



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Health System



**Date:** August 12, 2013  
**Board Meeting Date:** September 10, 2013  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Jean S. Fraser, Chief, Health System  
Susan Ehrlich, MD, MPP, Chief Executive Officer, San Mateo Medical Center

**Subject:** Amendment to agreement and new agreement with CareFusion Solutions, LLC

**RECOMMENDATION:**

Adopt a Resolution authorizing:

A) An amendment to the agreement with CareFusion Solutions, LLC to support the Pyxis Automated Dispensing System for pharmaceuticals at San Mateo Medical Center, extending the term through February 28, 2014, and increasing the amount by \$100,000 to an amount not to exceed \$1,196,474.35; and

B) An agreement with CareFusion Solutions, LLC to upgrade the existing Pyxis Automated Dispensing System for pharmaceuticals at San Mateo Medical Center for a sixty-month term, to begin upon installation of the new equipment, in an amount not to exceed \$1,150,000.

**BACKGROUND:**

On September 29, 2008, the Purchasing Agent, pursuant to the Group Purchasing Organization (GPO) then in place, entered into a five-year agreement with CareFusion Solutions, LLC (CareFusion) for the purpose of rental and support of a Pyxis Automated Dispensing System (Pyxis System) for pharmaceuticals at San Mateo Medical Center (SMMC). The Pyxis System provides an automated dispensing system for pharmaceuticals throughout SMMC, managed by the SMMC Pharmacy, which allows for decentralized dispensing of medications from secure cabinets. The Pyxis System also utilizes barcode scanning to help ensure accurate medication dispensing, includes features to prevent loading the wrong medication, issues alerts to provide added safety precautions for high risk medications, and helps SMMC Pharmacy audit the amounts of medications in storage. In June 2013, your Board extended the term of the agreement

with CareFusion and increased the funding through August 31, 2013, in order for SMMC to negotiate a new agreement to cover these services.

SMMC, pursuant to its current GPO agreement with MedAssets Supply Chain Systems, LLC (MedAssets), has since negotiated the terms of a new five-year agreement with CareFusion which will include replacement of parts of the current Pyxis System control computers and expansion of equipment, including installation of an additional medication dispensing cabinet in the Emergency Department and another for management of anesthesia in the Operating Room. A Request for Proposals (RFP) was not conducted for the new agreement given that your Board has already waived the RFP process in relation to agreements under the MedAssets GPO (Resolution No. 071231) because MedAssets ensures low costs and competitive pricing by aggregating hospital purchasing power and conducting its own RFPs for service providers.

### **DISCUSSION:**

Because the expanded services under the new agreement will not be ready to implement until after the August 31, 2013 expiration of the current agreement, SMMC and CareFusion have agreed to extend the term of the current agreement by up to six months in order give SMMC flexibility to transition to the new equipment and services once they are ready. The amendment to the current agreement will increase the amount of that agreement by up to \$100,000, allowing use of the Pyxis System without interruption until the new services are available. The new agreement will allow the expanded services to begin once the new equipment is functional, and the five-year term has a flexible start-date to eliminate any potential overlap between the old and new agreements.

Use of the Pyxis System permits SMMC to closely monitor and control the storage and dispensing of prescription medications, helping SMMC reduce diversion of such medications and reducing the potential for medication errors that can put SMMC's patients at risk. In addition, the Pyxis System is integrated into some of SMMC's electronic management systems, thus continuing the relationship with CareFusion will reduce any costs associated with having to switch medication management systems. Finally, the new agreement, despite its expanded services, is less expensive on a monthly basis than the old agreement, thereby leveraging the relationship with CareFusion to benefit SMMC's bottom line.

The amendment, the new agreement, and the Resolution have been reviewed and approved by County Counsel as to form. The Contractor's insurance meets certification requirements. A waiver has been approved for the six-month extension of the current agreement's term and for the five-year term of the new agreement.

SMMC also requests that your Board authorize the Chief of the Health System or designee to execute contract amendments which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate) and/or modify the contract term and/or services within the current or revised fiscal provisions.

This agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by helping SMMC control the storage and dispensing of medications to its patients, thereby reducing the risk of medication errors. It is anticipated that the med-station restocking accuracy will be at 100%.

**PERFORMANCE MEASURE:**

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Med-station Restocking Accuracy	100%	100%

**FISCAL IMPACT:**

The term of the current agreement is June 3, 2008, through February 28, 2014, with a maximum fiscal obligation of \$1,196,474.35. The term of the new agreement is five years, to begin upon installation of the new equipment and no later than March 1, 2014, with a maximum fiscal obligation of \$1,150,000. Funds in the amount of \$291,670 are included in the SMMC FY 2013-14 Recommend Budget, and funds in the amount of \$230,000 will be included in the SMMC FY 2014-15 Recommended Budget.

The payment provisions of the contract are different from the prior contract because of a change in the rate structure and services provided under the new five year agreement. MedAssets has negotiated reducing the monthly rate by approximately 12.5% per month. The old monthly rate is \$20,900 and the new monthly rate is \$18,279.

Expenses at SMMC are covered by fees for services or third-party payors whenever possible. The portion of expenses for services provided to the medically indigent or to those covered by programs that do not meet the full costs of care are covered by the County's General Fund contribution to SMMC, and are within the existing annual appropriation.