



# Monterey County

Item No.

## Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: A 21-175

May 25, 2021

Introduced: 4/28/2021

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Agreement

Authorize the Chief Executive Officer for Natividad Medical Center (NMC) or his designee to execute amendment No. 2 to the agreement (A-13599) with Quest Diagnostics, Inc. for lab reference testing services, extending the agreement an additional one (1) year period (July 1, 2021 through June 30, 2022) for a revised full agreement term of July 1, 2017 through June 30, 2022, and adding \$1,130,000 for a revised total agreement amount not to exceed \$4,130,000.

### **RECOMMENDATION:**

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

Authorize the Chief Executive Officer for Natividad Medical Center (NMC) or his designee to execute amendment No. 2 to the agreement (A-13599) with Quest Diagnostics, Inc. for lab reference testing services, extending the agreement an additional one (1) year period (July 1, 2021 through June 30, 2022) for a revised full agreement term of July 1, 2017 through June 30, 2022, and adding \$1,130,000 for a revised total agreement amount not to exceed \$4,130,000.

### **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 uses 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 highly specific types of tests, which the NMC Laboratory cannot perform on-site. As laboratory technology advances, more and more esoteric tests become available for Physicians and clinics to order; these esoteric tests are used for the diagnosis of disease or monitoring of disease processes and are critical for patient care. The NMC laboratory cannot justify bringing in instruments or additional staff for the low volume of every type individual test available. 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 sufficient volume and methodology which could be incorporated into the Natividad Laboratory.

NMC's laboratory has an established software interface with Quest diagnostics, which allows results to be transferred securely and directly from the reference 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.

The cost and test volumes increased significantly once NMC obtained designation as a Trauma Center. Although the total agreement amount appears to be increasing annually, NMC has negotiated the pricing in this new agreement to ensure that the cost for each lab reference service has decreased thereby yielding savings on each individual reference lab service item requested. This agreement replaces an older agreement that has been in place since 2005 and which expires on June 30, 2017. The new agreement does include a tiered pricing schedule that NMC negotiated when it realized that it did not reap the cost savings, which had previously been agreed to by both parties. The first tier is heavily discounted to allow NMC an opportunity to achieve approximately \$100,000 in savings. Once that savings has been reached, it moves to another pricing tier equivalent to the MedAssets GPO pricing throughout the remainder of the term of the agreement.

**OTHER AGENCY INVOLVEMENT:**

The Office of County Counsel has reviewed and approved this amendment No. 2 as to form, and the Auditor-Controller has reviewed and approved as to payment provisions. The amendment No. 2 has also been reviewed and approved by NMC's Finance Committee and by its Board of Trustees on March 12, 2021

**FINANCING:**

The cost for this amendment No. 2 is \$1,130,000 of which \$280,000 is included in the Fiscal Year 2020-21 Adopted Budget. Amounts for remaining years of the agreement will be included in those budgets as appropriate.

**BOARD OF SUPERVISORS STRATEGIC INITIATIVES:**

Use of a Quest Diagnostics Reference Lab Services allows the clinicians of Natividad Hospital to order laboratory tests that are essential in effective diagnosis and monitoring of patient care. Laboratory tests are correlated with patient history and presentation to arrive at the most confident and data-driven decisions regarding care. In addition, Natividad laboratory makes use of the reference lab to confirm internal findings prior to issuing significant diagnosis to the patient, when reagents are unavailable, or lab instrumentation is in repair. The use of an immediate and reliable reference lab is vital part of the laboratory's plan to support the hospital.

- Economic Development
- Administration
- Health and Human Services
- Infrastructure
- Public Safety

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Approved by: Gary R. Gray, DO, Chief Executive Officer, 783-2553

Attachments:

Quest Diagnostics, Inc. Amendment 1

Quest Diagnostics, Inc. Agreement

Attachments on file with the Clerk of the Board

Dr. Gary R. Gray  
Dr. Gary R. Gray, Chief Executive Officer

5/13/21  
Date