 6,390,658            | 640,000             | 51,580,269           | (5,607,891)             | 45,972,378           |
| FY 2018-19         | 26,462,621            | 2,650,000           | 16,831,431           | 1,680,000           | 47,624,052           | (10,268,711)            | 37,355,341           |
| FY 2019-20         | 7,173,021             | 720,000             | 25,017,084           | 2,500,000           | 35,410,105           | (24,123,430)            | 11,286,675           |
| FY 2020-21         | 5,760,368             | 580,000             | 27,129,235           | 2,710,000           | 36,179,603           | (24,123,430)            | 12,056,173           |
| FY 2021-22         | 3,651,017             | 370,000             | 27,799,190           | 2,780,000           | 34,600,207           | (24,123,430)            | 10,476,778           |
| FY 2022-23         | 1,745,000             | 170,000             | 28,647,154           | 2,860,000           | 33,422,154           | (24,123,430)            | 9,298,724            |
| FY 2023-24         | 1,745,000             | 170,000             | 29,611,434           | 2,960,000           | 34,486,434           | (24,123,430)            | 10,363,004           |
| FY 2024-25         | 1,842,035             | 180,000             | 30,616,206           | 3,060,000           | 35,698,241           | (24,123,430)            | 11,574,810           |
| <b>Total Costs</b> | <b>\$114,627,938</b>  | <b>\$11,460,000</b> | <b>\$196,220,953</b> | <b>\$19,610,000</b> | <b>\$341,918,891</b> | <b>(\$160,617,182)</b>  | <b>\$181,301,709</b> |

Source: Department of Public Health staff.

\*The mean benefits include estimated savings from discontinuing existing systems (decommission savings) and reduced growth in costs for physician services under the UCSF Affiliation Agreement for physician and other services at San Francisco General Hospital. These estimates correspond to the City's Five-Year Financial forecast.

DPH anticipates using various funding sources to pay for the pending contract with UCSF, as shown in Table 3 below.

**Table 3. Proposed Funding Sources of UCSF Contract**

| Funding Source                                  | Total Amount         |
|---|----------------------|
| DPH FY 2016-18 Base Budget                      | \$82,322,508         |
| Prior Year Unspent Balance                      | 9,800,000            |
| Prior Year Revenue Transfers-In                 | 32,000,000           |
| Project Fund Reappropriations                   | 11,000,000           |
| DPH Reappropriations, Savings, and Philanthropy | 46,179,202           |
| <b>Total</b>                                    | <b>\$181,301,710</b> |

Source: Department of Public Health staff.

## POLICY CONSIDERATION

DPH seeks to negotiate a sole source contract with UCSF for a new electronic health records system through Epic's Community Connect program with projected DPH net additional expenditures of approximately \$181.3 million over a nine-year period. Benefits and challenges surrounding this decision include the following:

### **Benefits of UCSF Sole Source Contract**

A fully integrated system between DPH and UCSF through the Epic Community Connect program would create operational efficiencies that may not be possible through other vendors. UCSF is a major partner of SFHN, sharing many physicians, students, and patients. San Francisco

Health Network and UCSF medical professionals would only need to use one system, instead of being trained to use multiple systems as they are now. Using UCSF as a vendor would also boost research capacity as the new health records system would centralize and create access to data previously unavailable to researchers.

If UCSF is not the selected vendor, DPH would need an external consultant to guide the implementation process and ensure that the UCSF and DPH systems are seamlessly integrated. UCSF has experience implementing Epic's electronic health records system at major sites including Parnassus, Mount Zion, Mission Bay, Children's Hospital Oakland, and UCSF Benioff Children's Physician Group. DPH would require that UCSF apply their implementation expertise with SFHN through the pending contract. As a result, implementation would also be quicker, easier, and less costly as many of the UCSF staff are already trained on the Epic system.

If DPH is unable to make significant progress in negotiations with UCSF within six months, whether due to price issues or other concerns, DPH would reserve the right to end negotiations with UCSF and solicit the services of Epic or Siemens on a sole source basis.

#### ***Benefits of Competitive Selection Process***

A competitive Request for Proposals (RFP) process would ensure that all eligible vendors are able to apply and would strengthen the City's ability to secure the lowest and most qualified price for the needed services.

UCSF issued a Request for Information to multiple vendors to evaluate their options for a new electronic health records system but did not complete an RFP process. UCSF hired Epic in 2010 through a sole source contract because UCSF viewed Epic as the preferred vendor based on site visits and presentations. UCSF was also under a tight timeline to qualify for Medicare Meaningful Use funds. As a result, if the proposed ordinance is approved to waive competitive bidding requirements, Epic would not have undergone any competitive selection process at any stage<sup>6</sup>.

The Budget and Legislative Analyst recommends that the proposed ordinance be amended to require that DPH issue a competitive RFP if DPH is unable to obtain sufficient assurances that UCSF will be able to substantially meet the criteria listed in subsection 4.b of the proposed ordinance within six months. This will provide incentive for both UCSF and Epic to propose fair prices for the pending contract with UCSF, and will also ensure that DPH remains on track to implement a new electronic health records system by 2019, before the expiration of the existing system.

#### ***Challenges to a Competitive Selection Process for these Services***

It should also be noted that if DPH were to issue an RFP for an electronic health records system, the evaluation criteria would likely include the ability of vendors to seamlessly connect UCSF and SFHN's electronic health records systems. An RFP presented in such a manner could exclude or make it prohibitively expensive and inefficient for most, if not all, vendors outside of UCSF and Epic to respond to such a RFP.

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<sup>6</sup> Mr. Wagner notes that Epic was selected as the health records systems vendor based on a competitive RFP process at the University of California- San Diego and the University of California-Davis medical centers.

In addition, according to Mr. Wagner, UCSF, as a government entity, does not typically bid on contracts to provide information technology systems and services of this nature to other government agencies, and it is unclear to what extent UCSF would be able to participate in a standard competitive RFP process.

## RECOMMENDATIONS

1. Amend the proposed ordinance to require that DPH issue a competitive Request for Proposals if DPH is unable to conclude successful negotiations with UCSF within six months, for the pending electronic health records system contract with UCSF.
2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

**Health Commission  
City and County of San Francisco  
Resolution No. 16-3**

**RESOLUTION IN SUPPORT OF THE DIRECTOR OF HEALTH'S (DIRECTOR) DECISION TO SEEK APPROVAL FROM THE BOARD OF SUPERVISORS THAT THE COMPETITIVE SOLICITATION PROCESS WILL NOT APPLY TO THE PROCUREMENT OF A MODERN, SECURE AND FULLY INTEGRATED ELECTRONIC HEALTH RECORD SYSTEM (EHR) TO REPLACE THE DEPARTMENT'S CURRENT SYSTEM AND TO ALLOW THE DIRECTOR TO ENTER INTO NEGOTIATIONS FOR THE EHR SYSTEM.**

WHEREAS, The San Francisco Department of Public Health's (Department or DPH) San Francisco Health Network (SFHN) needs a modern and fully-integrated electronic health record (EHR) system to improve patient safety and care coordination to better protect and promote the health of all San Franciscans, fulfill the federal requirements of EHR "meaningful use," and help achieve the triple aim of Health Care Reform: better care for individuals, better health for the population, and lower cost through improvement; and

WHEREAS, This enterprise EHR will replace an aging patchwork of multiple vendor-supported and internally created electronic health record systems, with components dating back to 1996 which developed over several decades, including an outmoded clinical medical record system that does not fully comply with federal care delivery requirements and is ineligible for federal Eligible Professional and Hospital incentive payments; and

WHEREAS, The SFHN, San Francisco's only complete care system, provides direct health services to over 120,000 insured and uninsured residents of San Francisco, per year including those most socially and medically vulnerable, making it an essential component of the San Francisco safety net; and

WHEREAS, Congress mandated that financial penalties be applied to Medicare eligible professionals, eligible hospitals, and critical access hospitals (CAH) that are not "meaningful users" of Certified EHR Technology under the Medicare EHR Incentive Program; and

WHEREAS, SFHN's current EHR system does not comply with meaningful use requirements, SFHN estimates that its Medicare reductions will be approximately \$876,000 annually starting in 2017, assuming that Stage 3 meaningful use penalties are enforced per current legislation, although the estimated reduction amount may be mitigated if the City applies for and the U.S. Department of Health and Human Services (DHHS) grants the City a hardship; and

WHEREAS, In 2012, the Department embarked on an extensive research process to determine the best option for a modern, secure, and fully-integrated EHR system, contracting with Sierra Systems (Sierra) to assess the Department's information technology (IT) system and develop a plan that would support the expanding role of technology in the Department's delivery of health care to SFHN patients; and

WHEREAS, Statistics by DHHS and additional independent research by healthcare IT consulting and research firms Gartner Inc. and KLAS, clearly show the market leaders for EHR systems in ambulatory and hospital settings are Epic and Cerner, respectively; and

WHEREAS, , The Department concluded, after extensive analysis, that there are only two EHR systems, Epic and Cerner, that can provide DPH a single vendor EHR system solution with the breadth of modules needed to provide effective records and information management for the many ways that DPH delivers health care, and contracting with UCSF to implement Epic as a Community Connect Partner is the Department's most viable option for several key reasons: clinical coordination/patient safety, clinical implementation support, population health research, and training and implementation costs; and

WHEREAS, The Department evaluated the benefits of linking into the UCSF Epic EHR system through the Department's over one hundred year affiliation with the University of California San Francisco (UCSF) via a process called Community Connect, where Community Connect hub organizations, like UCSF, are allowed a "shared use" of the Epic EHR system if they meet Epic's rigorous set of accreditation criteria to ensure the product is kept updated and properly utilized; and

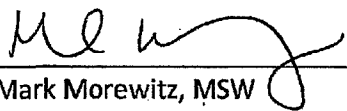
WHEREAS, DPH leadership recognized the advantages of a Community Connect partnership with UCSF include the ability of UCSF to host the substantial infrastructure and hardware necessary to run their Epic system sized to meet DPH's needs, the option to expand UCSF's existing EHR design, to the extent that it aligns with DPH's own needs, which has been systematically configured and refined over several years by UCSF and Epic analysts, the considerable training and experience that UCSF physicians and residents have already received with the Epic EHR system, which should significantly reduce the training effort required to learn a DPH Epic system and enable providers to focus on optimizing the care they provide to patients, and that DPH would receive substantially greater support from its provider community because physician adoption and acceptance of an EHR is critical to the success of any EHR implementation; and

WHEREAS, The San Francisco Administrative Code requires a formal competitive solicitation process to procure commodities or services; however, there are several reasons to not require a competitive solicitation in this instance, and to authorize DPH to enter into exclusive negotiations with the Regents of the University of California (UC) for an agreement for shared use of its preconfigured and fully integrated Epic EHR system; now, therefore, be it

RESOLVED, That the Health Commission supports the Director's decision to seek approval from the Board of Supervisors that the competitive solicitation process will not apply to the procurement of a modern, secure, uniform and fully integrated EHR system to replace the Department's current patchwork electronic record system that will allow the Department to comply with federal regulation requirements and meet the health care needs of San Francisco residents; and be it

FURTHER RESOLVED, That the Health Commission concurs with the Director's decision to seek Board of Supervisors approval to authorize the Director to enter into negotiations exclusively with UC, through and by UCSF, for an agreement to allow the Department's shared use of UCSF's EHR system, under UCSF's accreditation as an Epic Community Connect Partner, and if the Director is unable to obtain sufficient assurances that UC will be able to substantially meet the criteria developed by the Director to reach a fair and reasonable agreement within six months of negotiations with UC, the Director may also enter into direct negotiations with Cerner Corporation and/or with Epic Systems.

I hereby certify that the San Francisco Health Commission at its meeting of January 19, 2016 adopted the foregoing resolution.

  
\_\_\_\_\_  
Mark Morewitz, MSW  
Health Commission Executive Secretary

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO



Edwin M. Lee  
Mayor

Barbara A. Garcia, MPA  
Director of Health

2016 JAN 15 PM 2:00

**TO:** Angela Calvillo, Clerk of the Board of Supervisors

**FROM:** Greg Wagner, DPH Chief Financial Officer *GW*  
Bill Kim, DPH Chief Information Officer *WK*

**THROUGH:** Barbara A. Garcia, MPA, Director of Health *CAG for*

**DATE:** January 15, 2016

**SUBJECT:** Proposed Ordinance to Establish a Procurement Process for an Integrated Electronic Health Record (EHR)

Attached please find an original and two copies of a proposed ordinance for Board of Supervisors approval, which would establish a procurement process for an integrated electronic health record. Specifically, the San Francisco Department of Public Health (DPH) is requesting that the competitive solicitation process requirement in Administrative Code Section 21.1 not apply to DPH 's contract for a modern, secure and fully integrated electronic health record.

Approval of the proposed ordinance will authorize the Director of Health to enter into negotiations with the University of California, San Francisco (UCSF), as the preferred contractor. Through a successful agreement, DPH will be extended the use of UCSF's Epic EHR system. Selecting UCSF as an EHR partner offers unique benefits. Those benefits include leveraging a pre-configured EHR system which offers a pre-existing familiarity by a shared physician and resident population, enabling providers to optimize the care they deliver to patients, contributing to improved patient satisfaction, safety and continuity of care.

By approving the proposed ordinance, The Board will recognize the urgency of procuring a modern, fully-integrated, and unified EHR to promote the health of the people of the City and County of San Francisco. With its current assortment of outmoded EHRs, DPH faces several time-sensitive risks including loss of vendor support for the primary EHR used at the Zuckerberg San Francisco General Hospital and Trauma Center, loss of reimbursement from the Centers for Medicare & Medicaid Services, and ongoing obstacles to having actionable medical information available to clinicians in a timely manner. This ordinance offers DPH the opportunity to mitigate those risks while strengthening a 150 year partnership with a world-renowned medical institution that shares a common interest to serve the healthcare needs of Bay Area residents.





160013 - 3/9/16  
BF



# Unified Electronic Health Record Procurement Ordinance

March 7, 2016

City and County of San Francisco  
Board of Supervisors



## EHR Procurement Ordinance

- Electronic Health Records (EHR) systems are now at the center of nearly every aspect of delivering healthcare
- DPH operates on a patchwork of outdated, inadequate systems
- Acquiring a unified EHR system is the top priority for DPH and Health Commission to
  - Improve patient care and safety
  - Improve access to data and research for better health outcomes
  - Improve revenues and reduce compliance risk
- This is a very large and costly undertaking, but affects nearly every patient that uses DPH services



## EHR Procurement Ordinance

- Two options for approach to unified EHR:
  - Public sector partnership to share use of the existing system at University of California San Francisco (UCSF); or
  - Select a private for-profit vendor to directly build a new system for DPH
- DPH has determined that UCSF option has significant advantages for patient care and safety, and financial viability



## What is the ordinance asking of the Board?

- Permission of the Board of Supervisors for DPH to negotiate directly with UCSF to contract for shared use of its unified electronic health record (EHR)

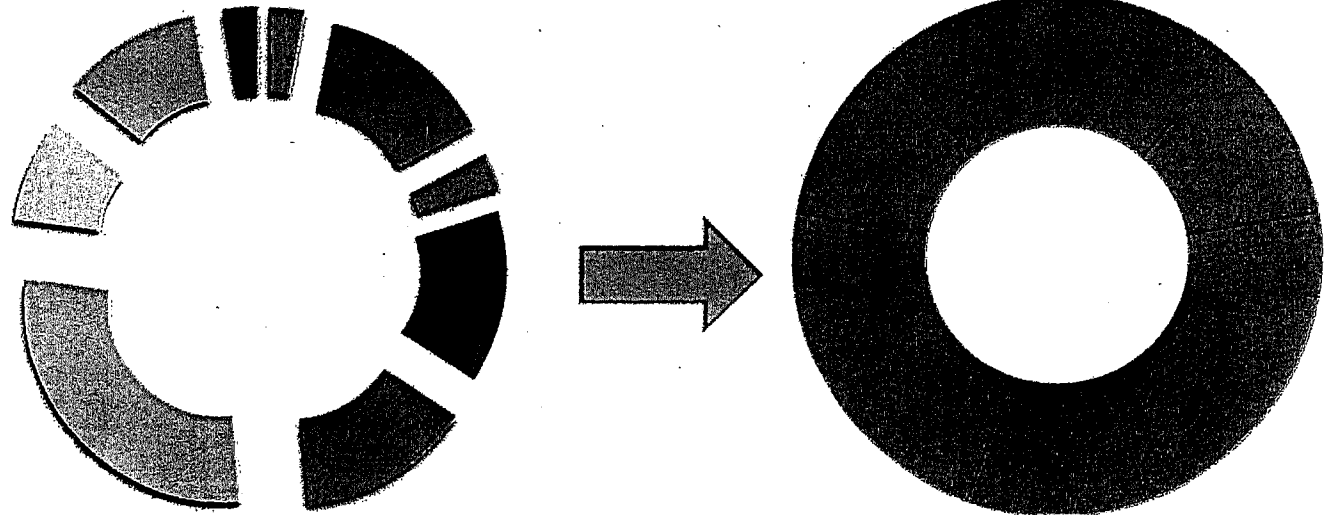
The city's only complete  
health care system



See the whole picture from any access point!

# Why does DPH need an unified EHR?

- Jail Health
  
- SFGH Emergency Dept
- SFGH Intensive Care Unit
- SFGH Med/Surg
  
- Laguna Honda Hospital
- Primary Care
  
- Specialty Care
  
- Behavioral Health
  
- Home Health





## Why does DPH need an Unified EHR now?

- Patient Care Outcomes
  - Multiple patient data sources contribute to unsafe, inefficient and poorer quality care
  - Our patients deserve the same modern tool that supports optimal care at Kaiser Permanente, UCSF, and Stanford
- Financial and Regulatory Risk
  - Current billing process for ambulatory services requires documentation in two EHRs, involving both automatic and manual processes → revenue loss and compliance risk



## Why is UCSF the Preferred EHR Partner?

- Leverages UCSF Epic experience and system design
- Strengthens a 150-year partnership with a sister public, non-profit educational institution
- Capitalizes on ZSFGH physicians and trainees already proficient with UCSF Epic
- Improves patient care transfers between DPH-SFHN and UCSF Health
- Promotes sharing of patient data with Bay Area delivery systems to optimize health outcomes for San Francisco residents, especially vulnerable populations
- Commitment to local business enterprises and training opportunities to build a diverse workforce



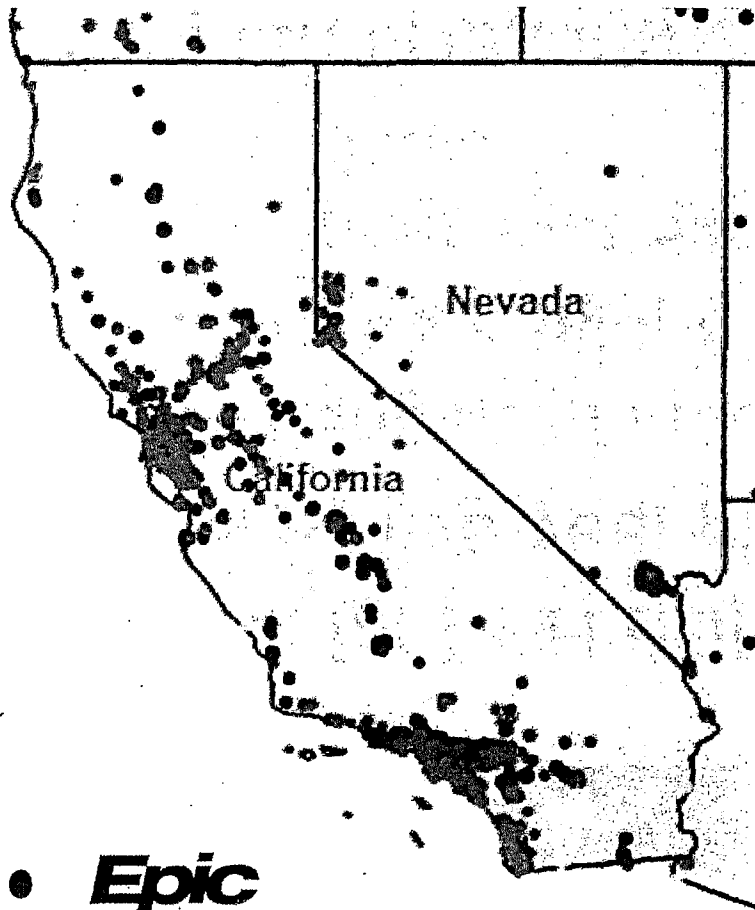


## What process has occurred that led to this ordinance?

- Need for DPH EHR replacement is part of COIT's five-year plan
- DPH engaged industry consultants for recommendations
  - Gartner, Kurt Salmon & Associates and Sierra Systems
- Federal Department of Health and Human Services, and industry analysts showed only two leading unified EHR vendors



# Epic dominates Northern California EHR market share



● **Epic**



**KAISER PERMANENTE®**



**CONTRA COSTA  
HEALTH SERVICES**



University of California  
San Francisco

Santa Clara County  
**PUBLIC  
HEALTH**



**UCDAVIS  
HEALTH SYSTEM**



**Sutter Health**



## Anticipated Scale of Unified EHR Project

- Overhaul of EHR clinical and billing systems is a major, multi-year effort
- Top strategic priority for DPH and Health Commission
- Estimated 10-year net cost of \$181 (\$342 million total cost, offset by savings of \$161 million)
  - Costs include physical infrastructure, personnel backfill, system development, implementation, licensing, training, etc.
  - Planned sources include existing and future appropriations, improved revenue generation, private philanthropy (no COIT General Fund request)
  - EHR system currently supports over \$650 million in annual revenue to DPH, translating to \$6.5 billion in 10 years.



## Anticipated Scale of Unified EHR Project

### 10-Year Projected Costs

|  |                         |
|--|-------------------------|
| Project Implementation                           | \$ (126,087,938)        |
| Operating, Maintenance and Contingency           | \$ (215,830,953)        |
| Subtotal Cost                                    | \$ (341,918,891)        |
| Savings - Existing Contracts and Operating Costs | \$ 160,617,182          |
| <b>Net 10-Year Cost Less Savings</b>             | <b>\$ (181,301,709)</b> |

### Planned Sources

|  |                       |
|--|-----------------------|
| DPH 16-18 Base Budget                          | \$ 82,322,508         |
| Prior Year Unspent Balance                     | \$ 9,800,000          |
| Prior Year Revenue Transfers-In                | \$ 32,000,000         |
| Project Fund Reappropriations                  | \$ 11,000,000         |
| DPH Reappropriations, Savings and Philanthropy | \$ 46,179,202         |
| <b>Total Planned Sources</b>                   | <b>\$ 181,301,710</b> |



## What is the ordinance asking of the Board?

- Authorizes the Director of DPH to negotiate with UCSF for the shared use of their Epic system
- Authority is for the specific purpose of procuring an electronic health record (EHR)
- Any contract negotiated for an EHR would require future Board of Supervisors approval

