



# Monterey County

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## Board Report

Legistar File Number: A 17-213

June 27, 2017

Introduced: 5/31/2017

Version: 1

Current Status: Agenda Ready

Matter Type: BoS Agreement

Authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute an agreement with Quest Diagnostics, Inc. for reference lab testing services at NMC for an amount not to exceed \$3,000,000 with an agreement term July 1, 2017 through June 30, 2021.

### **RECOMMENDATION:**

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

Authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute an agreement with Quest Diagnostics, Inc. for reference lab testing services at NMC for an amount not to exceed \$3,000,000 with an agreement term July 1, 2017 through June 30, 2021.

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.

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.

For the past two years NMC has spent approximately \$1,000,000 annually with Quest Diagnostics. In prior years NMC spent approximately half that amount due to lower volumes. The cost 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.

**OTHER AGENCY INVOLVEMENT:**

County Counsel has reviewed and approved this agreement as to legal form and risk provisions, and the Auditor-Controller has reviewed and approved as to payment provisions. The agreement has also been reviewed and approved by NMC's Finance Committee on March 23, 2017 and by its Board of Trustees on April 7, 2017.

**FINANCING:**

The cost for this new agreement is \$3,000,000 for a four year period, \$700,000 of which is included in the Fiscal Year 2017-18 Recommended Budget. Amounts for remaining years of the agreement will be included in those budgets as appropriate. There is no impact to the General Fund.

Prepared by: Heidi Riggenbach, Clinical Lab Manager, 783-7660  
Approved by: Gary R. Gray, DO, Chief Executive Officer, 783-2504

Attachments:  
Quest Diagnostics, Inc. Agreement

Attachments on file with the Clerk of the Board