

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

August 20, 2019

FROM

WILLIAM L. GILBERT, Director, Arrowhead Regional Medical Center

SUBJECT

Amendment to Independent Contractor Agreement with Peter J. Leeson, D.O., Inc.

RECOMMENDATION(S)

Approve Amendment No. 2 to Independent Contract Agreement No. 16-68 with Peter J. Leeson, D.O., Inc., adding additional healthcare consulting services to the scope of work and increasing the total not to exceed amount by \$1,393,388, from \$3,416,714 to \$4,810,102~~042~~, with no change to the contract period of March 1, 2016 to February 28, 2021.

(Presenter: William L. Gilbert, Director, 580-6150)

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

Approval of this Independent Contractor Agreement (agreement) will not result in the use of Discretionary General Funding (Net County Cost) as the cost of \$1,393,388 for these additional healthcare consulting services are funded by State Medi-Cal, Federal Medicare, private insurances, and other departmental revenue. Funding sources may change in the future pending any legislative activity related to the repeal and/or replacement of the Affordable Care Act. Adequate appropriation and revenue is included in the Arrowhead Regional Medical Center's (ARMC) 2019-20 budget and will be included in future recommended budgets.

BACKGROUND INFORMATION

The requested Amendment No. 2 adds healthcare consulting services to the scope of work (Sections 2.19 through 2.32) to increase the assistance needed to improve the Environment of Care and Life Safety plans for Arrowhead Regional Medical Center (ARMC), along with development and implementation of a Strategic Work Plan covering ARMC's physical plant and clinical services.

Changes in public hospital funding mechanisms brought forth through the Affordable Care Act require public hospitals such as ARMC to change to a more market-driven operation. ARMC is currently working to implement its strategic plan that aligns with a changing healthcare market, contributing to operation of the hospital in a fiscally-responsible and business-like manner. In order to accomplish goals and strategic initiatives included in the strategic plan, ARMC has determined the need to procure the services of an individual or group with demonstrated expertise in a variety of healthcare areas. The additional healthcare consulting services includes an Interim Vice President of Quality position, increased hours of on-site work by a nurse consultant and the addition of Environment of Care consulting services, to train and assist staff in maintaining and improving operational procedures to maintain accreditation through The Joint Commission (TJC).

A goal of the strategic plan and the 2020 Waiver is to develop a new care system in which risk is shared between physicians and the hospital. This goal requires ARMC to make changes in the

structure of contracting and current business model to align the physicians and hospital to prepare to assume risk for designated patients. This system must include transparency of business practice to ensure aligned outcomes. Another goal relates to strengthening ARMC's regional and academic partnerships, which may require modification of existing residency programs. Consideration of change to ARMC's residency programs requires a balanced approach of evaluating the need for coverage, financial commitments, and community need.

ARMC must also develop an organizational structure that facilitates development of a provider contracting network. This will enable ARMC to contract with payers in risk-based models, which allows payers to provide a flat monthly rate for hospital and physician services. This risk-based contracting model will form a system wherein community providers, through affiliation, may bring their commercially insured patients to ARMC. This model will also serve to support bundled payment programs currently under development through the Centers for Medicare and Medicaid Services.

ARMC has received accreditation through TJC. TJC accreditation requires maintaining and improving operations throughout the facility and requires many changes in current operational procedures. ARMC also seeks changes in the performance of the medical staff to focus on professional practice evaluation. Areas of focus will include peer review investigations and corrective actions. This step will create a culture of accountability in the practice of medicine at ARMC.

PROCUREMENT

The original procurement of services from Dr. Leeson was non-competitive, as he and his staff have specialized credentials, expertise and training, based on ARMC's specific needs and their unique expertise and skillset. Dr. Leeson offers experience in areas specific to each of the goals and initiatives identified above necessary to meet ARMC's strategic plan, such as his experience as a past faculty member on The Joint Commission (TJC) who taught classes in TJC standards. He also has experience as a consultant to over 125 different healthcare organizations nationwide. Dr. Leeson was also a quality improvement and peer review consultant for the California Medical Association Institute for Medical Quality. County Purchasing confirmed that this service was non-competitive based on specialized credentials, expertise and training, and supports procurement of these services from Dr. Leeson.

On March 1, 2016 (Item No. 13) the Board of Supervisors (Board) approved Agreement No. 16-68 with Peter J. Leeson, D.O., Inc. (Dr. Leeson) for healthcare consulting services in the amount of \$1,640,004 for the period of March 1, 2016 through February 28, 2019.

On July 24, 2018 (Item No. 9) the Board approved Amendment No. 1 to Agreement No. 16-68 with Dr. Leeson adding additional services needed and increasing the not to exceed amount by \$1,776,710 to \$3,416,714 and extending the agreement an additional two years through February 28, 2021.

This Amendment No. 2 is also a non-competitive procurement based on the same justification described above.

Per County Policy No. 11-04, all contracts for services (including POs) in excess of \$200,000 during a single annual period must be approved by the Board of Supervisors. This agreement may be terminated immediately upon mutual consent of both parties, or by either party, with or without cause, upon 30 days advance written notice to the other party.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Scott Runyan, Deputy County Counsel, 387-5455) on July 25, 2019; Purchasing Department (Ricardo Salazar, Supervising Buyer, 386-8305)

on July 19, 2019; Finance (Amanda Trussell, Principal Administrative Analyst, 387-4773) on August 6, 2019; and County Finance and Administration (Katrina Turturro, Deputy Executive Officer, 387-5423) on August 6, 2019.