



Board Report

File #: A 19-286, **Version:** 1

a. Authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute a master services agreement with Vizient, Inc. for participation in its no cost group purchasing program with a retroactive agreement term of July 1, 2019 through June 30, 2022.

RECOMMENDATION:

a. Authorize the Deputy Purchasing Agent for Natividad Medical Center (NMC) or his designee to execute a master services agreement with Vizient, Inc. for participation in its no cost group purchasing program with a retroactive agreement term of July 1, 2019 through June 30, 2022.

SUMMARY/DISCUSSION:

GPO stands for Group Purchasing Organization and Vizient is one of the leading GPOs in the healthcare industry. It solicits for supplies and services and awards Supplier Contracts to selected bidders. GPOs offer volume discounts to hospitals and other healthcare facilities. A couple of years ago Vizient was born as a leading Group Purchasing Organization (GPO) with the merging together of Novation and MedAssets, two of the largest GPOs specializing in Healthcare. This new master agreement replaces the old MedAssets agreement from 2014 and contains updated terms and conditions.

Services included in this agreement include evaluation of supply chain operations resulting in lower supply costs and maximum savings on medical supplies and services. Through useful software tools and reports Natividad will be able to analyze purchasing trends within the healthcare field in order to maximize the GPO's number of contracted vendors and NMC's choices for vendor selection.

In addition to lower pricing for supplies from GPO, Vizient will also provide Spend Analytics and Item Master Services. Spend Analytics consist of expenditures analysis, validation of savings and opportunities for further savings. Item Master Services validates product codes for appropriate billing and improve reimbursement.

There are no direct costs paid to Vizient from NMC for GPO services. Instead, the GPO retains an "Administrative Fee" from each supplier contract it establishes that healthcare organizations are able to utilize through the GPO. The GPO then pays Natividad a 30% "Shareback" of the Administrative Fees per the Agreement.

As a participant in the Vizient GPO there is a contractual purchase obligation to spend \$19,436,000 annually which Natividad is confident it is able to meet as last year supply costs alone totaled over \$26,000,000.

Natividad has been negotiating this agreement with Vizient since early April. Negotiating terms took a bit longer than anticipated but because of the benefits and values associated with this group purchasing program Natividad is requesting this agreement be retroactive to July 1, 2019 so that purchases made since that time honor the discounts and shareback terms.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved this agreement as to legal form, 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 April 25, 2019 and by its Board of Trustees on May 3, 2019.

FINANCING:

Natividad does not pay Vizient directly to participate in this GPO. Supplies will be purchased directly from GPO Suppliers and payments are made directly to those Suppliers; therefore, there is no cost to this agreement specifically.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Participation in a GPO with Vizient allows Natividad to procure services and supplies in a very cost competitive manner as supplier contracts are bid out and offer volume discounts.

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

Prepared by: Elizabeth Vanoy, Director of Materials Management, 783-2645

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

Attachments:

Vizient Master Services Agreement

Attachments on File with the Clerk to the Boards Office