



ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

19 July 3, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Los Angeles County
Board of Supervisors

July 03, 2012

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

Dear Supervisors:

**APPROVAL OF AMENDMENT TO EQUIPMENT MAINTENANCE AND
REPAIR SERVICES AGREEMENT WITH OLYMPUS AMERICA, INC.
(2nd and 5th SUPERVISORIAL DISTRICTS)
(3 VOTES)**

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

Christina Ghaly, M.D.
Deputy Director, Strategic Planning

SUBJECT

Request approval of an amendment to the existing Agreement with Olympus America, Inc. for equipment maintenance and repair services at Department of Health Services facilities.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director, or his designee, to execute Amendment No. 4 to Agreement H-702891 with Olympus America, Inc. (Olympus), effective upon execution, to extend the term of the Agreement for the period of August 1, 2012 through July 31, 2015, for endoscopic medical equipment repair services at Harbor-UCLA Medical Center (H-UCLA MC) and Olive View-UCLA Medical Center (OV-UCLA MC), at the current rates, with annual maximum obligation of \$168,075 and a total three-year cost of \$504,225 through July 31, 2015.
2. Delegate authority to the Director, or his designee, to amend the above-mentioned Agreement to increase the annual total maximum obligation by no more than 40 percent or \$67,230 to add equipment coming off warranty, add Department of Health Services' (DHS) facilities, and address emergency or unanticipated needed equipment maintenance and repair services.

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*To ensure access to high-quality,
patient-centered, cost-effective health
care to Los Angeles County residents
through direct services at DHS facilities
and through collaboration with
community and university partners.*

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the first recommendation will allow the Director, or his designee, to execute an Amendment to the Agreement with Olympus, substantially similar to Exhibit I, for the continued provision of repair services of endoscopic medical equipment that is widely used in patient care diagnosis. Olympus' ureteroscopes provide the most advanced medical visualization technology for total "see and treat" solution. Instead of a separate snap-on camera head with focusing issues and a bulky light source requiring adjustment, the newest Olympus ureteroscopes employ a video sensor and built-in LEDs for illumination that deliver superior color, contrast and resolution to enterologists for the diagnosis and treatment of the upper urinary tract and kidney.

Olympus is the Original Equipment Manufacturer (OEM) of the endoscopic medical equipment. Whenever possible, DHS contracts with OEMs to ensure that medical equipment, which often uses proprietary technology, performs in accordance with equipment specifications and complies with all accrediting and licensing agencies' requirements, including The Joint Commission.

Approval of the second recommendation will allow the Director, or his designee, to increase the maximum obligation of the Agreement by up to 40 percent of the annual contract maximum, if necessary, to cover equipment coming off warranty, add DHS facilities, and address emergency or unforeseen needed equipment repair services. In accordance with Board Policy 5.120, on June 18, 2012, DHS provided the board with the required two-week notice of intent to request a delegation of authority in excess of 10 percent.

The Joint Commission requires facilities to cover medical equipment maintenance under a service agreement. Therefore, delegated authority is needed to allow DHS to timely amend the Agreement, as needed, to ensure that critical equipment is maintained appropriately to protect the safety of patients as well as meet the requirements of The Joint Commission. Board policy generally allows delegated authority up to 10 percent. However, based on experience over the years with several other equipment maintenance service agreements, DHS believes that the 40 percent requested for potential increases is appropriate since adding even a few pieces of equipment for one facility may use up the entire 40 percent increase. The facilities will only request that equipment be added if services are needed and funding is available in the facility's budget. The delegated authority is necessary to enable the Agreement to be amended timely to guarantee that the essential equipment is maintained appropriately to ensure that the facilities meet the requirements of The Joint Commission and other regulatory agencies.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1, Operational Effectiveness, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The total maximum obligation for the three-year extension for equipment maintenance and repair services is \$504,225. The fiscal year cost for each facility is identified in Attachment A.

The total potential increase under the 40 percent delegated authority for the entire three-year extension is \$201,690 and would be funded using existing resources.

Funding is included in DHS' FY 2012-13 Recommended Budget and will be requested in future fiscal

years as necessary.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On August 1, 2007, DHS executed an Agreement with Gyrus ACMI L.P. (Gyrus) for OV-UCLA MC, effective August 1, 2007 through July 31, 2008, with a maximum obligation of \$99,000 under delegated authority authorized by the board on June 7, 2006. Gyrus provides all-inclusive, unlimited repair services, which are cost effective for the facilities. On June 10, 2008, the board approved a two-year extension, through July 31, 2010 with no rate increase and added H-UCLA MC.

In response to the Chief Executive Office's cost reduction efforts, Gyrus provided a seven-percent reduction in its rates. On October 29, 2009, the board approved an extension to the Agreement through July 31, 2012 in exchange for the cost reduction.

In May 2012, DHS approved the assignment and delegation of the rights and responsibilities to Olympus under the board's delegated authority when DHS learned that Gyrus was purchased by Olympus. Olympus agreed to maintain the 2009 discounted agreement rates for the next three-year period.

The Agreement contains all of the board's required provisions. The County may terminate the Agreement with 30 days' prior written notice. DHS has determined that the Agreement is not a Proposition A agreement because the services provided are intermittent and highly specialized. Therefore, the County's Living Wage Program (County Code Charter 2.201) does not apply.

County Counsel has reviewed and approved Exhibit I as to form.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendations will allow DHS to obtain ongoing, critical equipment maintenance and repair services for medical facility operations.

The Honorable Board of Supervisors

7/3/2012

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is written in a cursive, somewhat stylized font.

Mitchell H. Katz, M.D.

Director

MHK:jc

Enclosures

c: Chief Executive Office
County Counsel
Excutive Office, Board of Supervisors

DEPARTMENT OF HEALTH SERVICES
Equipment Maintenance & Repair Services Agreements
Fiscal Year (FY) Summary

	FY 2012-13 (8/1/2012 - 6/30/2013) *	FY 2013-14 (7/1/2013 - 6/30/2014)	FY 2014-15 (7/1/2014 - 6/30/2015)	FY 2015-16 (7/1/2015 - 7/31/2015) *	Total
Olympus America					
H-UCLA MC	\$67,645	\$73,795	\$73,795	\$6,150	\$221,385
OV-UCLA MC	\$86,423	\$94,280	\$94,280	\$7,857	\$282,840
Total	\$154,068	\$168,075	\$168,075	\$14,007	\$504,225

**Prorated*

ENDOSCOPIC MEDICAL EQUIPMENT REPAIR SERVICES AGREEMENT

AMENDMENT NO. 4

This Amendment is made and entered into this ____ day of _____, 2012 by and between the COUNTY OF LOS ANGELES (hereafter "County"), and OLYMPUS AMERICA, INC. (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled, "ENDOSCOPIC MEDICAL EQUIPMENT REPAIR SERVICES AGREEMENT", dated August 1, 2007, and further identified as County Agreement No. H-702891 and amendments thereto (hereafter referred to as "Agreement"); and

WHEREAS, it is the intent of the parties hereto to extend the term and make the changes described hereinafter; and

WHEREAS, Gyrus ACMI, L.P. has assigned and delegated the rights and responsibilities to Olympus America, Inc.; and

WHEREAS, Agreement provides that changes in accordance with Paragraph 16, ALTERATION OF TERMS, shall be made in the form of a written amendment which is formally approved and executed by the parties.

NOW, THEREFORE, the parties agree as follows:

1. This Amendment shall become effective upon execution.
2. Schedule 2 shall be replaced by Schedule 3. Wherever Schedule 2 is referenced, it shall now be deemed to reference Schedule 3.

3. Paragraph 1, TERM, deleted in its entirety and replaced with the following:

“1. TERM: The term of this Agreement shall commence on August 1, 2007, and shall continue in full force and effect up to and including July 31, 2015, unless sooner canceled or terminated as provided herein. The County maintains databases that track/monitor Contractor performance history. Information entered into such databases may be used for a variety of purposes, including determining whether the County will exercise an Agreement term extension option.”

4. Paragraph 5, MAXIMUM OBLIGATION OF COUNTY, Subparagraph D, shall be deleted in its entirety and replaced with the following:

“D. The maximum obligation of County for all services provided hereunder shall not exceed One Hundred Sixty-Eight Thousand, Seventy-Five Dollars (\$168,075) annually, yielding a total three-year cost of Five Hundred Four Thousand, Two Hundred Twenty-Five Dollars (\$504,225) for the period of August 1, 2012 through July 31, 2015.”

5. Subparagraph E shall be added to Paragraph 5, MAXIMUM OBLIGATION OF COUNTY, to read as follows:

“E. During the term of this Agreement, the Director, or his designee, may amend this Agreement if additional maintenance and repair services are needed and may annually adjust the maximum obligation by no more than forty percent (40%) of the annual maximum obligation for unforeseen, needed maintenance and repair services and/or if equipment is added to any Medical Facility.”

6. Paragraph 8, GENERAL INSURANCE REQUIREMENTS, Subparagraph A, Evidence of Insurance, Section (3), shall be deleted in its entirety and replaced with the following:

“(3) Contractor shall provide County with, or Contractor’s insurance policies shall contain a provision that County shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to County at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance may constitute a material breach of the Agreement, in the sole discretion of the County, upon which the County may suspend or terminate this Agreement.”

7. Paragraph 8, GENERAL INSURANCE REQUIREMENTS, Subparagraph C, Failure to Maintain Insurance, shall be deleted in its entirety and replaced with the following:

“C. Failure to Maintain Insurance: Contractor's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute a material breach of the Agreement, upon which County immediately may withhold payments due to Contractor, and/or suspend or terminate this Agreement. County, at its sole discretion, may obtain damages from Contractor resulting from said breach. Alternatively, the County may purchase the Required Insurance, and without further notice to Contractor, deduct the premium cost

from sums due to Contractor or pursue Contractor reimbursement.”

8. Paragraph 48, CONTRACTOR’S WARRANTY OF COMPLIANCE WITH COUNTY’S DEFAULTED PROPERTY TAX REDUCTION PROGRAM, shall be added to the Agreement’s STANDARD PROVISIONS to read as follows:

“48. CONTRACTOR’S WARRANTY OF COMPLIANCE WITH COUNTY’S DEFAULTED PROPERTY TAX REDUCTION PROGRAM:

Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through contract are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this contract will maintain compliance, with Los Angeles Code Chapter 2.206.”

9. Paragraph 49, TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY’S DEFAULTED PROPERTY TAX REDUCTION PROGRAM, shall be added to the Agreement’s STANDARD PROVISIONS to read as follows:

“49. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM:

Failure of Contractor to maintain compliance with the requirements set forth in Paragraph 48 - Contractor's Warranty of Compliance with County's Defaulted Property Tax Reduction Program shall constitute default under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement, failure of Contractor to cure such default within 10 days of notice shall be grounds upon which County may terminate this Agreement and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206.”

10. Except for the changes set forth hereinabove, 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 executed by its Director of Health Services, and Contractor has caused this Amendment to be executed on its behalf by its duly authorized officer, on the day, month and year first above written.

COUNTY OF LOS ANGELES

By _____
Mitchell H. Katz, M.D.
Director

OLYMPUS AMERICA, INC.
Contractor

Signature

By _____
Printed Name

Title _____

APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL