SERIAL 04133 RFP MANAGEMENT CONSULTING SERVICES FOR CHS

DATE OF LAST REVISION: September 25, 2006 CONTRACT END DATE: November 30, 2007

CONTRACT PERIOD THROUGH **NOVEMBER 30, 2007**
~~NOVEMBER 30, 2006~~
~~NOVEMBER 30, 2005~~

TO: All Departments

FROM: Department of Materials Management

SUBJECT: Contract for **MANAGEMENT CONSULTING SERVICES FOR CHS**

Attached to this letter is published an effective purchasing contract for products and/or services to be supplied to Maricopa County activities as awarded by Maricopa County on **November 17, 2004.**

All purchases of products and/or services listed on the attached pages of this letter are to be obtained from the vendor holding the contract. Individuals are responsible to the vendor for purchases made outside of contracts. The contract period is indicated above.

_____
Wes Baysinger, Director
Materials Management

SD/**mm**
Attach

Copy to: Clerk of the Board
Lindy Funkhouser, CAO
David Smith, CAO
Shawn Nau, Health Care Mandates
Mirheta Muslic, Materials Management

04133
CONTRACT PURSUANT TO RFP

SERIAL 04133-RFP

This Contract is entered into this 17TH day of NOVEMBER 2004 by and between Maricopa County ("County"), a political subdivision of the State of Arizona, and Phase 2 Consulting Inc., a Utah corporation ("Contractor") for Consulting and Management Services.

1.0 TERM

1.1 This Contract is for a term of one (1) year, beginning on the 17th Day of NOVEMBER 2004 and ending the 30th day of NOVEMBER ~~2005~~ ~~2006~~ **2007**.

1.2 The County may, at its option and with the agreement of the Contractor, extend the period of this Contract for additional one (1) year terms up to a maximum of four (4) additional terms. The County shall notify the Contractor in writing of its intent to extend the Contract period at least thirty (30) calendar days prior to the expiration of the original contract period, or any additional term thereafter.

2.0 PAYMENT

2.1 As consideration for performance of the duties described herein, County shall pay contractor the amounts stated in Final Pricing, attached hereto and incorporated herein as Exhibit A.

2.2 Payment under this Contract shall be made in the manner provided by law. Invoices shall be prepared and submitted in accordance with the instructions provided on the purchase order. Invoices shall contain the following information: purchase order number, contract number, description of services, project number and extended totals.

3.0 DUTIES

3.1 The Contractor shall perform all duties stated in the Agreed Scope of Work, attached hereto and incorporated herein as Exhibit B and B-1 (Ninety day Plan).

4.0 TERMS & CONDITIONS

4.1 INDEMNIFICATION AND INSURANCE:

4.1.1 **Indemnification by CONTRACTOR:**

To the fullest extent permitted by law, and to the extent not otherwise covered by **CONTRACTOR'S** insurance or not indemnified by **COUNTY** hereunder, **CONTRACTOR** shall defend, indemnify, and hold harmless **COUNTY**, its agents, representatives, officers, directors, officials, and employees from and against all claims, damages, losses and expenses, including, but not limited to, attorney fees, court costs, expert witness fees, and the cost of appellate proceedings, relating to, arising out of, or alleged to have resulted from the negligence or willful misconduct of **CONTRACTOR**

in connection with its provision of services under this Contract. **CONTRACTOR'S** duty to defend, indemnify and hold harmless **COUNTY**, its agents, representatives, officers, directors, officials, and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property, caused by the negligence or willful misconduct of **CONTRACTOR** in connection with its provision of services under this Contract including any person for whose actions **CONTRACTOR** may be legally liable.
The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

4.1.2 Indemnification by COUNTY:

To the fullest extent permitted by law, and to the extent not otherwise covered by **COUNTY'S** insurance or not indemnified by **CONTRACTOR** hereunder, **COUNTY** shall defend, indemnify, and hold harmless **CONTRACTOR**, its agents, representatives, officers, directors, shareholders, and employees from and against all claims, damages, losses and expenses, (including, but not limited to, attorney fees, court costs, expert witness fees, and the cost of appellate proceedings), relating to, arising out of, or alleged to have resulted from the negligence or willful misconduct of **COUNTY** in connection with or relating to this Contract**. COUNTY**'S duty to defend, indemnify and hold harmless, **CONTRACTOR**, its agents, representatives, officers, directors, officials, and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property, caused by the negligence or willful misconduct of **COUNTY** in connection with or relating to this Contract including any person for whose actions **COUNTY** may be legally liable.

4.1.3 Insurance Requirements.

CONTRACTOR, at **CONTRACTOR'S** own expense, shall purchase and maintain the herein stipulated minimum insurance from a company or companies duly licensed by the State of Arizona and possessing a current A.M. Best, Inc. rating of B++6. In lieu of State of Arizona licensing, the stipulated insurance may be purchased from a company or companies which are authorized to do business in the State of Arizona, provided that said insurance companies meet the approval of **COUNTY**. The form of any insurance policies and forms must be acceptable to **COUNTY**.

All insurance required herein shall be maintained in full force and effect until all work or service required to be performed under the terms of the Contract is satisfactorily completed and formally accepted. Failure to do so may, at the sole discretion of **COUNTY**, constitute a material breach of this Contract.

CONTRACTOR'S insurance shall be primary insurance as respects **COUNTY**, and any insurance or self-insurance maintained by **COUNTY** shall not contribute to it.

Any failure to comply with the claim reporting provisions of the insurance policies or any breach of an insurance policy warranty shall not affect coverage afforded under the insurance policies to protect **COUNTY**.

The insurance policies may provide coverage, which contains deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to **COUNTY** under such policies. **CONTRACTOR** shall be solely responsible for the deductible and/or self-insured retention and **COUNTY**, at its option, may require **CONTRACTOR** to secure payment of such deductibles or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit.

COUNTY reserves the right to request and to receive, within 10 working days, certified copies of any or all of the herein required insurance policies and/or endorsements.

COUNTY shall not be obligated, however, to review such policies and/or endorsements or to advise **CONTRACTOR** of any deficiencies in such policies and endorsements, and such receipt shall not relieve **CONTRACTOR** from, or be deemed a waiver of **COUNTY'S** right to insist on strict fulfillment of **CONTRACTOR'S** obligations under this Contract.

The insurance policies required by this Contract, except Workers' Compensation, shall name **COUNTY**, its agents, representatives, officers, directors, officials and employees as Additional Insureds.

The policies required hereunder, except Workers' Compensation, shall contain a waiver of transfer of rights of recovery (subrogation) against **COUNTY**, its agents, representatives, officers, directors, officials and employees for any claims arising out of **CONTRACTOR'S** work or service.

4.1.3.1 Commercial General Liability. **CONTRACTOR** shall maintain Commercial General Liability Insurance (CGL) and, if necessary, Commercial Umbrella Insurance with a limit of not less than $1,000,000 for each occurrence with a $2,000,000 Products/Completed Operations Aggregate and a $2,000,000 General Aggregate Limit. The policy shall include coverage for bodily injury, broad form property damage, personal injury, products and completed operations and blanket contractual coverage including, but not limited to, the liability assumed under the indemnification provisions of this Contract which coverage will be at least as broad as Insurance Service Office, Inc. Policy Form CG 00 01 10 93 or any replacements thereof. There shall be no endorsement or modification of the CGL limiting the scope of coverage for liability arising from explosion, collapse, or underground property damage.

The policy shall contain a severability of interest provision, and shall not contain a sunset provision or commutation clause, or any provision which would serve to limit third party action over claims.

The CGL and the commercial umbrella coverage, if any, additional insured endorsement shall be at least as broad as the Insurance Service Office, Inc.'s Additional Insured, Form CG 20 10 10 01, and shall include coverage for **CONTRACTOR'S** operations and products.

4.1.3.2 Automobile Liability. **CONTRACTOR** shall maintain Automobile Liability Insurance and, if necessary, Commercial Umbrella Insurance with a combined single limit for bodily injury and property damage of no less than $1,000,000, each occurrence, with respect to **CONTRACTOR'S** vehicles (including owned, hired, non-owned), assigned to or used in the performance of this Contract. If hazardous substances, materials, or wastes are to be transported, MCS 90 endorsement shall be included and $5,000,000 per accident limits for bodily injury and property damage shall apply.

4.1.3.3 Workers' Compensation. **CONTRACTOR** shall carry Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of **CONTRACTOR'S** employees engaged in the performance of the work or services, as well as Employer's Liability insurance of not less than $100,000 for each accident, $100,000 disease for each employee, and $500,000 disease policy limit.

4.1.3.4 Professional Liability. **CONTRACTOR** shall maintain professional liability insurance which will insure and provide coverage for the administrative duties (non-clinical diagnosis or treatment duties) of **CONTRACTOR** and its employees and agents in its/their role as medical director, with limits of no less than $1,000,000 for each claim.

CONTRACTOR waives all rights against COUNTY and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the Workers' Compensation and Employer's Liability or commercial umbrella liability insurance obtained by **CONTRACTOR** pursuant to this agreement.

COUNTY waives all rights against **CONTRACTOR** and its agents, officers, directors, shareholders and employees for recovery of damages to the extent these damages are covered by the commercial umbrella liability insurance or other insurance carried by **COUNTY**.

4.1.4 Certificates of Insurance:

4.1.4.1 Prior to commencing work or services under this Contract, Contractor shall have insurance in effect as required by the Contract in the form provided by the County, issued by Contractor's insurer(s), as evidence that policies providing the required coverage, conditions and limits required by this Contract are in full force and effect. Such certificates shall be made available to the County upon 48 hours notice. **BY SIGNING THE AGREEMENT PAGE THE CONTRACTOR AGREES TO THIS REQUIREMENT AND FAILURE TO MEET THIS REQUIREMENT WILL RESULT IN CANCELLATION OF CONTRACT.**

In the event any insurance policy(ies) required by this contract is(are) written on a "claims made" basis, coverage shall extend for two years past completion and acceptance of **CONTRACTOR'S** work or services and as evidenced by annual Certificates of Insurance.

If a policy does expire during the life of the Contract, a renewal certificate must be sent to **COUNTY** fifteen (15) days prior to the expiration date.

4.1.4.2 Cancellation and Expiration Notice.

Insurance required herein shall not be permitted to expire, be canceled, or materially changed without thirty (30) days prior written notice to the County.

4.2 NOTICES:

All notices given pursuant to the terms of this Contract shall be addressed to:
For County:

Maricopa County
Department of Materials Management
Attn: Director of Purchasing
320 West Lincoln Street
Phoenix, Arizona

For Contractor:
Phase 2 Consulting Inc.
Attn: Howard W. Salmon
2120 South 1300 East, Suite 301
Salt Lake City, Utah 84106

4.3 REQUIREMENTS CONTRACT:

Contractor signifies its understanding and agreement by signing this document, that this Contract is a requirements contract. This Contract does not guarantee any services will be required. Contractor shall take no action under this Contract unless specifically requested by County, which shall submit written direction to Contractor requesting that services be performed.

4.4 TERMINATION:

County may unconditionally terminate this Contract for convenience by providing thirty (30) calendar days advance notice to the Contractor.

County may terminate this Contract if Contractor fails to pay any charge when due or fails to perform or observe any other material term or condition of the Contract, and such failure continues for more than ten (10) days after receipt of written notice of such failure from County, or if Contractor becomes insolvent or generally fails to pay its debts as they mature.

4.5 STATUTORY RIGHT OF CANCELLATION FOR CONFLICT OF INTEREST:
Notice is given that pursuant to A.R.S. § 38-511 the County may cancel this Contract without penalty or further obligation within three years after execution of the contract, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the County is at any time while the Contract or any extension of the Contract is in effect, an employee or agent of any other party to the Contract in any capacity or consultant to any other party of the Contract with respect to the subject matter of the Contract. Additionally, pursuant to A.R.S § 38-511 the County may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the County from any other party to the contract arising as the result of the Contract.

4.6 OFFSET FOR DAMAGES;

In addition to all other remedies at law or equity, the County may offset from any money due to the Contractor any amounts Contractor owes to the County for damages resulting from breach or deficiencies in performance under this contract.

4.7 ADDITIONS/DELETIONS OF SERVICE:

The County reserves the right to add and/or delete products and/or services provided under this Contract. If a requirement is deleted, payment to the Contractor will be reduced proportionately to the amount of service reduced in accordance with the proposal price. If additional services and/or products are required from this Contract, prices for such additions will be negotiated between the Contractor and the County.

4.8 SUBCONTRACTING:

The Contractor may not assign this Contract or subcontract to another party for performance of the terms and conditions hereof without the written consent of the County, which shall not be unreasonably withheld. All correspondence authorizing subcontracting must reference the Proposal Serial Number and identify the job project.

4.9 AMENDMENTS:

All amendments to this Contract must be in writing and signed by both parties.

4.10 RETENTION OF RECORDS:

The Contractor agrees to retain all financial books, records, and other documents relevant to this Contract for five (5) years after final payment or until after the resolution of any audit questions which could be more than five (5) years, whichever is longer. The County, Federal or State auditors and any other persons duly authorized by the Department shall have full access to, and the right to examine, copy and make use of, any and all said materials.

If the Contractor’s books, records and other documents relevant to this Contract are not sufficient to support and document that requested services were provided, the Contractor shall reimburse Maricopa County for the services not so adequately supported and documented.

4.11 AUDIT DISALLOWANCES:

If at any time County determines that a cost for which payment has been made is a disallowed cost, such as overpayment, County shall notify the Contractor in writing of the disallowance. County shall also state the means of correction, which may be but shall not be limited to adjustment of any future claim submitted by the Contractor by the amount of the disallowance, or to require repayment of the disallowed amount by the Contractor.

4.12 VALIDITY:
The invalidity, in whole or in part, of any provision of the Contract shall not void or affect the validity of any other provision of this Contract.

4.13 RIGHTS IN DATA:

The County shall have the use of data and reports resulting from this Contract without additional cost or other restriction except as provided by law. Each party shall supply to the other party, upon request, any available information that is relevant to this Contract and to the performance hereunder.

4.14 INTEGRATION

This Contract represents the entire and integrated agreement between the parties and supersedes all prior negotiations, proposals, communications, understandings, representations, or agreements, whether oral or written, express or implied.

IN WITNESS WHEREOF, this Contract is executed on the date set forth above.

CONTRACTOR

_____
AUTHORIZED SIGNATURE

_____
PRINTED NAME AND TITLE

_____
ADDRESS

_____
DATE

MARICOPA COUNTY

BY: _____ _____
CHAIRMAN, BOARD OF SUPERVISORS DATE

ATTESTED:

_____ _____
CLERK OF THE BOARD DATE

APPROVED AS TO FORM:

_____ _____
MARICOPA COUNTY ATTORNEY DATE

EXHIBIT A
FEES

PRICING SHEET COMMODITY CODE S 08 37 02, NIGP 91878, BLANKET NUMBER B0700132

BIDDER NAME:	PHASE 2 CONSULTING INC.
F.I.D./VENDOR #:	**W000004441 X**
BIDDER ADDRESS:	2120 SOUTH 1300 EAST, SUITE 301, SALT LAKE CITY, UTAH 84106
P.O. ADDRESS:	SAME
BIDDER PHONE #:	801-363-3046
BIDDER FAX #:	801-596-2127
COMPANY WEB SITE:	WWW.PHASE2CONSULTING.COM
COMPANY CONTACT (REP):	HOWARD SALMON
E-MAIL ADDRESS (REP):	HWSALMON@PHASE2CONSULTING.COM

WILLING TO ACCEPT FUTURE SOLICITATIONS VIA EMAIL: YES

OTHER GOV'T. AGENCIES MAY USE THIS CONTRACT: YES

TERMS NET 30

INDICATE PERCENTAGE OF M/WBE PARTICIPATION IF ANY HERE: 0%

1.0 FEES: CONSULTING COMPONENT

1.1 90 DAY ESTIMATED FEES (SEE EXHIBIT B-1)	**$ 60,800.00**
1.2 TOTAL ONE YEAR NOT TO EXCEED	**$ 115,104.00**
1.3. ADDITIONAL CONSULTING (BY TASK ORDER) HOURLY RATES	
1.3.1 EXECUTIVE DIRECTOR	$ 225.00
1.3.2 MEDICAL DIRECTOR	$ 180.00
1.3.3 OPERATIONS DIRECTOR	$ 125.00
1.3.4 NURSING DIRECTOR	$ 180.00
1.3.5 IT DIRECTOR	$ 125.00
1.3.6 SENIOR ANALYSIS	$ 125.00
1.3.7 BUSINESS ANALYSIS	$ 75.00

2.0 KEY PERSONNEL, MANAGEMENT COMPONENT

2.1 MANAGEMENT FEES FIRST SIXTY DAYS (EXHIBIT B-1)	**$ 103,800.00**	
	HOURLY	**DAILY**
2.2 MANAGEMENT FEES (AFTER FIRST NINETY DAYS)	(7 HOURS OR MORE)	
2.2.1 HOWARD SALMON, EXECUTIVE DIRECTOR	$ 225.00	$ 1,575.00
2.2.2 TODD WILCOX, MEDICAL DIRECTOR	$ 180.00	$ 1,260.00
2.3.3 MARK ELLSWORTH, OPERATIONS DIRECTOR	$ 125.00	$ 875.00
2.4.4 NURSING DIRECTOR	$ 125.00	$ 875.00
2.2.5 GLEN SCHIMMELPFENNIG, IT DIRECTOR	$ 125.00	$ 875.00
TOTAL NOT EXCEED MONTHLY AMOUNT	$ 54,866.67	

2.3 TRAVEL EXPENSES, CAPPED AT % OF BILLABLE EXPENSES	
2.3.1 FIRST FORTY FIVE DAYS	15%
2.3.2 AFTER THE FIRST 45 DAYS	10%

EXHIBIT B

SCOPE OF WORK

1.0 DUTIES OF CONTRACTOR.

1.1 General. CONTRACTOR shall perform the professional services described herein, including management of the day-to-day business affairs of CHS. CONTRACTOR shall use all reasonable efforts to implement the County's policies and directives with the goal of causing CHS to provide quality health care consistent with the policies and directives dictated by statute, the County, the financial resources available to CHS. CONTRACTOR shall follow the policies and directives of the County or any committee or contract administrator as authorized under the authority of the CAO, in discharging its duties hereunder.

1.2 Initial Assessment Phase. Upon commencement of the **Initial Assessment Phase**, CONTRACTOR shall, within 60 days, perform a performance improvement assessment of CHS ("**Performance Improvement Assessments**"). CONTRACTOR shall use the Initial Assessment Phase to prepare and deliver to the County a prioritized schedule of tasks (the "**Master Task Schedule**") to achieve sustainable improvement in CHS. The Master Task Schedule shall become the Parties' action plan ("Action Plan") for reforming CHS. Upon a showing of good cause, the Initial Assessment Phase may be extended up to thirty (30) days.

1.3 Key Personnel. CONTRACTOR shall assign to the County the following personnel to assess CHS: Howard Salmon to perform as Executive Director (Part Time), Todd Wilcox to perform as the Director/Medical Director of CHS and Mark Ellsworth to perform as the Operation/Assistant Director of CHS, collectively, these personnel shall be referred to as "**Key Personnel**." The compensation for the Key Personnel shall be as set forth on Exhibit A. CONTRACTOR may also recommend additional personnel as listed on Exhibit A (collectively, the "**Additional Personnel**") to perform on-site analysis of CHS operations with Key Personnel (if required) to produce Performance Improvements Assessments in each of the functional categories listed on Exhibit A. The hourly compensation for the Additional Personnel shall be as set forth on Exhibit A. Performance Improvement Assessments shall be submitted to the County as and when such assessments are completed. CONTRACTOR shall identify additional personnel, if required, to manage the operations of CHS by submitting a Task Order to perform Operations Tasks pursuant to Section 1..5 of this Agreement.

1.4 Not to Exceed Amount. The total costs of the Initial Assessment Phase (the "**Not to Exceed Amount**") shall be $ 200,000.00. The Not to Exceed Amount shall identify hourly compensation rates for Additional Personnel and daily compensation rates for Key Personnel. The Not to Exceed Amount shall also include the costs for software and other materials ("**Consultant Costs**") needed to perform services under this Agreement during the Initial Assessment Phase.

1.5 Preparing the Master Task Schedule. At the completion of the Initial Assessment Phase, CONTRACTOR shall submit to the County a draft prioritized schedule of tasks ("**Draft Task Schedule**"). County shall deliver comments to CONTRACTOR within ten (10) days following receipt of the Draft Task Schedule. The County's comments shall be referred to as the "**County Preliminary Comments.**" No later than February 22, 2005, or such later date as may be permitted under Section 1.2, (the "**Action Plan Commencement Date**"), CONTRACTOR shall submit to the County a final **Master Task Schedule** that CONTRACTOR recommends for commencement of the Action Plan. Action Plan. The Master Task Schedule shall identify Performance Improvement Assessments and Recommendations. Each item listed on the Master Task Schedule shall be referred to as a "**Performance Improvement Task**" For any Performance Improvement Task that the County has preliminarily identified as a task to be completed by CONTRACTOR (in whole or in part) in the County Preliminary Comments, the selected Performance Improvement Task or District Transition Task shall include the following: (a) a recommended schedule for implementing the task during the Action Plan; (b) the personnel needed to complete the task; (c) the cost for completing the task; and (d) the defined deliverables for the task. Notwithstanding the foregoing provisions of this Section 1.2.4, CONTRACTOR may elect to submit a Task Order (as that term is defined below) prior to the Action Plan Commencement Date if CONTRACTOR believes that action must be taken in connection with the operation of CHS in order to satisfy the requirements of Section 1.1 of this Agreement. Each Task Order submitted prior to the Action Plan Commencement Date shall be referred to herein as an "**Interim Operations Task**."

1.6 Task Orders. CONTRACTOR may not perform an Interim Operations Task or a Performance Improvement Task without first submitting to the CAO or his contract administrator designee a task order request ("**Task Order**"), substantially in the form attached hereto as Exhibit C. A Task Order must include an estimate of costs and a schedule for the work that is the subject of the Task Order, a description of the defined deliverables and the identity of each Key Personnel and/or Additional Personnel needed to complete the work that is the subject of the Task Order. The hourly compensation for Additional Personnel shall be as set forth on Exhibit A. The parties acknowledge that CONTRACTOR may elect to convert Additional Personnel to the status of Key Personnel, in which case the compensation for such personnel shall be changed from hourly to daily. The parties also acknowledge that even though Key Personnel may be assigned to a specific Task Order, such Key Personnel shall be compensated on a daily basis as set forth on Exhibit A and shall not be compensated on an hourly basis. Upon approval by the County of the Task Order, the CAO or his designee will authorize CONTRACTOR to commence work in the form of a "**Notice to Proceed**".

1.7 Implementation of Action Plan. Following the Action Plan Commencement Date, CONTRACTOR will focus its services for the remainder of the Term on assisting in and overseeing the implementation of the recommendations of the Master Task Schedule pursuant to each Notice to Proceed. The parties acknowledge that the County may in the exercise of its sole and absolute discretion decline to issue any Notice to Proceed following the receipt of a Task Order. The County agrees to use its best efforts to cause CHS employees and the Medical Staff to cooperate with the actions recommended in the Master Task Schedule. CONTRACTOR shall report to the County on the progress being made toward the goals and objectives set forth in the Master Task Schedule at reasonable times, and as determined by the CAO. The Action Plan may be amended through the submission and approval of a Task Order.

1.8 Personnel. CONTRACTOR shall provide the County with the services of the Key Personnel and Additional Personnel specified in Section 1.2.1. All such personnel shall be employees or permitted subcontractors of CONTRACTOR. All other CHS personnel shall be employees or independent contractors of the County and shall be subject to the County's personnel policies to the extent applicable. CONTRACTOR shall enforce, adhere to, and administer the personnel policies established by the County in hiring, managing and discharging CHS employees; provided, however, that matters with respect to professional competency shall be determined with the assistance of the appropriate CHS or Medical Staff committee. Furthermore, CONTRACTOR shall assist the County in determining the number and qualifications of employees required for the efficient operation of CHS and in establishing and revising wage scales, employee benefit packages, in-service training programs, staffing schedules, and job descriptions, all in order to

accomplish the goals and objectives of the County and in accordance with policies and procedures established by the County.

1.9 Limitations on CONTRACTOR'S Duties. CONTRACTOR shall not have the authority to:

1.9.1 Enter into or terminate contracts or leases on behalf of CHS, except as the County may specifically authorize from time to time, but CONTRACTOR shall have the authority on behalf of the County to negotiate, recommend and administer such contracts. This provision does not limit CONTRACTOR'S authority to enter into or terminate employment contracts.

1.9.2 Enter into or terminate contracts with outside consultants on behalf of CHS, except as the County may specifically authorize from time to time, but CONTRACTOR shall have the authority on behalf of CHS to negotiate, recommend and administer such contracts.

1.9.3 Without the County's prior approval CONTRACTOR'S services shall not include such items as legal services, external audit services, cost report preparation, data processing fees, architectural engineering, the provision of software and related technology, or project management of facility or capital improvement projects; feasibility studies related to complex financial transactions such as bond offerings or major capital improvement projects, certificate of need applications related to major capital projects, and similar items; nor shall CONTRACTOR perform the functions of a certified public accounting firm.

2.0 PERSONNEL.

2.1 Obligation to Provide. CONTRACTOR shall provide County with the services of the Key Personnel and the Additional Personnel. Each individual serving in one of these positions is subject to approval by the County and shall be acceptable to the County on a continuing basis. While Key Personnel and Additional Personnel will have a close working relationship with representatives of CHS and the County in carrying out their duties under this Agreement, all Key Personnel and Additional Personnel shall be employees of CONTRACTOR or subcontractors approved by CONTRACTOR and shall report to CONTRACTOR and take direction and supervision from CONTRACTOR during the Term of this Agreement. CONTRACTOR shall determine the amount and nature of and shall pay compensation (as hereinafter described) to the Key Personnel and Additional Personnel for all services rendered by them in connection with this Agreement. Nevertheless, the selection of Key Personnel and Additional Personnel and their replacements shall be subject to the CAO's approval, which shall not be unreasonably withheld.

2.2 Covenant Not to Hire. The County will not, and will not permit any of its Affiliates to, employ or offer to employ any Key Personnel or Additional Personnel until one (1) year after the termination or expiration of the initial one (1) year Term of this Agreement unless CONTRACTOR gives its written consent thereto. CONTRACTOR will not, and will not permit any of its Affiliates to, employ any County personnel until one (1) year after the termination or expiration of the initial one (1) year Term of this Agreement unless the County gives its written consent thereto.

3.0 EXPENSES.

3.1 Expenses. In addition to CONTRACTOR'S fees (collectively, "**Professional Services Fee**") for the Key Personnel and the Additional Personnel described in Section 3.2 above, the County shall reimburse CONTRACTOR for its actual costs for all reasonable travel, lodging and other out-of-pocket travel expenses ("**Expense Reimbursement**") incurred by CONTRACTOR'S personnel in the course of providing services to CHS in accordance with the "Maricopa County Travel Expense Policy", and shall exceed ten percent (10%) of billed invoices (fifteen percent (15%) for the first forty-(45) days). CONTRACTOR shall furnish legible documentation supporting all reimbursement requests.

3.2 When Due. CONTRACTOR will bill the County for the Professional Services Fee and Consultant Costs monthly on the first (1st) day of each month for the approved Professional Services Fee and Consultant Costs to be incurred during such month. Payment for the Professional Services Fee and such Consultant Costs shall be due within thirty (30) days after receipt of invoice and supporting documentation. Payment for Expense Reimbursements shall be made within ten (10) days after receipt of invoice and supporting documentation.

EXHIBIT B-1

THIS DOCUMENT MAY BE MODIFIED WITH THE AGREEMENT OF BOTH PARTIES THROUGH THE FIRST NINETY (90) DAYS.

1. First 30 Days – In general, our activities in the first 30 days will be to orient the team to the environment, operations, problems, opportunities, and collecting financial, statistical and clinical data and information. Additionally, we would address any immediate issues or problems that should not wait for resolution. The initial team would include me, Todd Wilcox, Mark Ellsworth, Heather Wall, and BJ Millar. Our proposed activities would include:

   - Site visit for each facility. At each facility, review the flow of patient care and look at current processes for any obvious bad practices and inefficiencies – Salmon, Wilcox, Ellsworth
   - Interview key CHS personnel, correctional officers and personnel, other County stakeholders – Salmon, Ellsworth
   - Review staffing levels, compare that with our observations and begin the first level of data for developing a staffing master plan for the facility – Ellsworth, Wall
   - Review off site utilization contracts hospitals and other providers – Salmon
   - Review formulary practices – Wilcox
   - Review chronic care practices – Wilcox
   - Review information systems and reports – Ellsworth, Wall
   - Review selected medical records, medical committee reports, other quality assurance reports – Wilcox
   - Obtain 3 years of financial, statistical and clinical information (see attached) – Wall, Millar
   - Review risk management procedures and reports – Ellsworth
   - Review and investigate any current litigation and areas of conflict with advocacy groups – Salmon
   - Review grievance logs looking for trends and patterns and efficacy of any internal CQI program – Ellsworth
   - Establish a baseline of mentally ill prisoners and look at percentage that are severely and persistently mentally ill (SPMI) vs. non SPMI to review best care practices for the mentally ill – Wilcox, Ellsworth
   - Prepare a report of findings and conclusions for internal review, discussion with Sheriff department and other county officials, and for preparation of a CHS business plan – Salmon with assistance from all

   Our overall goal will be to get a good sense of the operational and risk management issues and at least get them described / diagnosed. There may be some that we need more data on.

30-90 Days

For the next 60 days, we would add to the team the following individuals: Glen Schimmelpfennig, IT, John Ossowski, consultant, and Mary Wilkes RN, MSN.

The proposed tasks for this period would be as follows:

- Evaluate the depth of the staffing difficulties and determine their causes, i.e., recruitment, training, retention, etc. – Ellsworth, Wilkes
- Determine what will be necessary to implement an EMR and develop a time frame for putting out an RFP and time line for implementation – Wilcox, Schimmelpfennig
- Develop studies to refine data in key areas to examine them in more depth to determine the appropriate plans of action – Salmon, Wilkes, Wall, Ossowski
- Meet with CHS, Jail and other Sheriff department, County personnel regarding definitions of problems, preliminary solutions, and status of tasks – Salmon, Wilcox, Ellsworth
- In depth assessment of IT opportunities and challenges – Schimmelpfennig, Wilcox, Ellsworth
- Deal with specific problems and issues as they arise – Ellsworth, Wilcox
- Develop business plan for review and approval – Salmon

We had estimated in my letter to you on November 4 that the hours for the first 90 days for consulting services are 398 (of a total of 816). Since some of those consulting hours would be duplicated by Mark's, Todd's and my management services hours (below), we propose to reduce our respective Consulting hours by 56 in the 1st 90 days (average of $216.00/hour = $12,096). This would bring the professional fees for the total consulting assignment from $127,200 to $115,104.

The initial 90 days Consulting team would be:

	Estimated Consulting Hours	Hourly Rate
Howard Salmon	20	$300
Todd Wilcox	20	$200
Mark Ellsworth	18	$150
Mary Wilkes RN, MSN	40	$300
Heather Wall	120	$140
Glen Shimmelpfennig	70	$150
John Ossowski	110	$ 80

Since these hours represent a portion of the 1 year proposal, they are included in our not to exceed project amount.

2. **A project team roster, for the Management Services Component indicating the days of the week that each team member would be available. This component may be required as early as November 22, 2004, if the County team accepts your firm's offer and the Maricopa County Board of Supervisors approves a contract with your firm.**

   Phase 2 Consulting proposes that for the initial sixty day period that Mark Ellsworth, Todd Wilcox, MD and Howard Salmon provide the following coverage:
   - The three of us will be on-site together at least one day a week except the week of Dec. 27-31.
   - On the other days of the week for the 60 day period, one of us will be on site.
   - The combination of the above is 7 man-days per week (56 hours) for 8.57 weeks or 60 man-days (480 hours).

- The proposed fee per man-hour is $216.00 totaling $103,800.
- During this period we expect each of our respective presences will be about the same. However, because of Mark's responsibilities with the Salt Lake County Jail, Todd and I are likely to carry the heavier share.

3. **A signed confidentially statement (attached with this request). Please understand that all communication concerning this proposed contract and any negotiations are confidential and should not be discussed with anyone outside the members of your team. Those members should also understand that they are bound by the confidentially statement you are requested to sign.**

The agreement has been signed and is enclosed.

PHASE 2 CONSULTING INC, 2120 S 1300 E SUITE 301, SALT LAKE CITY, UT 84106-3785

PRICING SHEET S 083702, NIGP 91878, B0700132

Terms:	NET 30
Vendor Number:	**W000004441 X**
Telephone Number:	801/363-3046
Fax Number:	801/596-2127
Contact Person:	Howard Salmon
E-mail Address:	~~hwsalmon~~ **lapeterson@phase2consulting.com**
Company Web Site:	www.phase2consulting.com
Certificates of Insurance	Required
Contract Period:	To cover the period ending **November 30,** ~~2005~~ ~~2006~~ **2007.**