



**Edwin M. Lee,
Mayor**

**Greg Wagner,
Chief Financial Officer**

MEMORANDUM

November 3, 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: Update to Proposed Changes to Contract Review Criteria

Last January, the Health Commission approved changes to the Contract Review Criteria, effective February, 2015. Please see the original memo below, dated January 7, 2015 which summarizes the changes. At that time, the Department agreed to return to the Health Commission to review the impact of the criteria. The Department has prepared the attached table that indicates, based on the new criteria, which contracts were not reviewed by the Health Commission as a result in the change in policy for the period February 1, 2015 – October 31, 2015, and a second table to indicate those that were reviewed. Please note that all new contracts were reviewed by the Commission during this review period, so new contracts were excluded from this analysis.

During the period reviewed, a total of 94 contracts, representing a value of \$201,646,895 (annually) would have been presented to the Health Commission if the criteria were not changed. However, based on the criteria change, a total of 42 contracts were presented to the Health Commission, valued at \$191,308,442, or 95% of the full value, and a total of 52 contracts were not presented to the Health Commission, valued at \$10,338,453, or five percent of the full value.

This is summarized as follows:

	Annual Contractual Value	% Value	Contracts	% of Contracts
Contracts Presented 2/15-10/15	\$191,308,442	95%	42	45%
Contracts Not Presented 2/15-10/15	\$10,338,453	5%	52	55%
Total	\$201,646,895	100%	94	100%

Based on discussions in Committee meetings prior to the change, a primary goal expressed by the Commissioners was to focus oversight on contracts with a higher dollar value. In doing so, the Commissioners would free up time previously spent reviewing a large number of smaller contracts to address larger financial and operational policy issues. Based on the data in this report, it appears the at the new process has helped achieve that goal, as it has significantly reduced the number of contracts presented during Committee meetings, and focused Commission oversight on contracts representing the vast majority of total contract expenditures.

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).