


Memorandum



Miami-Dade County Office of the Inspector General
A State of Florida Commission on Law Enforcement Accredited Agency
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To: Carlos Migoya, President & CEO
Jackson Health System

From:  Christopher Mazzella, Inspector General

Date: January 31, 2012

Subject: Agreement with MedAssets Net Revenue Systems, LLC (Ref: IG12-03)

A resolution (Agenda Item 7(4)(b), as amended) approving the agreement between the Public Health Trust and MedAssets Net Revenue Systems, LLC, was adopted by the Financial Recovery Board at its meeting yesterday, January 30, 2012.

Included in the revised final agreement is a "Most Favored Nations" provision that ensures additional protection for the PHT as follows:

III.G Most Favored Nations MedAssets agrees to monitor the terms and conditions hereunder to ensure that the Trust is receiving the most favorable terms possible given the purchasing commitment hereunder. In the event that MedAssets offers a lower price to any direct competitor of the Trust doing business in its primary trade area which has substantially similar: facilities and beds, organizational structure, commitment level as to quantity and mix of services provided, process requirements, and payment term, MedAssets shall modify the terms and conditions to make the terms and conditions market competitive within 30 business days on a go forward basis.

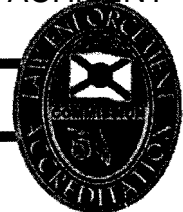
The OIG is pleased that your management team favorably considered our recommendation as made in our January 18th memorandum (attached) and successfully negotiated its inclusion in the final agreement. We continue to look forward to working with you and your team on matters of mutual concern.

Attachment



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To: Carlos Migoya, President & CEO
Jackson Health System

From: Christopher Mazzella, Inspector General

Date: January 18, 2012

Subject: OIG Review of the Proposed Agreement with MedAssets Net Revenue Systems, LLC (Ref: IG12-03)

As part of the Miami-Dade Office of the Inspector General's (OIG) continuing oversight of Public Health Trust (PHT) operations, the OIG reviewed the above-captioned Purchasing Report requesting approval for a bid waiver for a proposed agreement between the Miami-Dade Public Health Trust and MedAssets Net Revenue Systems, LLC (MedAssets) for professional services and software licenses (hereinafter the "Agreement").

This memorandum sets forth the OIG's observations and comments with respect to our review of the "final" proposed agreement, which we received on Thursday, December 22, 2011.

Foremost, we appreciate the cooperation and courtesies extended to us by Jackson Health System (JHS) personnel during our review process. In particular, the JHS Procurement Department ensured that the OIG was provided with copies of all relevant documentation and met with OIG staff to discuss the proposed Agreement and answer our many questions.

CHRONOLOGY OF OIG REVIEW

On Tuesday, December 13, 2011, the OIG became aware of a proposed bid waiver agreement with MedAssets. The following day, December 14, 2011, the OIG requested and received a copy of the actual proposed agreement.

On Thursday, December 15, 2011, the members of the Financial Recovery Board (FRB) Purchasing Subcommittee were advised by the OIG that after a cursory review, it had certain concerns regarding the Agreement. However, due to the late notice, the OIG had not had sufficient time to seek any information or clarification from the PHT. The OIG further advised that it would endeavor to clarify or resolve all issues prior to final approval by the FRB.

Later the same day, the OIG had meetings and telephone conversations with members of the JHS staff. The discussions, with JHS staff, provided the OIG with a better understanding of and the necessity for the services and software licenses to be provided by MedAssets. At that time, the OIG expressed concerns regarding certain language provisions in the proposed Agreement. JHS staff advised that they had already discussed certain of the OIG's concerns with MedAssets. Further, that they would continue those discussions with MedAssets regarding other OIG's expressed concerns.

On Friday, December 16, 2011, the OIG received a copy of the revised Agreement (Document ID: 20111215153207810). This version included changes that are deemed beneficial to the PHT.

On Thursday, December 22, 2011, the OIG received yet another copy of the Agreement (Document ID: 20111220131759131) that had been revised. This version included additional clarifications and changes that are deemed beneficial to the PHT.

THE AGREEMENT

The purpose of the Agreement is threefold; 1) Consolidate and renew three (3) existing software licensing agreements, 2) acquire two (2) new software licenses, and 3) obtain consulting service, as follows:

Renewal – Software License

- SOW1 - CDM Master/Knowledge Source/Charge Capture Audit
- SOW 2 - Contract Manager/Contract Modeler/Rapid Reserves
- SOW 3 - CarePricer Plus

New - Software License

- SOW 4 - CrossWalk
- SOW 5 - CrossWalk Pharmacy

Consulting Service

- SOW 6 - CDM Consulting and Comparative Rate Modeling Plus

IMPROVEMENTS TO THE INITIAL AGREEMENT

The following is a list of changes that were recommended by the OIG and which were adopted by JHS staff. These changes are reflected in the most recent version of the Agreement provided to the OIG¹.

¹ The most recent version of the Agreement is dated Dec 20, 2011 and identified by Sertifi Electronic Signature, DOC ID: 20111220131759131

- **Article III.B Expenses** – Eliminated contract language that expenses would be reimbursed “without limitation.” A subsequent provision authorizes and limits expense reimbursement “ ... to the extent allowed by Florida law, specifically Section 112.061 and implementing TRUST travel policy ...”
- **Article III.D Consumer Price Index** – Eliminated provision for annual CPI fee increases since the six (6) Scopes of Work (SOW) designate annual fixed fees for the duration of the Agreement.
- **SOW Article 2 Covered Facility** – Facility List expanded to include Jackson North Medical Center and Jackson South Community Hospital. Additional changes include increasing the CDM Item usage from 25,000 to 75,000 and Patient Accounting System changed from McKesson to Siemens Invision.
- **SOW Article 3 Definitions** – Added the definition of Jackson Health System to mean Jackson Memorial Hospital, Jackson North Medical Center, and Jackson South Community Hospital.
- **SOW Article 4 Fees** – Facility Name standardized to be Jackson Health System.
- **SOW Article 5.x Data Purge** – Eliminated the ability for MedAssets to purge data after two (2) years. Article XI.M – Audit requires MedAssets to retain data/records for three (3) years following final payment.

The OIG believes that the above listed changes to the various provisions in the Agreement will benefit and protect the interests of the PHT.

AREAS OF CONCERN

While many of the OIG's concerns have been addressed by JHS staff, there remains two issues which we believe to be noteworthy enough to bring to your attention. These issues are:

Concern 1 Termination for Convenience

The request is for five-year licensing agreements to use the various software modules. JHS staff believes that these products are “best in class.” Furthermore, they stated that the five-year duration permitted them to negotiate lower fixed monthly fees.

The OIG believes that entering into five-year fixed term licensing agreements for the use of software places unnecessary restraints on the PHT to use MedAssets products. By comparison, the majority of the current MedAssets software licenses are for three-year terms, with options to renew

The OIG believes that initial terms of three years, with options to renew, would provide JHS with greater flexibility.

Concern 2 Five Year, Fixed Price

The proposed request establishes fixed annual subscription fees for the five-year duration.

The OIG is reminded that these products were initially acquired using the Group Purchasing Organization (GPO) process and continue to be provided by the current GPO provider, MedAssets. Thus the GPO concept of best pricing appears to have been nullified by the lengthy duration of a fixed annual fee for five years.

Under the GPO concept, the OIG believes that it would be more beneficial to the PHT if it were to require a "most favored nation" provision from MedAssets. Thus, if at anytime in the near or distant future, MedAssets should reduce its annual subscription fees lower than that for which it charges the PHT, the PHT would also benefit from those price reductions.

During a meeting this morning with JHS Executives, the OIG shared these concerns. The Executives thanked the OIG for sharing its concerns and indicated that they would have further discussions with MedAssets.

This memorandum is being provided for informational purposes only and no response is necessary.

The OIG thanks the JHS Executives and Staff for their cooperation and assistance in this review. We look forward to working together on matters of mutual concern as we continue to monitor other proposed purchases and agreements.

Cc: Mark Knight, Chief Financial Officer
Rosa Costanzo, Chief Procurement Officer
Charles Bearham, Administrator, Revenue Cycle Services