



Edwin M. Lee,  
Mayor

Greg Wagner,  
Chief Financial Officer

**MEMORANDUM**

December 29, 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 *GW*

RE: **Proposed Changes to Contract Review Criteria – Third Hearing**

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At the October 7 and December 2 Finance and Planning Committee meetings, we discussed a set of proposed changes to the Health Commission's contract review process. A revised version is attached based on the Committee's instruction for a final review at the January 6 meeting. If approved the document will be sent to the full Health Commission for approval on January 20.

### 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.

- (3) In July, 2015, 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/Gifts: 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).