

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

August 25, 2020

FROM

LAURIE ROZKO, Director, Purchasing Department

WILLIAM L. GILBERT, Director, Arrowhead Regional Medical Center

SUBJECT

Contract Amendments with Vizient, Inc. and Medline Industries, Inc. for medical supplies and distribution services

RECOMMENDATION(S)

1. Approve **Amendment No. 3** to **Contract No. 08-88** with Vizient, Inc. for County Group Purchasing Organization Associate Membership, at no cost, to access various competitively-bid contracts for the period of September 1, 2020 through August 31, 2021.
2. Approve **Amendment No. 4** to **Contract No 13-336** with Medline Industries, Inc., extending the term for one year for the period of September 1, 2020 through August 31, 2021, in the not-to-exceed amount of \$30,400,000, for medical and surgical supplies by County departments and on-site management services for inventory distribution at Arrowhead Regional Medical Center, hospital clinics, and alternative care sites.

(Presenter: Laurie Rozko, Purchasing Director, 387-2074)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

Provide for the Safety, Health and Social Service Needs of County Residents.

FINANCIAL IMPACT

Approve of this item will not result in the use of Discretionary General Funding (Net County Cost). Contract expenditures are funded by State Medi-Cal, Federal Medicare, private insurance, and other departmental revenue. Funding sources may change in the future pending legislative activity related to the repeal and/or replacement of the Affordable Care Act. Sufficient appropriation and revenue is included in the 2020-21 Arrowhead Regional Medical Center (ARMC) budget and will be included in future budgets for both recommended actions.

Vizient collects an administrative fee from its contractors based on sales volume and provides a share back, or rebate, to its members based on agency spend. Estimated rebates to the County during the extension period are \$1.1 million and will be deposited in the ARMC Miscellaneous Revenue account that is used to subsidize hospital operations.

Annual expenditures for numerous contracts used by ARMC under the Vizient, Inc. Group Purchasing Organization (GPO) are estimated at \$58.0 million. Medline is one of those contracts. Annual expenditures under the Medline Industries, Inc. (Medline) are estimated at \$24.4 million for medical and surgical supplies and \$600,000 for supply distribution through on-site management.

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BACKGROUND INFORMATION

Vizient is the largest group Purchasing Organization (GPO) in the United States and has tremendous negotiating power, effectively managing costs by aggregating the purchasing volume of its members through competitively bid contracts.

The supplies distributed at the hospital and clinics are purchased from Medline through the GPO contract. The majority of the products are competitively bid, and are supplemented with Medline private label products and other proprietary specialty products.

Usage volume at ARMC has increased incrementally over the past several years, resulting in the request for annual spending of \$24.4 million. Additionally, ARMC has established alternative care sites (ACS) as a result of Novel Coronavirus (COVID-19), for low level care for mildly- to moderately-symptomatic patients, for persons under investigation for COVID-19, and/or for non-COVID-19 patients. ACS supplies are also provided by Medline and are included in the cost estimate.

Recommendation No.1 will authorize renewal of the County GPO membership to access various competitively-bid contracts. Under Recommendation No. 2, the action will extend the contract with Medline, a competitively-bid GPO contractor, to continue to provide medical and surgical supplies and on-site personnel to manage the distribution of supplies at ARMC.

Vizient GPO Membership Background

On February 12, 2008 (Item No. 58), Associate Membership Agreement 08-88 was approved by the Board of Supervisors (Board) with University Health System Consortium (UHC) from February 13, 2008 to February 12, 2011, followed by two authorized one-year extensions and an amendment on May 7, 2013 (Item No. 18) extending the term through August 31, 2017. On July 28, 2015 (Item No. 20), the UHC agreement was assigned to the temporary corporation name of VHA-UHC Alliance NewCo, Inc., and on August 23, 2016 (Item No. 18), a formal name change to Vizient, Inc. was acknowledged through the assignment of right, title and interest in common stock of Vizient, Inc. to ARMC Foundation. Two amendments on August 22, 2017 (Item No. 14) and August 20, 2019 (Item No. 45) extended the term of the agreement through August 31, 2020.

Medline Just-In-Time (JIT) Distribution Services Background

On May 7, 2013 (Item No. 18), the Board approved Agreement No. 13-336 with Professional Hospital Supply (PHS) for supply distribution and on-site management services from July 1, 2013 to August 31, 2017. In early 2016, ARMC was notified that Medline acquired 100% ownership of PHS, establishing a new name and tax identification number. On March 22, 2016 (Item No. 19), the contract was amended to assign it to Medline and the Purchasing Agent was authorized to issue Blanket Purchase Order (PO) 167084 for medical and surgical supplies, in the amount of \$12,092,964 from March 22, 2016 through August 31, 2017. It was later amended two more times on August 22, 2017 (Item No. 13) and August 20, 2019 (Item No. 46) to increase the expenditure authority and extend the contract term through August 31, 2020.

The recommended actions extend both contracts for one year, and increase spending authority with Medline. All other terms and conditions of the contract amendments remain the same, and either party may terminate either agreement with a 60-day advance notice.

PROCUREMENT

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A Request for Proposals (RFP) for future GPO membership will be released in September 2020 on behalf of San Bernardino and Riverside Counties, and a RFP for JIT Distribution Services will be released in October 2020.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Suzanne Bryant, Deputy County Counsel, 387-5455) on July 31, 2020; Finance (Joon Cho, Administrative Analyst, 387-5402 and Yael Verduzco, Administrative Analyst, 387-5285) on August 5, 2020; and County Finance and Administration (Kelly Welty, Deputy Executive Officer, 387-4376) on August 6, 2020.

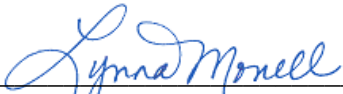
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Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Josie Gonzales Seconded: Robert A. Lovingood
Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: August 25, 2020



cc: Purchasing - Rozko
Contractor - C/O Purchasing w/agree
File - w/agree
CCM 09/8/2020