

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

347



**FROM:** Riverside County Regional Medical Center

**SUBMITTAL DATE:**  
October 22, 2013

**SUBJECT:** Amendment to the Professional Services Agreement with HSS Systems LLC dba Parallon  
[5<sup>th</sup> Supervisorial District; Total Cost \$250,000]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Approve and authorize the Chairman to execute the First Amendment to the contract agreement with HSS Systems LLC dba Parallon effective upon signatures by both parties through June 30, 2014, for an aggregate amount not to exceed \$250,000 annually.

**BACKGROUND:**

**Summary**

In accordance with Medi-Cal guidelines, certain medical procedures and services are subject to authorization by Medi-Cal before reimbursement can be approved. Authorization requests are made with a Treatment Authorization Request (TAR). A TAR is a form needed to pre-approve funding for treatment. Authorization requirements are based on Federal and State law. Accurate and timely processing is needed to preserve reimbursement revenue in the millions of dollars.

*Douglas D. Bagley*

Douglas D. Bagley  
Hospital Director

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 250,000	\$ 0	\$ 250,000	\$ 0	Consent <input type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	

**SOURCE OF FUNDS:** Hospital Enterprise Fund 100%

**Budget Adjustment:** \$0

**For Fiscal Year:** 2013/2014

**C.E.O. RECOMMENDATION:**

APPROVE

BY: *Debra Cournoyer*  
Debra Cournoyer

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

Prev. Agn. Ref.:

District: ALL

Agenda Number:

3-39

FORM APPROVED COUNTY COUNSEL  
BY: *NEAL R. KIPNIS* DATE: 10/25/13

Departmental Concurrence

Purchasing: *Mark Seiler*  
Mark Seiler, Assistant Director

☐ A-30 ☐ Positions Added ☐ Change Order  
☐ 4/5 Vote

**BACKGROUND:**

**Summary (continued)**

Medi-Cal consultants begin the abstract of concurrent and retroactive TARs for acute hospital days by reviewing the complete Medical Records relating to each admission as well as all associated orders and diagnostics. Medi-Cal TARs must include a medical assessment which includes the recipient's condition(s) as well as proof of benefits utilizing Automated Eligibility Verification System (AEVS). Under the TAR free structure all cases are assessed using InterQual criteria for each day of admission. For the prior paper TAR structure once the discharge summary is complete utilizing standard terminology, Department of Health Care Services (DHCS) is then able to adjudicate the TAR. Medi-Cal has 30 days to respond once the TAR has been received.

To ensure continuity of services for TAR review, Parallon assisted with initially reviewing 200 TAR cases in backlog. Parallon is uniquely equipped to provide a broad spectrum of customized services in the areas of revenue cycle, technology, workforce management and consulting. As the demands of healthcare reform increases and as the hospitals' resources remain limited, it was advantageous for Parallon to work with the hospital to achieve financial gain of approximately \$2 million from Medi-Cal reimbursement.

This amendment would allow additional assistance for approximately 650 pending TAR cases that require thorough case reviews, contributing to improvements in the hospitals fiscal condition by bringing in Medi-Cal reimbursements.

**Impact on Citizens and Businesses**

This service impacts the patients residing in Riverside County receiving care from Riverside County Regional Medical Center. Without timely support the hospital will lose reimbursement revenue for patient services.

**Contract History and Price Reasonableness**

RCRMC conducted a request for information to known prospective agencies that specialize in case management TAR review services. Three bid responses were received, reviewed and evaluated by RCRMC Patient Accounts professional staff familiar with Medi-Cal case management TAR reviews. Parallon was found as most responsive/ responsible bidder able to perform the required scope of work at \$125 per case, not to exceed \$25,000.

In order for the hospital to continue receiving Medi-Cal reimbursements, RCRMC requests approval of this amendment at a modified rate of \$45 per review day; simultaneously exercise its right in developing a comprehensive Request for Proposal to establish a permanent vendor beginning fiscal year 2014/2015.

Date: October 25, 2013

From: Douglas Bagley, Hospital Director Department/Agency: RCRMC

To: Board of Supervisors/Purchasing Agent

Via: Purchasing Agent

Subject: Sole Source Procurement: Request for Case Management TAR Review services

The below information is provided in support of my Department requesting approval for a sole source. Outside of a duly declared emergency, the time to develop a statement of work or specifications is not in itself justification for sole source.

1. **Supply/Service being requested:** To provide Case Management Treatment Authorization Review (TAR) services.
2. **Supplier being requested:** HSS Systems LLC d/b/a Parallon
3. **Alternative suppliers that can or might be able to provide supply/service:** Possible alternative suppliers that might be able to provide the service are: HSS Systems LLC dba Parallon, Care Review Resources, Novia Solutions, and PrecyseSource.
4. **Extent of market search conducted:** Through continued research by RCRMC Patient Accounts and Case Management departments, an informal request for information was sent to the four (4) prospective vendors mentioned above.
5. **Unique features of the supply/service being requested from this supplier, which no alternative supplier can provide:** Parallon is dedicated to helping hospitals and hospital systems operate knowledgeably, intelligently, effectively and efficiently in the rapidly evolving healthcare marketplace. As one of the healthcare industry's leading providers of business and operational services, Parallon is uniquely equipped to provide a broad spectrum of customized services in the areas of revenue cycle, supply chain, technology, workforce management and consulting.
6. **Reasons why my department requires these unique features and what benefit will accrue to the county:** Accurate and complete review of case management TARs is a necessity in contributing to improvements in the hospitals fiscal condition by bringing in Medi-Cal reimbursements. Currently, the hospital has a backlog of over 650 cases requiring case management TAR reviews. A comprehensive and robust case management TAR review team is an integral component to effective healthcare delivery and to ensure hospital achieve financial gain from Medi-Cal reimbursement. Without timely support the hospital may lose reimbursement revenue for patient services.
7. **Price Reasonableness including purchase price and any ongoing maintenance or ancillary costs from the supplier:** Of the four vendors, three submitted quotes and were evaluated. After evaluating each vendor, the evaluation team concluded Parallon proposal most closely aligns with the objectives of RCRMC. Parallon offered the best value for the cost. Parallon's proposed a fee of \$125 per case review, not to exceed \$25,000. As Parallon completed the 200 cases quickly, it consumed the entire \$25,000. Through negotiations, Parallon agreed to continue services at a rate of \$45 per review day to complete the remaining TAR cases in backlog. The maximum amount allocated for this project shall not exceed \$250,000.

8. Does moving forward on this product or service further obligate the county to future similar contractual arrangements or any ongoing costs affiliated with this sole source? No

9. Period of Performance: November 1, 2013 through June 30, 2014.

 10/25/13  
Department Head Signature Date


Purchasing Department Comments:

Approve

Approve with Condition/s

Disapprove

Not to exceed: \$ 250,000 One time Annual Amount through 6-30-2014

 10-25-13 14-203  
Purchasing Agent Date Approval Number  
(Reference on Purchasing Documents)

## **FIRST AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT**

### **WITH**

#### **HSS Systems LLC d/b/a Parallon (Case Management TAR Review)**

That certain Agreement between Riverside County Regional Medical Center ("COUNTY") and HSS Systems LLC dba Parallon, ("CONTRACTOR"), executed July 23, 2013, is hereby amended as follows:

1. Amend **Project Scope and Approach** by deleting the current language and substituting the following **Project Scope and Approach**:

"Parallon will apply case management methodology for this project that includes reviewing medical records for each inpatient stay, reviewing medical documentation to determine whether InterQual criteria has been met and submission of appropriate documentation to the business office for billing completion.

The parties will divide the backlog of cases into categories to prioritize the workload. Claims with high-dollar amount and those with the highest aging will be worked first. Lesser acuity and more recent claims will then be addressed subsequently. Parallon will work with RCRMC to confirm the categories and workload prioritization.

Parallon will keep RCRMC informed about the project's progress, aware of any issues affecting the progress, and total amount of review and completed claims on a weekly basis. Parallon will create a customized project plan, complete with project milestones, timing, and responsibilities. Parallon will be working on-site and will require a dedicated work room, with access to printers, telephone and faxes. RCRMC will secure and deliver all needed charts and supporting documentation when necessary.

Parallon shall provide the following:

- Supply Case Management nurse reviewers familiar with:
    - i. Medi-Cal TAR regulations governing inpatient criteria and documentation
    - ii. InterQual: Initial concurrent review Acute Care Hospital operations
    - iii. Clinical documentation requirements
  - Perform case review utilizing InterQual to determine and document clinical justification supporting the inpatient stay
  - Assist with summarizing existing documentation necessary to justify reimbursement and or funding sources
  - Communicate with the in-house clinical team when necessary to complete review.
2. Amend **Professional Fees** by deleting the current language and substituting the following **Professional Fees**:

"RCRMC shall reimburse Parallon for services performed, products provided and expenses incurred as specified below:

- a) RCRMC shall reimburse Parallon forty five dollars (\$45.00) per review day.
- b) Contract Aggregate amount will not exceed two hundred fifty thousand dollars (\$250,000). The aggregate amount is all inclusive which includes professional fees, travel expenses and any other additional vendor expenses that may be incurred.
- c) Parallon shall send all invoices to: Riverside County Regional Medical Center, Attn: Accounts Payable, 26520 Cactus Avenue, Moreno Valley, CA 92555

3. Amend Paragraph 3 **Term** of the Parallon General Business Terms, to read as follows:

This Agreement shall be effective upon signature of this Agreement by both parties and continue in effect through June 30, 2014. Either party may terminate this engagement, with or without cause, by giving thirty (30) days prior written notice to the other party. In the event of a termination for cause, the breaching party shall have the right to cure the breach within the notice period. Parallon may terminate this Agreement or performance of any part of the Services upon written notice to Client if Parallon determines that the performance of any part of the Services would be in conflict with law, or independence or professional rules. Upon termination of this Agreement or any SOW, notwithstanding the payment provisions of Section 2, Client shall pay Parallon, within 30 days following Client's receipt of an invoice from Parallon, for any Deliverables (including work in progress) and/or hours of Service completed through the effective date of termination.

4. All other terms and conditions of this Agreement are to remain unchanged.

IN WITNESS WHEREOF, the parties have executed this Amendment.

**CONTRACTOR**  
HSS Systems LLC dba Parallon

**COUNTY OF RIVERSIDE**

By: Chris Taylor

By: \_\_\_\_\_

Chris Taylor  
Type or Print Name

\_\_\_\_\_  
Type or Print Name

CFO  
Type or Print Title

\_\_\_\_\_  
Type or Print Title

Date: 10/29/13

Date: \_\_\_\_\_

FORM APPROVED BY COUNTY COUNSEL  
BY: NEAL R. KIPNIS  
DATE: 10/29/13