



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



**Date:** November 19, 2012  
**Board Meeting Date:** December 11, 2012  
**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:** Agreement with Quest Diagnostics Nichols Institute

**RECOMMENDATION:**

Adopt a Resolution authorizing an agreement with Quest Diagnostics Nichols Institute for laboratory reference testing for San Mateo Medical Center for the term of November 1, 2012 through October 31, 2015, in an amount not to exceed \$2,700,000.

**BACKGROUND:**

San Mateo Medical Center (SMMC) conducted a Request for Proposals (RFP) for Laboratory Specimen Services in March 2012. Quest Diagnostics Nichols Institute (Quest) was chosen to elevate to agreement. SMMC has been contracting with Quest since March 2003 to perform laboratory reference testing.

**DISCUSSION:**

SMMC continues to have a critical need for laboratory reference testing. The volume of certain individual tests does not support having such testing done on-site at SMMC. Quest is a member of the SMMC Group Purchasing Organization (GPO) and ensures competitive pricing by conducting its own RFPs for maximum savings. In addition, Quest has an electronic software interface that reports test results electronically. The agreement has been delayed due to extensive negotiations with the vendor.

County Counsel has reviewed and approved the agreement and Resolution as to form. Contractor meets insurance certification requirements.

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 so long as the modified term or services is/are within the current or revised fiscal provisions.

The County Manager has approved a waiver of Equal Benefits, Non-discrimination and Employee Jury Service requirements for all contracts with GPO members.

This agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by providing SMMC with laboratory reference testing results. It is anticipated that laboratory reference testing results will be returned to the lab for analysis within 48 hours from time of pick up 100% of the time.

**PERFORMANCE MEASURE:**

Measure	FY 2011-12 Actual	FY 2012-13 Projected
Laboratory reference testing results will be returned to the lab for analysis within 48 hours from time of pick-up 100% of the time	100%	100%

**FISCAL IMPACT:**

The term of the agreement is November 1, 2012 to October 31, 2015, in the amount of \$2,700,000. Funds in the amount of \$600,000 are included in the SMMC FY 2012-13 Adopted Budget. Funds in the amount of \$900,000 will be included in the SMMC FY 2013-14 Recommended Budget. Similar arrangements will be made for future years.

The payment provisions of the agreement are different from the prior agreement. Test volumes were reviewed to see which tests could be done more economically on site. In addition, the GPO has negotiated better rates on tests that Quest will continue to perform. The level of service remains the same with 28% annual cost reduction based on the previous agreement.

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.

### Request for Proposals Matrix

1.	General Description of RFP	Laboratory reference testing for San Mateo Medical Center
2.	List key evaluation criteria	1. firm qualification and experience 2. proposed approach 3. customer service 4. claims and violations 5. cost to SMMC for primary services 6. cooperative purchasing and cost of possible additional services. 7. references 8. compliance with County RFP and contractual requirements
3.	Where advertised	San Mateo Medical Center Website
4.	In addition to any advertisement, list others to whom RFP was sent	1. John Muir Health 2. LabCorp 3. Mayo Medical Laboratories 4. Quest Diagnostics
5.	Total number sent to prospective proposers	4
6.	Number of proposals received	1
7.	Who evaluated the proposals	Susan Starnes Robert Lewis Ron Keating Jerrold Michaud
8.	In alphabetical order, names of proposers (or finalists, if applicable) and location	Quest Diagnostics Nichols Institute 33608 Ortega Highway San Juan Capistrano, CA 92675