



**Edwin M. Lee,
Mayor**

**Greg Wagner,
Chief Financial Officer**

MEMORANDUM

January 7, 2015

TO: President Ed Chow and Honorable Members of the Health Commission

THROUGH: Barbara Garcia, Director, Department of Public Health

FROM: Greg Wagner, Chief Financial Officer

RE: **Proposed Changes to Contract Review Criteria**

At the Health Commission Planning session last spring, the Commission asked staff to consider changes to the contracts review and approval process. In response to that request, staff developed a proposal to modify the policies and procedures for contract review. The proposal was discussed and modified at three separate meetings of the Health Commission Finance and Planning Committee in October, December and January. At the January 6 meeting, the committee made final revisions and asked the attached proposal be calendared at the January 20 meeting of the full Health Commission meeting. If approved by the full Commission, the changes would go into effect beginning with the February, 2015 contracts report.

Proposed Health Commission Contracts Review Process

- (1) Current Review Process: A contract requires Health Commission approval if
- a. the total amount of the contract (for the entire term) is over \$50,000; or
 - b. there is a modification of greater than 10 percent from the amount last approved by the Commission; or
 - c. the vendor or services are new to the Department.

(2) Proposed Contract Review

Contracts meeting the following criteria will be included on the monthly Health Commission contract report including an explanation of all changes, with an expectation that each contract would be presented, and/or discussed:

- a) Contracts with an annual amount over \$500,000, not including contingency
 - b) Modifications that cause the annual amount to be \$500,000 or more, not including contingency
 - c) Contracts that require approval by the Board of Supervisors
 - d) Contract renewals with an active Corrective Action Plan, regardless of funding threshold
 - e) Any contract with an initial term over 5.5 years, not including City options for extensions beyond the initial term
 - f) Contracts for a *new* service that have an annual amount of over \$100,000. These contracts will be presented via a Health Commission summary memo, consistent with the current format for new contracts. Contracts for an existing service that have been awarded to a new vendor will be subject to the threshold in (a) above.
 - g) Staff will notify the Commission of any contract over \$100,000 that is awarded to a new vendor due to performance issues or financial inability to deliver services by the prior vendor. This notification will take place before the new contract is awarded.
- (3) There will be a Committee hearing scheduled to revisit and re-evaluate the process after six months of application, and give the Commission the opportunity to make changes.
- (4) Other Contractual Reports that will Continue to Be Brought to Health Commission

In order to ensure that the Commission has sufficient information to exercise oversight and provide policy guidance, in conjunction with the amended contract review procedure we will schedule the following hearings:

- a) An overview of department-wide contract spending by program and function (annual).
- b) A report on outcome and performance metrics in contracts (annual).
- c) A report on contract monitoring findings, including Corrective Action Plans (all new Corrective Action Plans will be brought to Commission when established; annual overview report).

- d) A report on the uses of sole source contracts by category, and Commission review of policies and procedures governing the use of sole source contracts (annual).
- e) Annual report on the usage of contract contingency for those contracts which require submission to the Board of Supervisors (annual).
- f) Bienson Hearings that occur outside the normal annual budget approval process, as these are heard before the Board of Supervisors): Public hearings required to be held when DPH either decreases or eliminates medical services, including contractual funding. (DPH has historically opted to include behavioral health services in this hearing) (heard as needed).
- g) Mental Health Services Act/Prop 63 Funding: The Board of Supervisors passes a resolution in support of each Three-Year Component Plan. Each year, an annual update is submitted to the state. Following the preparation and submission to the State, a presentation is made to the Community and Public Health Committee of the Health Commission. It isn't contract specific, but instead specific to the entire program and its outcomes (annual).
- h) Grants: Accept and Expend approval if funding received outside of annual budget review process and exceeds \$100,000 (as needed). Report on grants received, how we are measuring outcomes/effectiveness, and how we are determining whether programs should continue or sunset at grant expiration).