Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

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Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

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June 9, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL TO EXTEND FIVE MEDICAL LABORATORY SERVICES AGREEMENTS (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

## SUBJECT

Request approval to extend five agreements for overflow and specialty laboratory testing and reporting of client specimens to the Department of Health Services (DHS), Department of Public Health (DPH), and Department of Coroner (DOC).

## IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Interim Director of Health Services, or his designee, to execute Amendments to Agreement No. H-212917 with Focus Diagnostics, Inc., No. H-212918 with Laboratory Corporation of America (formerly known as PathNet Esoteric Laboratory Institute), No. H-212919 with Quest Diagnostics, Inc., No. H-212921 with USC Electron Microscopy Laboratory (formerly known as USC Clinical Laboratories), and No. H-703102 with The Regents of the University of California UCLA Pathology Outreach Services to extend the term of each Agreement for six months at their current rates, effective July 1, 2009 through December 31, 2009, for the continued provision of overflow and specialty laboratory testing and reporting of client specimens, at an estimated six month cost of $4,148,036.

2. Delegate authority to the Interim Director of Health Services, or his designee, to extend the contract terms of the Agreements, month-to-month, for a maximum of six months, under the current rates, effective January 1, 2010 through June 30, 2010, at an estimated six month cost of $4,148,035.

## PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS

Approval of the recommended actions will allow the Interim Director of Health Services, or his designee, to sign Amendments with Focus Diagnostics, Inc. (Focus), Laboratory Corporation of America (LabCorp), Quest Diagnostics, Inc. (Quest), USC Electron Microscopy Laboratory (USC), and The Regents of the University of California UCLA Pathology Outreach Services (Regents) substantially similar to Exhibits I through V, to extend the term of each Agreement for six months with up to six month-to-month extensions for the continued provision of overflow and specialty laboratory testing and reporting of client specimens to DHS, DPH, and DOC. The Agreements are slated to expire on June 30, 2009.

The County has contracted for reference medical laboratory services for several years. Although departments have staff to perform these services, the workload fluctuates and exceeds the County's capacity to perform these services. Moreover, the County does not have the capability to perform certain services that are performed by the reference laboratories because it does not possess the technology or the equipment to provide all required medical laboratory services on-site. County facilities depend on these contractors to perform both overflow and specialty laboratory testing and reporting of client specimens. These contracted reference medical laboratories provide as-needed laboratory testing for patients receiving services at County medical facilities, and for the DPH Public Health Laboratory. It is necessary that the DOC maintain access with contracted reference medical laboratory service providers to perform specimen tests that may not be performed by their existing contract with National Medical Services.

Approval of the amendments will afford DHS and DPH (Departments) the opportunity to thoroughly assess and analyze the departments' scope and need for reference laboratory services. In an effort to consolidate and standardize contracted laboratory testing for full operational effectiveness at both DHS and DPH, the Request for Statement of Qualifications (RFSQ), scheduled for release in March of 2009, was temporarily suspended pending the completion of their combined assessments. DHS and DPH are conducting independent assessments to determine utilization of all reference medical laboratory services and the County's capability to perform said services from its own County laboratories. This analysis will also provide data to assist in determining the cost effectiveness of the performance of these services with contractors.

Moreover, DHS has selected and is ready to appoint a new Director of Laboratory Services. The appointment of a new Lab Director at LAC+USC which was vacated due to the retirement of the prior incumbent will provide direction and strategic planning essential to the effective and efficient use of County laboratory services. The new LAC+USC Lab

Director will work closely with the DHS Chief Medical Officer to determine the capabilities and needs of DHS' laboratory services.

**Implementation of Strategic Plan Goals**

The recommended action supports Goal 1 Operational Effectiveness, and Goal 4, Health and Mental Health, of the County's Strategic Plan

**FISCAL IMPACT/FINANCING**

The rates remain the same for each Agreement through the two extension periods. Expenditures under each Agreement may vary depending on each facility's needs.

The estimated cost for the five Agreements for reference medical laboratory services, effective July 1, 2009 through December 31, 2009 is $4,148,036. The estimated cost including the month-to-month extensions, effective January 1, 2010 through June 30, 2010, is $4,148,035. The additional month-to-month extensions bring the final estimated cost to $8,296,071. Funding is included in DHS', DPH's and Coroner's FY 2009-10 Proposed Budgets. Below is a chart detailing the funding amounts for the service providers and the respective health facilities:

| Facility | Focus | LabCorp | Quest | Regents | USC | 12-Month Cost |
|---|---|---|---|---|---|---|
| Harbor-UCLA Medical Center | $775,000 | $165,000 | $1,192,000 | | | $2,132,000 |
| LAC+USC Healthcare Network | $1,008,000 | $240,000 | $2,445,000 | | $4,000 | $3,697,000 |
| Juvenile Court Health Services | | $28,000 | | | | $28,000 |
| High Desert Health System | $1,000 | $74,000 | $350,000 | | | $425,000 |
| Rancho Los Amigos National Rehabilitation Center | $60,071 | $8,000 | $96,000 | | | $164,071 |
| Martin Luther King, Jr. Multi-Service Ambulatory Care Center | $318,000 | $110,000 | $517,000 | | | $945,000 |
| Olive View-UCLA Medical Center | $348,000 | $46,000 | $369,000 | $90,000 | | $853,000 |
| Public Health Laboratory | | | | | | $2,000 |
| Department of Coroner | | | | | | $50,000 |
| | | | | | Estimated Total | $8,296,071 |

## FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On October 18, 2001, your Board approved agreements with five contractors, Focus, PathNet, Quest, USC, and Specialty Laboratories for the provision of reference medical laboratory services for the period of July 1, 2001 through June 30, 2006, in the amount of $3.2 million per FY. On May 28, 2002, your Board approved termination of the agreement with Specialty Laboratories.

On November 1, 2005, your Board approved amendments to extend the terms of the Agreements with Focus, PathNet, Quest, and USC through June 30, 2008, delegated authority to the Director, or his designee, to enter into subsequent amendments to add medical laboratory tests to the scope of each agreement, as may be required, upon review and approval by County Counsel, and add new Board-mandated provisions at an estimated net County cost of $4.6 million per fiscal year.

On December 18, 2007, your Board approved an Agreement with Regents for the provision of highly specialized laboratory testing services on an intermittent basis at OV-UCLA for the period of December 18, 2007 through December 31, 2008. On October 21, 2008, your Board approved an amendment to extend the terms of the Agreement through June 30, 2009.

On May 13, 2008, your Board approved amendments to extend the terms of the agreements with Focus, PathNet, Quest, and USC, on a month-to-month basis, through June 30, 2009, to allow DHS time to complete a solicitation process for these services and obtain successor contracts.

The Request for Statement of Qualifications (RFSQ) scheduled for release in March 2009, has been temporarily suspended while DHS completes its assessment of department-wide utilization of all reference medical laboratory services agreements and the County's capability to perform said services from its own County laboratories.

The overflow and specialty medical laboratory services are provided in accordance with the needs of the Department and under the administrative direction of the DHS facility's Medical Director. Each Agreement includes all Board-mandated standard provisions.

Provisions of the Agreements allow either party to terminate the contract upon 10-calendar days advance notice to the other party.

County Counsel has approved Exhibits I through V as to use and form.

## CONTRACTING PROCESS

Not applicable.

## IMPACT ON CURRENT SERVICES (OR PROJECTS)

Board approval of the recommended amendments will ensure the continued provision of vital medical laboratory services to DHS, DPH, and Coroner.

Respectfully submitted,

John F. Schunhoff, Ph.D.
Interim Director

JFS:pem

Attachments (5)

c: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors
Director, Department of Coroner
Director, Department of Public Health

EXHIBIT I

Contract No. H-212917

**MEDICAL LABORATORY SERVICES AGREEMENT**

**AMENDMENT NO. 3**

THIS AMENDMENT is made and entered into this _____day of _____, 2009,

by and between COUNTY OF LOS ANGELES (hereafter "County"),

and FOCUS DIAGNOSTICS, INC. (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "MEDICAL LABORATORY SERVICES AGREEMENT", dated June 19, 2001, and further identified as County Agreement No. H-212917, and any amendments thereto (all hereafter referred to as "Agreement"); and

WHEREAS, each medical facility listed in the Agreement shall retain professional and administrative responsibility for the services provided to its facility under this Agreement; and

WHEREAS, Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW THEREFORE, the parties hereby agree as follows:

1. This Amendment shall become effective July 1, 2009.

2. Paragraph 1, TERM, first paragraph, is revised as follows:

"1. TERM: The term of this Agreement shall commence on July 1, 2001 through June 30, 2009. The term of this Agreement shall be automatically extended for up to six (6) months through December 31, 2009 with up to six (6) month-to-month extensions through June 30, 2010. During the extended term (July 1, 2009 through June 30, 2010), Contractor shall be compensated

according to the provisions and rate(s) in effect on June 30, 2009. During the extension period, either party may terminate this Agreement by providing written notice to the other party at least ten calendar (10) days prior to the inception of each monthly term. This termination right shall be in addition to the termination and cancellation provisions otherwise set forth in this Agreement."

3. Except for the changes set forth hereinabove, the wording of Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director

FOCUS DIAGNOSTICS, INC.
Contractor

By _____
Signature

_____
Printed Name

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

By_____
Deputy

AmendH212917-3/pem
4/21/09

EXHIBIT II

Contract No. H-212918

**MEDICAL LABORATORY SERVICES AGREEMENT**

**AMENDMENT NO. 6**

THIS AMENDMENT is made and entered into this _____day of _____, 2009,

by and between COUNTY OF LOS ANGELES (hereafter "County"),

and LABORATORY CORPORATION OF AMERICA ("LABCORP") (formerly known as Pathnet Esoteric Laboratory Institute ("PATHNET") (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "MEDICAL LABORATORY SERVICES AGREEMENT", dated June 19, 2001, and further identified as County Agreement No. H-212918, and any amendments thereto (all hereafter referred to as "Agreement"); and

WHEREAS, each medical facility listed in the Agreement shall retain professional and administrative responsibility for the services provided to its facility under this Agreement; and

WHEREAS, Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW THEREFORE, the parties hereby agree as follows:

1. This Amendment shall become effective July 1, 2009.

2. Paragraph 1, TERM, first paragraph, is revised as follows:

"1. TERM: The term of this Agreement shall commence on July 1, 2001 through June 30, 2009. The term of this Agreement shall be automatically extended for up to six (6) months through December 31, 2009 with up to six (6) month-to-month extensions through June 30, 2010. During the extended term

(July 1, 2009 through June 30, 2010), Contractor shall be compensated according to the provisions and rate(s) in effect on June 30, 2009. During the extension period, either party may terminate this Agreement by providing written notice to the other party at least ten calendar (10) days prior to the inception of each monthly term. This termination right shall be in addition to the termination and cancellation provisions otherwise set forth in this Agreement."

3. Except for the changes set forth hereinabove, the wording of Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director

LABORATORY CORPORATION OF AMERICA ("LABCORP")
Contractor

By _____
Signature

_____
Printed Name

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

By_____
Deputy

AmendH212918-6/pem
5/12/09

EXHIBIT III

Contract No. H-212919

**MEDICAL LABORATORY SERVICES AGREEMENT**

**AMENDMENT NO. 3**

THIS AMENDMENT is made and entered into this _____day of _____, 2009,

by and between COUNTY OF LOS ANGELES (hereafter "County"),

and QUEST DIAGNOSTICS, INC. (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "MEDICAL LABORATORY SERVICES AGREEMENT", dated June 19, 2001, and further identified as County Agreement No. H-212919, and any amendments thereto (all hereafter referred to as "Agreement"); and

WHEREAS, each medical facility listed in the Agreement shall retain professional and administrative responsibility for the services provided to its facility under this Agreement; and

WHEREAS, Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW THEREFORE, the parties hereby agree as follows:

1. This Amendment shall become effective July 1, 2009.

2. Paragraph 1, TERM, first paragraph, is revised as follows:

"1. TERM: The term of this Agreement shall commence on July 1, 2001 through June 30, 2009. The term of this Agreement shall be automatically extended for up to six (6) months through December 31, 2009 with up to six (6) month-to-month extensions through June 30, 2010. During the extended term (July 1, 2009 through June 30, 2010), Contractor shall be compensated

according to the provisions and rate(s) in effect on June 30, 2009. During the extension period, either party may terminate this Agreement by providing written notice to the other party at least ten calendar (10) days prior to the inception of each monthly term. This termination right shall be in addition to the termination and cancellation provisions otherwise set forth in this Agreement."

3. Except for the changes set forth hereinabove, the wording of Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director

QUEST DIAGNOSTICS, INC.
Contractor

By _____
Signature

_____
Printed Name

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

By_____
Deputy

AmendH212919-3/pem
5/12/09

EXHIBIT IV

Contract No. H-212921

**MEDICAL LABORATORY SERVICES AGREEMENT**

**AMENDMENT NO. 4**

THIS AMENDMENT is made and entered into this _____day of _____, 2009,

by and between COUNTY OF LOS ANGELES (hereafter "County").

and UNIVERSITY OF SOUTHERN CALIFORNIA ("USC") ELECTRON MICROSCOPY LABORATORY (formerly known as USC Clinical Laboratories) (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "MEDICAL LABORATORY SERVICES AGREEMENT", dated June 19, 2001, and further identified as County Agreement No. H-212921, and any amendments thereto (all hereafter referred to as "Agreement"); and

WHEREAS, each medical facility listed in the Agreement shall retain professional and administrative responsibility for the services provided to its facility under this Agreement; and

WHEREAS, Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW THEREFORE, the parties hereby agree as follows:

1. This Amendment shall become effective July 1, 2009.

2. Paragraph 1, TERM, first paragraph, is revised as follows:

"1. TERM: The term of this Agreement shall commence on July 1, 2001 through June 30, 2009. The term of this Agreement shall be automatically extended for up to six (6) months through December 31, 2009 with up to six (6) month-to-month extensions through June 30, 2010. During the extended term

(July 1, 2009 through June 30, 2010), Contractor shall be compensated according to the provisions and rate(s) in effect on June 30, 2009. During the extension period, either party may terminate this Agreement by providing written notice to the other party at least ten calendar (10) days prior to the inception of each monthly term. This termination right shall be in addition to the termination and cancellation provisions otherwise set forth in this Agreement."

3. Except for the changes set forth hereinabove, the wording of Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director

UNIVERSITY OF SOUTHERN CALIFORNIA ("USC") ELECTRON MICROSCOPY LABORATORY
_____
Contractor

By _____
Signature

_____
Printed Name

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

By_____
Deputy

AmendH212921-4/pem
5/12/09

EXHIBIT V

Contract No. H-703102

**HEMATOLOGY/PATHOLOGY SERVICES AND CONSULTATION AGREEMENT**

**AMENDMENT NO. 2**

THIS AMENDMENT is made and entered into this _____day of _____, 2009,

by and between COUNTY OF LOS ANGELES (hereafter "County"),

and THE REGENTS OF THE UNIVERSITY OF CALIFORNIA (UCLA PATHOLOGY OUTREACH SERVICES) (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "HEMATOLOGY/PATHOLOGY SERVICES AND CONSULTATION AGREEMENT", dated December 18, 2007, and further identified as County Agreement No. H-703102, and any amendments thereto (all hereafter referred to as "Agreement"); and

WHEREAS, Olive View-UCLA Medical Center shall retain professional and administrative responsibility for the services provided to its facility under this Agreement; and

WHEREAS, Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW THEREFORE, the parties hereby agree as follows:

1. This Amendment shall become effective July 1, 2009.

2. Paragraph 1, TERM, first paragraph, is revised as follows:

"1. TERM: The term of this Agreement shall commence on July 1, 2001 through June 30, 2009. The term of this Agreement shall be automatically extended for up to six (6) months through December 31, 2009 with up to six (6) month-to-month extensions through June 30, 2010. During the extended term

(July 1, 2009 through June 30, 2010), Contractor shall be compensated according to the provisions and rate(s) in effect on June 30, 2009. During the extension period, either party may terminate this Agreement by providing written notice to the other party at least ten calendar (10) days prior to the inception of each monthly term. This termination right shall be in addition to the termination and cancellation provisions otherwise set forth in this Agreement."

3. Except for the changes set forth hereinabove, the wording of Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA (UCLA PATHOLOGY OUTREACH SERVICES)
Contractor

By _____
Signature

_____
Printed Name

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

By_____
Deputy

AmendH703102-2/pem
5/18/09