



# Monterey County

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## Board Report

Legistar File Number: A 15-354

October 27, 2015

**Introduced:** 10/14/2015

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** BoS Agreement

Ratify and authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute Renewal and Amendment No. 9 with Quest Diagnostics Inc. including the Letter of Commitment for MedAssets GPO pricing (Exhibit B to the Renewal and Amendment No. 9), retroactive to July 1, 2015, for Reference Laboratory Testing Services for NMC to extend the term of the Agreement for one additional year for a revised full Agreement term of July 1, 2005 through June 30, 2016, and to add an additional \$850,000 for a revised total Agreement amount not to exceed \$5,240,000.

### **RECOMMENDATION:**

#### **It is recommended the Board of Supervisors:**

Ratify and authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute Renewal and Amendment No. 9 with Quest Diagnostics Inc. including the Letter of Commitment for MedAssets GPO pricing (Exhibit B to the Renewal and Amendment No. 9), retroactive to July 1, 2015, for Reference Laboratory Testing Services for NMC to extend the term of the Agreement for one additional year for a revised full Agreement term of July 1, 2005 through June 30, 2016, and to add an additional \$850,000 for a revised total Agreement amount not to exceed \$5,240,000.

### **SUMMARY/DISCUSSION:**

Quest Diagnostics is the leading provider of diagnostic testing in the nation, and serves approximately 140 million patients each year. Quest Diagnostics is NMC Laboratory's primary reference laboratory, although NMC will use Salinas Valley Memorial Hospital as a reference laboratory on occasion as well. Physicians at NMC and local clinics which send laboratory work to NMC may order such specific types of tests which the NMC Laboratory cannot perform on-site. Therefore, these specific tests must be sent to a reference laboratory. As laboratory technology advances, more and more esoteric tests become available for Physicians and clinics to order, however the NMC laboratory cannot justify bringing in instruments or additional staff for the low volume of every type individual test available. These esoteric tests are used for the diagnosis of disease or monitoring of disease processes and are critical for patient care.

NMC's laboratory has an established interface with Quest diagnostics which allows results to be transferred securely and directly from the testing laboratory to the patient medical record at Natividad Medical Center. A Natividad clinical laboratory scientist verifies the validity of the results before they are finalized in the medical record.

NMC's laboratory staff currently does monitor and shall continue to monitor test utilization to look for opportunities to in-source any test that has high volume and methodology which could be incorporated into the Natividad Laboratory.

**Commercial General Liability Insurance Exception**

Commercial General Liability Insurance Additional Insured Endorsement requirements were previously waived for this vendor under this Agreement and continue to be waived because Quest Diagnostics is Self-Insured for Commercial General Liability Insurance.

The Renewal and Amendment No. 9 was drafted well before the expiration on June 30, 2015, however, Quest Diagnostics informed NMC after the first draft of Renewal and Amendment No. 9 was prepared that if NMC utilized Quest Diagnostics' service through the MedAssets GPO that NMC could save approximately \$200,000 or more annually. It took some time for NMC to coordinate with both MedAssets and Quest Diagnostics as to how to incorporate the MedAssets GPO pricing into the existing services Agreement between NMC and Quest Diagnostics since currently NMC uses the MedAssets GPO primarily for goods, not services. Ultimately it was decided that NMC could incorporate a Letter of Commitment as an Exhibit to the NMC-Quest Diagnostics Agreement and Quest would then agree to charge NMC the reduced GPO prices. Therefore a Letter of Commitment is attached to this Renewal and Amendment No 9. Due to this late change to the Renewal and Amendment No. 9 NMC is requesting that the Renewal and Amendment No. 9 be retroactive back to July 1, 2015 since services have been rendered since that time by Quest Diagnostics.

**OTHER AGENCY INVOLVEMENT:**

County Counsel has reviewed and approved this Amendment No. 9 as to legal form and risk provisions, and the Auditor-Controller has reviewed and approved Amendment No. 9 as to payment provisions. The Amendment No. 9 was reviewed and approved by NMC's Finance Committee on 4/23/15 and by its Board of Trustees on 5/1/15.

**FINANCING:**

The cost for this Amendment No 9 is \$850,000 all of which has been included in the Fiscal Year 2015-16 Adopted Budget. There is no impact to the General Fund.

Prepared by: Heidi Riggerbach, Clinical Lab Manager, 772-7660

Approved by: Gary R. Gray, DO, Chief Executive Officer, 783-2504

**Attachments:**

Quest Diagnostics Renewal and Amendment No. 9 with MedAssets Letter of Commitment

Quest Diagnostics Agreement plus Amendments 1 through 8

Spend Sheet for Quest Diagnostics Agreement

Attachments on file with the Clerk of the Board



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Gary R. Gray, DO, Chief Executive Officer

10/19/15

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Date