

COUNTY OF SAN MATEO

Inter-Departmental Correspondence Health System



Date: February 2, 2016

Board Meeting Date: March 8, 2016

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Louise Rogers, Chief, Health System

Susan Ehrlich, MD, MPP, Chief Executive Officer, San Mateo Medical

Center

Subject: Amendment to the agreement with Caduceus Systems, LLC extending the

software license for the materials management inventory system

RECOMMENDATION:

Adopt a resolution authorizing an amendment to the agreement with Caduceus Systems, LLC, extending the term of the software licensing agreement through November 30, 2018, adding interfaces and training, and increasing the amount by \$185,000 to an amount not to exceed \$868,830.

BACKGROUND:

On February 8, 2011, your Board approved an agreement with Caduceus Systems, LLC (Caduceus) for installation and implementation of a new Materials Management Inventory System (MMIS). On October 4, 2011, the Chief of the Health System approved an amendment increasing the agreement amount by \$24,830.98, to evaluate the feasibility of interfacing Caduceus with the County's accounting system. On March 13, 2012, your Board approved an amendment increasing the amount by \$254,000 to expand the MMIS throughout San Mateo Medical Center (SMMC), including its satellite clinics. On September 6, 2012, SMMC's Chief Executive Officer approved an amendment to clarify the terms of Exhibit C.

DISCUSSION:

The MMIS is a perpetual inventory system, meaning that it updates SMMC's inventory on-hand immediately as each item is used and consumed. This allows SMMC to keep close to what is known in the medical field as "par inventory", an on-site supply of only enough product as is necessary in the short term. SMMC has been using this system successfully throughout its hospital and clinics since 2012, consistent with County "Lean" practices, and has reduced costs by eliminating the expense of maintaining excess inventory.

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If the MMIS is no longer maintained, SMMC will need a replacement inventory system to come online in its place. Changing to a new MMIS system would impose transaction costs to the County in terms of the number of person-hours for implementation, as well as the cost of creating new interfaces between the new inventory system and existing information systems. Thus SMMC recommends that your Board extend the term of the current agreement to November 30, 2018, which will allow SMMC time to consider whether to keep the Caduceus MMIS beyond that date or to conduct a Request for Proposals for a replacement.

In order to accomplish this extension, the existing Caduceus agreement's term and maximum amount are being increased. This amendment also updates Exhibit C for additional interfaces and Information Services Department training and deletes Exhibit F, which is no longer relevant.

The Resolution contains the County's standard provisions allowing amendment of agreement, including increasing the County's fiscal obligations by a maximum of \$25,000 (in aggregate). The Board already granted such authority with the original agreement, and said amendment authority has since been exhausted.

The County's Contract Compliance Committee has approved a waiver request to extend the agreement by an additional three years beyond the current term.

The amendment and resolution have been reviewed and approved by County Counsel as to form.

This amendment contributes to the Shared Vision 2025 outcome of a Healthy Community by continuing to provide SMMC with a software license to maintain its perpetual inventories. It is anticipated that SMMC will maintain stock at inventory par levels 98% of the time.

PERFORMANCE MEASURE:

| Measure | FY 2014-15 Actual | FY 2015-16 Projected |
|--|-------------------|----------------------|
| Maintain stock at inventory par levels | 97.84% | 98% |

FISCAL IMPACT:

The term of the amended agreement is December 1, 2010, through November 30, 2018. The revised amount of the agreement is not to exceed \$868,830.98. Funds in the amount of \$85,000 are included in the SMMC FY 2015-16 Adopted Budget. Similar arrangements will be made for future budget years.

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