



24-2122

DATE: February 27, 2024 (Item No. 48)

TO: Board of Supervisors

FROM: Matthew Hada, Director of Procurement

SUBJECT: Pathology Reference Laboratory Testing Services with ARUP Laboratories, Inc.

RECOMMENDED ACTION

Approve First Amendment to Agreement No. 5500002947 with ARUP Laboratories, Inc., relating to providing pathology reference laboratory testing service increasing the maximum contract amount by \$1,000,000 from \$15,000,000 to \$16,000,000, and extending the agreement for an 18-month period through September 18, 2025, that has been reviewed and approved by County Counsel as to form and legality. An exception to Board of Supervisors Policy 5.4.5.4, Length of Term of Contracts, has been approved by the Office of Countywide Contracting Management. (LA-1)

FISCAL IMPLICATIONS

There is no additional fiscal impact to the County General Fund as a result of this action. County of Santa Clara Health System (CSCHS) will utilize funds from its approved budgets for these purchases.

REASONS FOR RECOMMENDATION AND BACKGROUND

CSCHS Laboratory sends over 70,000 tests to outside reference laboratories annually. These tests are not offered at the CSCHS Laboratory due to the high costs associated with implementing these low volume methodologies or because other laboratories have proprietary patents on processes. For these reasons the tests are sent to reference laboratories that typically perform them at lower costs due to economy of scale as they receive specimens from hospitals throughout the region, state, or country. The operational aspect of sending tests to a reference laboratory is an approach used throughout the entire health care industry to contain costs and to provide patients with highly specialized testing required to make a more accurate diagnosis or refine the treatment protocols.

CSCHS currently uses ARUP for pathology reference laboratory testing services. The agreement with ARUP was established as a result of Request for Proposal (RFP) No. RFP-PRO-FY17-0057. The Board of Supervisors approved Agreement No. 5500002947 with ARUP in the amount of \$15,000,000. The agreement commenced on March 19, 2019 and will end on March 18, 2024.

CSCHS and the Procurement Department (Procurement) have been working to issue a new RFP for pathology reference testing services because the agreement with ARUP is reaching the end of its five-year term. Procurement issued the RFP (No. ERFP-PRC-FY24-0249) on February 6, 2024. Additional time is needed to complete the solicitation process, negotiate, and execute a new agreement, and transition to a new contractor as applicable. The recommended amendment will allow CSCHS to continue its essential pathology reference laboratory testing service with no disruption to patient care.

The current ARUP agreement has a not to exceed (NTE) amount of \$15,000,000. As of January 2024, CSCHS has spent approximately \$12,000,000. CSCHS anticipates that it will spend \$4,000,000 over the extended period. Therefore, the proposed amendment to ARUP's agreement would increase the NTE amount to \$16,000,000. Procurement negotiated with ARUP on pricing for the 18-month extension and was able to lower the initial quote from ARUP by approximately \$340,000 for the extended term. The negotiated pricing is significantly lower than the market pricing, such as Vizient Group Purchasing Organization (GPO) pricing as a benchmark.

Pursuant to Board Policy 5.4.5.4, exceptions to the maximum five-year term of contracts must be approved by OCCM. OCCM approved the exemption to allow time for completion of an RFP process, a resulting agreement, and possible vendor transition. Attached to this Legislative File is a copy of OCCM's approval of the exception.

CHILD IMPACT

The recommended action will have no/neutral impact on children and youth.

SENIOR IMPACT

The recommended action will have no/neutral impact on seniors.

SUSTAINABILITY IMPLICATIONS

The recommended action will have no/neutral sustainability implications.

CONSEQUENCES OF NEGATIVE ACTION

County will not have the benefit of pathology reference laboratory services necessary for proper patient treatment and care.

STEPS FOLLOWING APPROVAL

Please notify Taylor Tran and Rachel Su in the Procurement Department upon completion of processing the First Amendment to Agreement No. 5500002947.

ATTACHMENTS:

- 5500002947 ARUP Laboratories Inc. Agreement
- 5500002947 ARUP Laboratories Inc. Amendment One
- 5500002947 ARUP Laboratories Inc. B5Y
- Levine Act Contractor Form - Signed 2.12.24