

**THIRD AMENDMENT TO THE ADMINISTRATIVE AND PROFESSIONAL SERVICES AGREEMENT
ANESTHESIA SERVICES
BETWEEN THE COUNTY OF SANTA CLARA AND
CEP AMERICA-ANESTHESIA, PC**

The Administrative and Professional Services Agreement for Anesthesia Services, effective September 1, 2020, by and between the County of Santa Clara, a political subdivision of the State of California, dba Santa Clara Valley Health and Hospital System (“County”), and **CEP America-Anesthesia, PC** (“Contractor”) for **Anesthesia Services** (“Agreement”), is hereby amended as set forth below effective September 1, 2023 (“THIRD Amendment”).

Background

The Administrative and Professional Services Agreement expires on August 31, 2023. The purpose of this Third Amendment is for the Parties to extend the term of the agreement, increase the maximum financial obligation (MFO) by \$10,176,816 for the one-year term, and remove, revise, and add standard provisions.

Agreement

1. Section 2.1 (Compensation) is hereby deleted in its entirety and replaced with the following:
In consideration of the contracted services provided to County by Contractor, the County shall pay Physician for all undisputed charges in accordance with the compensation schedule described in Exhibits A and A-1. The maximum compensation paid to Contractor pursuant to this Agreement shall not exceed **\$39,123,628** inclusive of expenses as described below. The County will not pay any cost or charge that is not delineated in this Agreement.
2. Section 10.1 (Term) of the Agreement is hereby revised and restated to read:
This Agreement shall commence on September 1, 2020, and continue until, and including, August 31, 2024, subject to termination in accordance with Section 10.2 (Termination of Agreement). Notwithstanding the expiration of the stated term of this Agreement, the County and Contractor may, with mutual written agreement, extend this Agreement beyond the above expiration date for up to six (6) months during the pendency of negotiation of a new contract with Contractor. Should an extension occur the maximum financial obligation (MFO) will be amended as needed.
3. Exhibit A (Description of Contracted Services Medical Director Anesthesia Services). Coverage Hours and Compensation is amended and restated as follows:
 - The medical director hours are separated into two parts: one the Medical Director is a 0.5 FTE (\$249,996) with duties of scheduling, leading, supervising and managing the entire periop services. The second 0.5 FTE is clinical duties which are included in the 13.35 FTE coverage. Both the Medical Director and the Clinical FTEs are part of the Share Risk Collections Guarantee and paid by Contractor.
 - Medical Director services compensation is included in the overall revenue guarantee.
 - Use attached time sheet to submit Medical Director’s hours each month. County reserves the right to make changes to the invoice documents/process.
 - The parties recognize that there may be significant shifts in patient volume and hospital programs due to the transition of services to the County system. The parties agree to reevaluate the need for proper Medical Director coverage at regular intervals, not more frequent than quarterly.
4. Attachment to Exhibit A (Medical Director Time Sheet Form Anesthesia Services) is hereby deleted in its entirety and replaced with the Attachment to **Exhibit A** (Medical Director Time Sheet Form Anesthesia Services) hereto attached and incorporated by this reference.
5. Exhibit A-1 (Contracted Services Anesthesia Professional Services) is hereby amended as follows:

Section 1. Professional services is amended as follows:

(c) Provide 13.35 FTEs Coverage which includes Cardiac Anesthesia, see Schedule as set forth in Exhibit G.

(d) Provide room coverage of six (6) Anesthetizing Locations and one (1) Obstetrics coverage and expanding evening hours as needed. In addition will provide best efforts to work with needed request for anesthesia services.

(m) Delete.

Coverage Parameters is amended to add the following:

- Co-Marketing Plan: Parties will develop a plan for recruitment of elective cases from the community to O'Connor Hospital (OCH).

Teamwork/Partnership: Now that the Parties are well into the fourth (4th) year of integration, they are agreeing to develop a stronger partnership between the Valley Medical Center (VMC) employed anesthesiology group and the Vituity anesthesiology group. In order to foster this partnership, it is anticipated that the OCH and VMC anesthesiologists will obtain secondary site privileges at VMC and OCH respectively.

- Continued Negotiations: During the transitional period of the contract, the County agrees to work with Vituity CEP America-Anesthesia in good faith to review operational aspects, such as St. Louise Regional Hospital back up call, and the sharing of the locums differential costs and to draft any appropriate amendments that may be needed.
- Shared Risk Collections Guarantee: Billing is the responsibility of Vituity with revenue collections as part of the shared risk revenue collections guarantee. The collections will be reviewed quarterly with Vituity and OCH Business Administration.

Coverage Hours and Compensation is amended to add the following:

The anesthesiologists' compensation rate is as follows:

- \$600,000 general anesthesia for 11.16 FTEs plus 25% administrative/overhead cost.
- \$750,000 cardiac anesthesia for 2.19 FTEs plus 25% administrative/overhead cost.

Revenue Collection Guarantee is amended and restated as follows:

Revenue Collection Guarantee: The compensation for this contract is a revenue collection guarantee based upon: coverage provided. For the baseline 13.35 FTE coverage outlined in Exhibit A-1, section 1 (Professional Services) the annual revenue guarantee is \$10,176,816 (Annual Revenue Guarantee) or \$848,068 monthly (Monthly Guarantee). An additional \$100,000 may be added to the total revenue collection guarantee based on quality performance under the contract, as specified below.

The County's maximum financial payment to group will not exceed \$10,176.816 annually.

The County shall pay the difference between the groups' monthly actual revenue collections ("Actual Collections," defined further below) and the monthly guarantee of \$848,068 plus any fee adjustments ("Monthly Guarantee") to the extent the monthly Actual Collections is less than the Monthly Guarantee. The Contractor will submit the Exhibit H Reporting Form within 14 days of the end of the prior month, documenting its Actual Collections posted for the prior month and the request for payment, as the difference between the Monthly Guarantee and the Actual Collections, to the extent that the Actual Collections is less than the Monthly Guarantee. The County reserves the right to make changes to the required documentation and process for the Revenue Collection Guarantee.

(Attachment to Exhibit A)

**MEDICAL DIRECTOR TIME SHEET FORM
ANESTHESIA SERVICES**

Administrative Services

The following services were provided by _____ M.D. ("**Physician**") on behalf of **CEP America-Anesthesia, PC**, during the month of _____ 20____ (date and year). *Use as many sheets as necessary.*

| | Services Provided (please list specific activity performed) | Date | Hours |
|----|--|-------------|--------------|
| 1. | Medical Staff CME Activities | | |
| | _____ | _____ | _____ |
| 2. | Hospital Staff Education & Training | | |
| | _____ | _____ | _____ |
| 3. | Clinical Supervision | | |
| | _____ | _____ | _____ |
| 4. | Quality Improvement Activities (committees, case review, etc.) | | |
| | _____ | _____ | _____ |
| 5. | Administration Activities | | |
| | _____ | _____ | _____ |
| 6. | Community Education | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| 7. | Medical Management Activities | | |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |

8. Compliance Activities

9. Other

I certify to the best of my knowledge that the activities described above are directly related to the administrative services agreement that I have with the hospital and that I have not billed the Medicare program separately for any of the duties and responsibilities described above. Email completed form to:

OCHPyhsicianInv@hhs.sccgov.org.

Please enter **Medical Director Timesheet** in the email subject line.

CEP America-Anesthesia, PC
2100 Powell Street, Suite 900
Emeryville, California 94608

DO NOT PAY -For information purposes only.

Compensation: Included in overall revenue guarantee.
Effective 09/01/2023 through 08/31/2024

By: _____
(Physician Signature)

Total Hours _____

Approved by:
Hospital Representative _____

Date: _____

Approved Hospital Executive: _____

EXHIBIT H

**REPORT SHOWING PRACTICE'S ACTUAL COLLECTIONS
AND FEE ADJUSTMENTS FOR THE PRIOR MONTH
CEP America-Anesthesia – (Vituity)**

O'Connor Hospital Minimum Collection Guarantee Statement

Coverage Shifts for the Month of _____ 20 ____.

Date of Account Summary and Invoice _____

| <u>Month and Date</u> | <u>Billings for Month</u> | <u>Actual Collections</u> |
|---------------------------------|----------------------------------|----------------------------------|
| Month of: _____ Dates: _____ | <u>Total Amount:</u> \$ _____ | <u>Total Amount:</u> \$ _____ |
| <u>Sub-total</u> | \$ _____ | \$ _____ |

Total Collection amount from above dates: \$ _____

The difference between Guaranteed Minimum Collection and Actual Collection (Monthly maximum of \$848,068).

\$848,068 Minus Actual Collections \$ _____ Equals Guarantee \$ _____

1) Locums Differential Fee: TBD

(Contractor will submit separate invoice monthly with details)

2) Performance Guarantee: \$ _____

(Contractor will submit separate invoice quarterly with details)

Subtotals: \$ _____

Monthly Guarantee: \$ _____

Locums Differential: \$ TBD

Performance Metrics \$ _____

Total: \$ _____

Total Amount due to CEP America- Anesthesia, PC \$ _____

Supporting documents attached:

AR Aging

Total AR greater than 90 days

Collection Rate %

Claims Denial rate

Bad Debt % to Net Revenue

I certify to the best of my knowledge that the information on this report is accurate and complete.

Email completed report to: OCHPhysicianInv@hhs.sccgov.org

CEP America-Anesthesia, PC (Vituity)

Compensation: Effective 09/01/2023 -08/31/2024

2100 Powell Street, Suite 400

Emeryville, CA 94608

CEP Authorized Signature: _____ Date: _____

Title: _____

Approved by:

Hospital Representative: _____ Date: _____

**EXHIBIT G
ANESTHESIA COVERAGE SCHEDULE**

Obstetric Coverage. Contractor will provide obstetric anesthesia coverage to be immediately available to the obstetric unit 24 hours per day each day of the year.

Cardiac Coverage. Contractor will provide cardiac anesthesia coverage on call for cardiac cases 24 hours per day each day of the year. This on call coverage shall be available within a time frame consistent with regulatory, medical staff and department policies and procedures.

Call Coverage. Contractor will provide anesthesia coverage on call (“First Call”) 24 hours per day each day of the year. This On Call coverage shall be available within a time frame consistent with regulatory, medical staff and department policies and procedures.

On weekday contractor will provide coverage for a total of six (6) anesthetizing locations including cardiac open-heart cases. These locations include but are not limited to the main operating rooms, MRI, CT, Interventional Radiology, Cath Lab, Endoscopy Lab and any other location where anesthesia services are requested by the hospital. First Call and Cardiac Call are integrated into these six (6) rooms of coverage during the week.

13.35 FTE Coverage Model (total clinical hours -including on site and on call coverage)

24/7 1st Call Coverage – General OR – 8760 hours

24/7 L&D Coverage (on-site and Call) – 8760 hours

24/7 Cardiac Coverage for Open Heart Cases (onsite and Call) – 8760 hours

The daily scheduled on-site Coverage is represented by the following:

Monday through Friday excluding holidays – 6 OR locations.

- Location 1: 7a-7a – 24 hours (covered by First Call)
- Location 2: 7a-11p – 16 hours
- Location 3: 7a-7p – 12 hours
- Location 4: 7a-3p – 8 hours
- Location 5: 7a-3p – 8 hours
- Location 6: 7a-3p – 8 hours (This location can contain either CV or non-CV cases. Location to be covered 24 hours by Cardiac Call physician)

- 24/7 OB Coverage (L&D)

Weekends and Holidays:

- 24-hour 1st Call Coverage – General OR or Hospital Venues requiring Anesthesia service
- 24-hour L&D Coverage
- 24-hour Cardiac Coverage for Open Heart Cases or Functional Heart Cases only.

Group will make reasonable efforts to accommodate concurrent Emergent case scheduling during nights, weekends, and holidays. Emergent cases are defined as cases where delay for up to four (4) hours would lead to significant morbidity or mortality. This is not a guarantee of concurrent coverage.

Hours of coverage may be reallocated upon mutual agreement by Contractor and Hospital.



Physician Fair Market Valuation

Name of Contractor:
CEP America-Anesthesia

Specialty:
Anesthesia

Contract Effective Date:
09/01/2023

Hospital: O'Connor

Cost Center: 8474

Contract Type:

- New Contract
 Renewal
 Amendment

If Amendment, purpose:

- Change in status (hours worked, FTE, etc.)
 Change in compensation
 Change in specialty
 Other: To renew the original contract

Expected Work Effort in FTE:

0.00 Clinical FTE
0.00 Administrative FTE
0.00 Research FTE

0.00 Total FTE

Services Provided:

- Professional Services
 Medical Directorship
 On-Call Coverage
 Other (explain):

Expected Work Effort in Other Units (Call Coverage for 24-hour time period, or for activation)

Physician Compensation: This is a maximum annual revenue collection guarantee agreement. Overall revenue guarantee reconciled against collections is \$10,176,816. The total includes: \$100,000 Quality Metric Withhold. Total revenue guaranteed monthly for 13.25 FTEs: \$848,068 which includes Cardiac and General Anesthesia. Total: \$10,176,816

FMV Documentation:

See attached Gaswork's FMV; MD Ranger's FMV.

Explain basis for compensation, given market conditions and business need.

See attached Gasworks FMV, the compensation ranges from \$580,000-\$700,000 per year. MD Ranger Anesthesia-Comprehensive, Per Physician Per Day compensation ranges from \$1,870 to \$2,910 which is in the 75%-90% range. Anesthesiology National Market Data 2023, West Market Data 2023, Clinical Compensation without Call Coverage is between the 75%- 90% range. OCH compensation includes call coverage plus 25% administrative costs/overhead

Business Need: To provide anesthesia for continually growing OR surgery. Salaries are based on 2600 hours per year. Recruitment for anesthesiologists continues to be challenging in our market.

I confirm the foregoing FMV data has been considered in determining the rate of compensation for these contracted services and that the services have been determined to be reasonable and necessary for the legitimate business purpose of the arrangement

DocuSigned by:

Phuong H Nguyen MD

8/11/2023

DocuSigned by:

Pat Wolfram

8/10/2023

Phuong Nguyen, MD
Chief Medical Officer

Date

Pat Wolfram
Business Development Executive

Date

Anesthesiologist Compensation Comparison Market Research

- 1) <https://www.gaswork.com/post/390781>
 - a. Los Banos
 - b. \$619,700
 - c. 17 weeks of vacation
- 2) <https://www.gaswork.com/post/391123>
 - a. Santa Cruz
 - b. \$500k-\$700k
 - c. 8 weeks of vacation
- 3) <https://www.gaswork.com/post/384727>
 - a. San Jose
 - b. \$630k
 - c. 16 weeks of vacation
- 4) <https://www.gaswork.com/post/388087>
 - a. Walnut Creek
 - b. \$610k general, \$720k cardiac
 - c. 8 weeks of vacation
- 5) G2 Position (offered to one of our current partners)
 - a. San Jose
 - b. \$650k-\$700k
 - c. 6 weeks off
- 6) ValleyCare (offered to one of our current partners)
 - a. Bay Area
 - b. \$580k
 - c. 9 weeks of vacation

Per Physician Per Day

Percent Paying: 57% (All Facility Types)

| Characteristic | Providers | Facilities | Mean | 25% | 50 % | 75% | 90% |
|--------------------------------|-----------|------------|---------|-------|---------|---------|---------|
| All Acute Hospitals | 9 | 16 | \$1,360 | \$690 | \$810 | \$1,570 | \$2,840 |
| Trauma Designation | | | | | | | |
| Non-Trauma | 8 | 13 | \$1,310 | \$630 | \$820 | \$1,510 | \$2,460 |
| General Acute Care Beds | | | | | | | |
| 100 up to 300 | 6 | 6 | \$1,240 | \$600 | \$810 | \$1,220 | \$2,170 |
| Urban vs Non-Urban | | | | | | | |
| Urban | 9 | 15 | \$1,250 | \$660 | \$810 | \$1,490 | \$2,530 |
| General Acute ADC | | | | | | | |
| 75 up to 150 | 5 | 5 | \$1,330 | \$570 | \$740 | \$1,420 | \$2,310 |
| Teaching Hospital | | | | | | | |
| No | 7 | 14 | \$1,460 | \$640 | \$1,020 | \$1,810 | \$2,880 |
| Region | | | | | | | |
| California: All | 8 | 13 | \$1,460 | \$630 | \$790 | \$1,870 | \$2,910 |
| Western | 8 | 15 | \$1,410 | \$660 | \$800 | \$1,620 | \$2,860 |

Total Annual Payments

| Characteristic | Providers | Facilities | Mean | 25% | 50 % | 75% | 90% |
|---------------------------------|-----------|------------|-------------|-------------|-------------|-------------|-------------|
| All Acute Hospitals | 38 | 94 | \$2,276,720 | \$613,260 | \$1,386,500 | \$2,937,000 | \$4,751,830 |
| Trauma Designation | | | | | | | |
| Trauma | 18 | 28 | \$3,053,760 | \$877,690 | \$2,342,130 | \$3,891,000 | \$7,128,230 |
| Non-Trauma | 26 | 66 | \$1,972,810 | \$521,130 | \$1,235,050 | \$2,656,510 | \$4,656,300 |
| General Acute Care Beds | | | | | | | |
| Under 100 | 5 | 18 | \$1,202,370 | \$406,000 | \$909,600 | \$1,639,260 | \$2,262,480 |
| 100 up to 300 | 19 | 42 | \$2,089,370 | \$533,440 | \$1,243,310 | \$2,657,820 | \$4,640,390 |
| 300 and Over | 23 | 34 | \$3,141,330 | \$907,790 | \$2,474,700 | \$4,043,000 | \$6,948,970 |
| Urban vs Non-Urban | | | | | | | |
| Urban | 35 | 84 | \$2,441,560 | \$776,630 | \$1,520,280 | \$3,083,130 | \$5,185,080 |
| Non-Urban | 5 | 10 | \$852,750 | \$122,430 | \$712,990 | \$1,020,880 | \$1,768,510 |
| General Acute ADC | | | | | | | |
| Under 75 | 13 | 31 | \$1,286,020 | \$429,690 | \$971,460 | \$1,779,670 | \$2,773,740 |
| 75 up to 150 | 14 | 24 | \$2,164,200 | \$381,110 | \$1,462,200 | \$2,984,570 | \$4,729,440 |
| 150 and Over | 22 | 39 | \$3,146,300 | \$1,038,060 | \$2,088,020 | \$3,794,710 | \$7,944,260 |
| Teaching Hospital | | | | | | | |
| Yes | 15 | 24 | \$2,961,810 | \$519,740 | \$2,204,230 | \$4,395,780 | \$6,973,810 |
| No | 27 | 70 | \$2,044,800 | \$655,020 | \$1,251,930 | \$2,540,770 | \$3,867,370 |
| 24-Hour On-Site Presence | | | | | | | |
| Required | 10 | 23 | \$1,707,230 | \$611,070 | \$1,032,150 | \$2,457,000 | \$4,293,550 |
| Region | | | | | | | |
| Western | 34 | 88 | \$2,355,050 | \$584,700 | \$1,477,300 | \$3,025,390 | \$4,873,460 |

Total Annual Payments (Excluding Medical Direction)

| Characteristic | Providers | Facilities | Mean | 25% | 50 % | 75% | 90% |
|---------------------------------|-----------|------------|-------------|-------------|-------------|-------------|-------------|
| All Acute Hospitals | 34 | 86 | \$2,404,850 | \$853,160 | \$1,510,980 | \$3,011,670 | \$4,974,820 |
| Trauma Designation | | | | | | | |
| Trauma | 17 | 26 | \$3,090,320 | \$1,044,750 | \$2,194,040 | \$4,020,480 | \$7,271,620 |
| Non-Trauma | 23 | 60 | \$2,126,320 | \$647,440 | \$1,400,000 | \$2,761,290 | \$4,512,180 |
| General Acute Care Beds | | | | | | | |
| Under 100 | 5 | 18 | \$1,192,170 | \$388,000 | \$909,600 | \$1,630,540 | \$2,452,610 |
| 100 up to 300 | 16 | 36 | \$2,363,310 | \$897,050 | \$1,478,490 | \$2,761,290 | \$5,166,000 |
| 300 and Over | 22 | 32 | \$3,172,800 | \$1,004,000 | \$2,454,410 | \$4,212,310 | \$6,956,680 |
| Urban vs Non-Urban | | | | | | | |
| Urban | 32 | 77 | \$2,571,950 | \$968,680 | \$1,567,430 | \$3,175,430 | \$6,270,710 |
| General Acute ADC | | | | | | | |
| Under 75 | 12 | 30 | \$1,316,370 | \$429,170 | \$1,051,930 | \$1,812,250 | \$2,809,350 |
| 75 up to 150 | 13 | 21 | \$2,400,650 | \$611,980 | \$1,727,010 | \$3,453,830 | \$4,675,190 |
| 150 and Over | 20 | 35 | \$3,362,730 | \$1,112,500 | \$2,240,950 | \$4,265,000 | \$8,311,990 |
| Teaching Hospital | | | | | | | |
| Yes | 14 | 22 | \$3,052,250 | \$673,570 | \$1,763,190 | \$4,445,410 | \$6,947,260 |
| No | 24 | 64 | \$2,182,050 | \$877,000 | \$1,348,160 | \$2,702,590 | \$4,116,600 |
| 24-Hour On-Site Presence | | | | | | | |
| Required | 10 | 23 | \$1,707,230 | \$611,070 | \$1,032,150 | \$2,457,000 | \$4,293,550 |
| Region | | | | | | | |
| Western | 30 | 80 | \$2,506,640 | \$831,430 | \$1,594,430 | \$3,041,220 | \$5,664,330 |

Total Annual Payments excl Medical Direction Divided by 365

| Characteristic | Providers | Facilities | Mean | 25% | 50 % | 75% | 90% |
|---------------------------------|-----------|------------|---------|---------|---------|----------|----------|
| All Acute Hospitals | 34 | 86 | \$6,590 | \$2,340 | \$4,140 | \$8,250 | \$13,630 |
| Trauma Designation | | | | | | | |
| Trauma | 17 | 26 | \$8,470 | \$2,860 | \$6,010 | \$11,020 | \$19,920 |
| Non-Trauma | 23 | 60 | \$5,830 | \$1,770 | \$3,840 | \$7,570 | \$12,360 |
| General Acute Care Beds | | | | | | | |
| Under 100 | 5 | 18 | \$3,270 | \$1,060 | \$2,490 | \$4,470 | \$6,720 |
| 100 up to 300 | 16 | 36 | \$6,470 | \$2,460 | \$4,050 | \$7,570 | \$14,150 |
| 300 and Over | 22 | 32 | \$8,690 | \$2,750 | \$6,720 | \$11,540 | \$19,060 |
| Urban vs Non-Urban | | | | | | | |
| Urban | 32 | 77 | \$7,050 | \$2,650 | \$4,290 | \$8,700 | \$17,180 |
| General Acute ADC | | | | | | | |
| Under 75 | 12 | 30 | \$3,610 | \$1,180 | \$2,880 | \$4,970 | \$7,700 |
| 75 up to 150 | 13 | 21 | \$6,580 | \$1,680 | \$4,730 | \$9,460 | \$12,810 |
| 150 and Over | 20 | 35 | \$9,210 | \$3,050 | \$6,140 | \$11,680 | \$22,770 |
| Teaching Hospital | | | | | | | |
| Yes | 14 | 22 | \$8,360 | \$1,850 | \$4,830 | \$12,180 | \$19,030 |
| No | 24 | 64 | \$5,980 | \$2,400 | \$3,690 | \$7,400 | \$11,280 |
| 24-Hour On-Site Presence | | | | | | | |
| Required | 10 | 23 | \$4,680 | \$1,670 | \$2,830 | \$6,730 | \$11,760 |
| Region | | | | | | | |
| Western | 30 | 80 | \$6,870 | \$2,280 | \$4,370 | \$8,330 | \$15,520 |

National Market Data 2023

| Benchmark | Practices | Physicians | Mean | 25% | 50% | 75% | 90% |
|---|-----------|------------|-----------|-----------|-----------|-----------|-----------|
| All Physicians | | | | | | | |
| Total Compensation | 64 | 3034 | \$446,090 | \$380,000 | \$433,030 | \$500,000 | \$576,360 |
| Base Compensation | 41 | 1548 | \$334,710 | \$287,000 | \$334,740 | \$385,050 | \$453,370 |
| Clinical Compensation | 62 | 2927 | \$448,460 | \$379,970 | \$429,750 | \$498,570 | \$582,470 |
| Total ASA Units | 10 | 383 | 11,010 | 5,740 | 10,780 | 16,020 | 19,490 |
| Net Professional Collections | 7 | 346 | \$419,130 | \$257,460 | \$382,610 | \$558,300 | \$726,030 |
| Clinical Compensation as a Percentage of Net Professional Collections | 7 | 346 | 150% | 70% | 120% | 190% | 300% |
| Clinical Quality Compensation | 14 | 212 | \$23,490 | \$19,010 | \$19,010 | \$27,490 | \$34,360 |
| Clinical Compensation without Call Coverage | 62 | 2927 | \$443,120 | \$375,000 | \$425,000 | \$491,790 | \$579,840 |
| Academic Physicians | | | | | | | |
| Total Compensation | 39 | 1789 | \$441,130 | \$366,780 | \$431,740 | \$507,410 | \$580,260 |
| Base Compensation | 28 | 1283 | \$318,400 | \$284,510 | \$325,780 | \$371,730 | \$419,210 |
| Clinical Compensation | 37 | 1683 | \$447,430 | \$369,960 | \$432,270 | \$507,520 | \$585,790 |
| Total ASA Units | 10 | 383 | 1,101,650 | 574,410 | 1,078,400 | 1,602,300 | 1,949,220 |
| Net Professional Collections | 6 | 299 | \$380,250 | \$244,190 | \$348,380 | \$487,750 | \$638,530 |
| Clinical Compensation as a Percentage of Net Professional Collections | 6 | 299 | 0% | 0% | 0% | 0% | 0% |

| | | | | | | | |
|---|----|------|-----------|-----------|-----------|-----------|-----------|
| Clinical Compensation without Call Coverage | 37 | 1683 | \$440,680 | \$359,890 | \$425,000 | \$503,120 | \$585,370 |
|---|----|------|-----------|-----------|-----------|-----------|-----------|

| Benchmark | Practices | Physicians | Mean | 25% | 50% | 75% | 90% |
|-----------|-----------|------------|------|-----|-----|-----|-----|
|-----------|-----------|------------|------|-----|-----|-----|-----|

All Physicians

| | | | | | | | |
|---|----|------|-----------|-----------|-----------|-----------|-----------|
| Total Compensation | 64 | 3034 | \$446,090 | \$380,000 | \$433,030 | \$500,000 | \$576,360 |
| Base Compensation | 41 | 1548 | \$334,710 | \$287,000 | \$334,740 | \$385,050 | \$453,370 |
| Clinical Compensation | 62 | 2927 | \$448,460 | \$379,970 | \$429,750 | \$498,570 | \$582,470 |
| Total ASA Units | 10 | 383 | 11,010 | 5,740 | 10,780 | 16,020 | 19,490 |
| Net Professional Collections | 7 | 346 | \$419,130 | \$257,460 | \$382,610 | \$558,300 | \$726,030 |
| Clinical Compensation as a Percentage of Net Professional Collections | 7 | 346 | 150% | 70% | 120% | 190% | 300% |
| Clinical Quality Compensation | 14 | 212 | \$23,490 | \$19,010 | \$19,010 | \$27,490 | \$34,360 |
| Clinical Compensation without Call Coverage | 62 | 2927 | \$443,120 | \$375,000 | \$425,000 | \$491,790 | \$579,840 |

Academic Physicians

| | | | | | | | |
|---|----|------|-----------|-----------|-----------|-----------|-----------|
| Total Compensation | 39 | 1789 | \$441,130 | \$366,780 | \$431,740 | \$507,410 | \$580,260 |
| Base Compensation | 28 | 1283 | \$318,400 | \$284,510 | \$325,780 | \$371,730 | \$419,210 |
| Clinical Compensation | 37 | 1683 | \$447,430 | \$369,960 | \$432,270 | \$507,520 | \$585,790 |
| Total ASA Units | 10 | 383 | 1,101,650 | 574,410 | 1,078,400 | 1,602,300 | 1,949,220 |
| Net Professional Collections | 6 | 299 | \$380,250 | \$244,190 | \$348,380 | \$487,750 | \$638,530 |
| Clinical Compensation as a Percentage of Net Professional Collections | 6 | 299 | 0% | 0% | 0% | 0% | 0% |

| | | | | | | | |
|---|----|------|-----------|-----------|-----------|-----------|-----------|
| Clinical Compensation without Call Coverage | 37 | 1683 | \$440,680 | \$359,890 | \$425,000 | \$503,120 | \$585,370 |
|---|----|------|-----------|-----------|-----------|-----------|-----------|

West Market Data 2023

| Benchmark | Practices | Physicians | Mean | 25% | 50% | 75% | 90% |
|---|-----------|------------|-----------|-----------|-----------|-----------|-----------|
| All Physicians | | | | | | | |
| Total Compensation | 18 | 735 | \$476,360 | \$407,960 | \$472,620 | \$538,480 | \$624,980 |
| Base Compensation | 10 | 526 | \$341,040 | \$293,000 | \$341,300 | \$399,640 | \$453,370 |
| Clinical Compensation | 18 | 681 | \$496,000 | \$412,180 | \$475,230 | \$550,250 | \$674,780 |
| Clinical Compensation without Call Coverage | 18 | 681 | \$492,090 | \$408,080 | \$467,240 | \$543,730 | \$674,780 |



JUSTIFICATION FOR EXCEPTIONS TO COMPETITIVE PROCUREMENT

Form ID: HHS-Sin-July 27, 2022

It is the policy of the Board that the County conduct an open, fair and full competitive solicitation process for the procurement of goods and/or services, with exemptions for certain goods, services and classes of procurement, and case-by-case exceptions, subject to a detailed review and approval process. The residents of Santa Clara County are best served when sound business decisions are made through a full and open competitive bidding processes. There may be certain instances when exceptions are warranted and justifiable. When a County agency/department recommends that competitive bidding is not practicable or in the best interest of the tax payers, appropriate justification supporting an exception must be submitted to the Procurement Department. Should you have any questions, please do not hesitate to contact: Theresa Therilus, Interim Director of Procurement at (408) 491-7401.

| | |
|---------------------------------|---|
| Date of Submission: | 07/27/2022 |
| Submit Document via Requisition | Refer to the Contact and Commodity Assignment List for buyer code guidance. |

SECTION I

| | | | | | |
|-------------------------------------|--|------------------------------|----------------|-----------|------------|
| Proposed Contractor/ Consultant: | CEP America-Anesthesia, PC (Vituity) | | | | |
| Total Estimated Value of the Award: | \$ 10,176,816.00 | Start Date: | 09/01/2022 | End Date: | 08/31/2023 |
| Description of Good/Service: | Anesthesia Services for surgical patients at O'Connor Hospital | | | | |
| User Budget Unit - Agency/Dept: | 0921 - Valley Medical Center | Agency/Dept Abbreviation: | HHS | | |
| Name of Requestor: | Pat Wolfram, Business Development Executive | Phone #: | (408) 947-2906 | | |

SECTION II

Mark appropriate box for Contract's Signature Authority

| | |
|----------------------------------|--|
| <input checked="" type="radio"/> | Board of Supervisors |
| <input type="radio"/> | Delegated to Department Head or designee |
| <input type="radio"/> | Director of Procurement |

SECTION III

Pursuant to Board Policy 5.6.5.1 (D)(2), the following are **EXCEPTIONS** to competitive bidding. Select the appropriate exception. *Agencies/ Departments requesting an Exception must provide documentation to establish there is only one source or it is otherwise in the County's best interest to waive the required bidding procedures.*

| | |
|----------------------------------|--|
| <input type="radio"/> | Sole Source: Pursuant to Board Policy 5.6.5.1 (D)(2)(a)(i) a Sole Source Procurement is a sourcing method used to procure a service without competition when it has been determined that there is only one source for the required service that is capable of meeting the requirements of the acquisition as defined in the Scope of Work or specification. |
| <input checked="" type="radio"/> | Single Source: Pursuant to Board Policy 5.6.5.1 (D)(2)(a)(ii) a Single Source Procurement is a sourcing method used to procure a service from one source, without soliciting competition, even though there are other vendors that can provide the service as defined in the scope of work or specification. |

JUSTIFICATION FOR EXCEPTIONS TO COMPETITIVE PROCUREMENT

SECTION III (cont.)



Patent Rights: Pursuant to Board Policy 5.6.5.1(D)(2)(b), competition is precluded because of the existence of patent rights, copyrights, secret processes, control of the basic raw material(s) or similar circumstances, and there is no equivalent item or service.



Absolute Compatibility: Pursuant to Board Policy 5.6.5.1(D)(2)(c), the following are Exceptions to Competitive Procurement for Goods/Professional Services. Select the appropriate exception:

(i) Replacement parts or components for equipment – performs the same function in the equipment.

(ii) Replacement parts or components for equipment – prevent compromise of safety or reliability of product or void or invalidate manufacturer’s warranty or guarantee.

(iii) Upgrades, enhancement or additions to hardware or software - compatibility

SECTION IV

PURPOSE OF THE PURCHASE - Please describe the minimum requirements and the benefits of making the acquisition.

The purpose of Amendment #2 to the CEP America-Anesthesia agreement is to extend the term for an additional year. CEP America-Anesthesia, PC (Vituity) is the current contractor for Anesthesia services at O'Connor Hospital. They provide anesthesia services to the Hospital's surgical department (general and cardiac) as well as the Obstetrics (OB) services and have provided these anesthesia services for the past six (6) years. Vituity is currently the vendor of choice for single source anesthesia services at O'Connor and we are requesting that this contractor continue as the anesthesia provider. This agreement is based on a revenue guarantee (Vituity's revenue collections minus monthly revenue guarantee).

JUSTIFICATION FOR EXCEPTIONS TO COMPETITIVE PROCUREMENT

SECTION V

MARKET RESEARCH - Please describe your market research and the results thereof. This should include a description of similar sources or products available in the market, if any, and why they are not acceptable.

CEP America-Anesthesia, PC (Vituity) is currently a County agreement which was approved by the Board of Supervisors in 2020. The First Amendment was also approved by the Board of Supervisors in 2021. Vituity has continued to provide anesthesia services. The compensation for the agreement was determined by using the MD Ranger 2021-2022 survey and MGMA 2020 survey for fair market value (FMV) for anesthesia services and included both general and cardiac salaries and wages.

The current agreement, approved by the Board of Supervisors, pays a monthly stipend for administrative services for day to day operations. The agreement is a revenue guarantee since Vituity independently bills for their services to patients. The advantage to the County with this revenue guarantee is that Vituity's revenue collections will be deducted from the maximum financial obligation, lowering the amount the County will have to pay during the term of the agreement.

JUSTIFICATION FOR EXCEPTIONS TO COMPETITIVE PROCUREMENT

SECTION VI

BEST INTEREST OF THE COUNTY – Please provide a detailed description as to why a waiver of formal bidding is in the County’s best interest (e.g. product standardization, compatibility, proprietary access or distributorship and the consequences of not doing so. NOTE: A lack of advance planning, loss of funding, or insufficient time are not an acceptable justification for exceptions.)

CEP America-Anesthesia, PC (Vituity) have been providing anesthesia services to O'Connor Hospital for the past six (6) years. It is an agreement approved by the Board of Supervisors in 2020 and in 2021. The single source agreement permits the Hospital to maintain required anesthesia services while allowing time for the County to determine the direction it would like to go with anesthesia services.

The lack of anesthesia services at O'Connor Hospital could critically impact VMC's Surgical Department, resulting in patients not receiving care in a timely manner. VMC is currently sending patients to O'Connor for surgical services.

SECTION VII

FUTURE PLANS - Please describe the actions the department/agency will take to overcome the present barriers to competition prior to any future purchases of this product or service if this exception is approved.

A Request for Proposal may be conducted in the near future once the County has time to evaluate how to proceed with anesthesia services within the Health System and can perform a thorough Market analysis on service options.



JUSTIFICATION FOR EXCEPTIONS TO COMPETITIVE PROCUREMENT

SECTION VIII

SCOPE OF WORK/SPECIFICATIONS - Please provide all scopes of work or stated specifications. Information will be posted as an Advance Notice of Intent to Waive Competition to the public. Use an attachment for additional pages. SOW must include these elements: Objective (well-defined, quantifiable expected results include any significant deliverables & milestones) and Scope (what the work should or should not include; brief description of services desired; location of work). Do not include contract language, vendor information or pricing.

The CEP America-Anesthesia (Vituity) agreement will provide professional anesthesia services to O'Connor Hospital's surgical and OB patients. This is a revenue guarantee for one year. CEP America-Anesthesia's revenue collections will be deducted from the total maximum financial obligation (MFO). Currently the total revenue guarantee expenditure for the FY 21-22 is \$5,657,132. It is estimated that the total annual contract expenditure will be \$5,600,000. This includes 24/7 anesthesia coverage for cardiac surgery, general surgery, and OB.

- Physicians provide medically necessary Anesthesia Services to Hospital seven (7) days a week, 365 days a year, including weekends and holidays.
- Anesthesia services are provided to emergency department and inpatients as medically necessary regardless of patient's insurance status or ability to pay.
- Physicians are unencumbered by conflicting duties or responsibilities and respond in accordance with the Hospitals' Medical Staff Bylaws, Rules and Regulations and the Departments Policies and Procedures during a Coverage Shift. They are immediately available for emergency and surgical services.
- Physicians provide room coverage for seven Anesthetizing Locations with the option for an eighth room if necessary.
- Physicians (a) participate in Hospital's quality improvement utilization review and risk management programs and serve on such quality improvement utilization review and risk management committees as may be requested by Hospital; (b) participate in on-going quality improvement monitoring activities, such as audits; (c) participate in risk management activities designed to identify, evaluate and reduce risk of patient injury associated with care; and (d) assist utilization review in setting, monitoring and achieving length of stay and ancillary utilization goals.
- Quarterly Quality Objectives: (a) SCIP core measure adherence; (b) Surgeon/Medical staff satisfaction survey; and (c) OR Efficiency

JUSTIFICATION FOR EXCEPTIONS TO COMPETITIVE PROCUREMENT

| SECTION IX | |
|---|--|
| Requesting Agency/Department Contracts Manager: | Print Name: Barbara Mellin, Program Manager II-Physician Contracts |
| | Signature:  7/27/2022 <small>C68EB9AC958048C...</small> |
| | Phone: 408-947-2592 |
| | Email: barbara.mellin@hhs.sccgov.org |
| Requesting Agency/Department Director: | Print Name: Pat Wolfram, Business Development Executive and Physician Relations |
| | Signature:  7/27/2022 <small>844E89BD1A03468...</small> |

| SECTION X | |
|--|--|
| Decision and Required Steps Following Decision (to be completed by OCCM or Procurement) | |
| <input checked="" type="radio"/> Approved | <input checked="" type="radio"/> Attach to Legislative File <input type="radio"/> Attach to Delegation of Authority Coversheet <input type="radio"/> Attach to Service Agreement Checklist <input type="radio"/> Attach to PO/Contract File |
| <input type="radio"/> Approved with Conditions | Comments: |
| <input type="radio"/> Additional Information Required | Comments: |
| <input type="radio"/> Denied with Recommended Action | Comments: |

| SECTION XI | |
|--|-------|
| Office of Countywide Contracting Management/Procurement Department Signature | |
|  7/29/2022 <small>2B882DFCD86B4D2...</small> | Date: |

O'Connor Hospital
Contract Department
Barbara Mellin Barbara.mellin@hhs.sccgov.org
408-947-2592
Program Manager II-Physician Contracts

Update to CEP America-Anesthesia (Vituity) O'Connor Hospital
Single Source Exception to Competitive Procurement

The following is a history of this agreement.

Contractor Name: CEP America Anesthesia (Vituity).

PO Number: 4300019836

Original Agreement: approved via SSJ dated 07/29/2022 and the Board of Supervisors (BOS)

Term: 09/01/20-08/31/21

MFO Amount: \$9,077,796

First Amendment: approved via original Single Source and BOS

Term: 09/01/21-08/31/22

Amount: \$9,692,200

Increased MFO to: \$18,769,996

Second Amendment: approved via original Single Source and BOS

Term: 09/01/2022-08/31/2023

Amount: \$10,176,816

Increased MFO to: \$28,946,812

Third Amendment: approved via original Single Source and BOS

Term: 09/01/2023-08/31/2024

Amount: \$10,176,816

Increased MFO to: \$39,123,628