



# San Bernardino County

## Legislation Text

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**File #: 863, Agenda Item #: 45**

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

**August 20, 2019**

**FROM**

**LAURIE ROZKO, Director, Purchasing Department  
WILLIAM L. GILBERT, Director, Arrowhead Regional Medical Center**

**SUBJECT**

Extend Group Purchasing Organization Membership with Vizient, Inc.

**RECOMMENDATION(S)**

Approve Amendment No. 2 to Agreement 08-88 with Vizient, Inc. to extend the County's Group Purchasing Organization membership for the use of competitively bid contracts at tiered pricing, at no cost for membership, from September 1, 2019 to August 31, 2020.  
(Presenter: Laurie Rozko, 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**

This action will not result in the use of Discretionary General Funding (Net County Cost). Membership is not fee-based, but instead enables the use of competitively bid contracts established by Vizient, Inc. (Vizient). Agency spend determines eligibility for various tiers of pricing.

Annual expenditures on contracts established by Vizient are estimated at \$54 million. 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. Contract expenditures, predominantly by the Arrowhead Regional Medical Center (ARMC), are funded by State Medi-Cal, Federal Medicare, private insurance, and other departmental revenue. Estimated rebates to ARMC 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.

Sufficient appropriation and revenue is included in the 2019-20 ARMC adopted budget and will be included in future recommended budgets. Funding sources may change in the future pending legislative activity related to the repeal and/or replacement of the Affordable Care Act.

**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 contracts. Extending the County's GPO agreement with Vizient will enable ARMC and other County

departments, including Public Health, Behavioral Health, the Sheriff/Coroner/Public Administrator, and Probation to utilize competitively bid nationwide contracts for equipment and supplies. The most purchased equipment and supplies through GPO are medical related products as ARMC is the predominant user for this agreement. Services offered under Vizient contracts are utilized with approval by the Purchasing Agent, when the competitive process meets County procurement standards and is compliant with California law.

On February 12, 2008 (Item No. 58), 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 through February 12, 2013. On May 7, 2013 (Item No. 18), staff recommended continuing membership in UHC, and the Board approved the ongoing membership 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 was acknowledged through the assignment of right, title and interest in common stock of Vizient, Inc. to ARMC Foundation. On August 22, 2017 (Item No. 14), the Board approved Amendment No. 1 to extend the Vizient membership through August 31, 2019.

The recommended action extends the Vizient membership agreement to August 31, 2020. All other terms and conditions of the original agreement remain the same, and either party may terminate this agreement with 60 days written advance notice.

#### **PROCUREMENT**

A Request for Proposal for GPO services will be completed within this fiscal year, and wasn't done previously due to significant changes in the industry and the limited number of GPO's providing these types of services.

#### **REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Suzanne Bryant, Deputy County Counsel, 387-5455) on July 26, 2019; Finance (Joon Cho, Administrative Analyst, 387-5402 and Amanda Trussell, Principal Administrative Analyst, 387-4773) on August 1, 2019; and County Finance and Administration (Kelly Welty, Deputy Executive Officer, 387-4376) on August 1, 2019.