



Edwin M. Lee,
Mayor


Greg Wagner,
Chief Financial Officer

MEMORANDUM

October 21, 2014

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 – Second Hearing**

At the October 7 Finance and Planning Committee meeting, we discussed a set of proposed changes to the Health Commission's contract review process. Issues discussed during that hearing included:

- A request to understand the change to the number and dollar value of contracts that would be reviewed under the revised procedure.
- A desire to receive information on the "big picture" of contract spending and management to ensure oversight continues with the higher review threshold.
- Questions about whether new contracts or services should be subject to the new higher threshold, and under what circumstances
- A desire to periodically revisit and re-evaluate the new process.

In response to the Committee's discussion, we suggest the following modifications to last month's proposal:

- The Commission will continue to hear contracts above \$100,000 for new services (e.g. a program that is new for the department), but the \$1 million threshold would apply when a new vendor is selected to provide a pre-existing service
- We will calendar an item to discuss how the new process is working, and whether subsequent adjustments are needed in November, 2015.
- We will schedule a hearing once per year to give the Committee a comprehensive overview of the following topics:
 - Overview of all departmental contract spending by program and/or category
 - Contract outcome and performance measures
 - DPH policies for contract monitoring, and data on findings (including Corrective Action Plans)
 - Use of sole source contracts

We will discuss the attached revised proposal and request Committee approval at the December 2 meeting.

Proposal for Monthly Contract Review Changes

- (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 \$1 million, not including contingency
- b) Modifications that cause the annual amount to be \$1 million 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 ~~or with a vendor new to the Department~~ 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.

(3) In November, 2015, there will be a Committee hearing scheduled to revisit and re-evaluate the process, 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:

(3)

- a) An overview of department-wide contract spending by program and function.
- b) A report on outcome and performance metrics in contracts.
- c) A report on contract monitoring findings, including Corrective Action Plans.
- d) A report on the uses of sole source contracts by category.
- a)e) Annual report on the usage of contract contingency for those contracts which require submission to the Board of Supervisors.
- b)f) Bielenson 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.)

e)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.

d)h) _____ New Grants/Gifts: Accept and Expend approval if funding received outside of annual budget review process and exceeds \$100,000.