

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 22-0062

APPROVAL OF MODIFICATION NO. 3 TO CONTRACT NO. 50118.02 WITH DIGNITY HEALTH DBA ST. MARY'S MEDICAL CENTER TO EXERCISE THE TWO-YEAR OPTION TO EXTEND THE CONTRACT THROUGH JUNE 30, 2024 AND TO INCREASE THE CONTRACT AMOUNT BY \$1,600,000, FOR A NEW TOTAL NOT-TO-EXCEED CONTRACT AMOUNT OF \$11,000,000

WHEREAS, the Airport Commission (Commission) requires a state-licensed medical organization to manage and operate the San Francisco International Airport Medical Clinic (SFO Medical Clinic); and

WHEREAS, the SFO Medical Clinic provides urgent care, emergency medicine, occupational medicine, travel medicine, pre-placement examinations, and clinical care for City and tenant employees, contractors, and the traveling public; and

WHEREAS, since 2001, the SFO Medical Clinic has been operated by Dignity Health dba St. Mary's Medical Center (Dignity Health), formerly Catholic Healthcare West; and

WHEREAS, following a competitive process, on February 19, 2019, by Resolution No. 19-0026, the Commission awarded Contract No. 50118.02 (Contract) for the management and operation of the SFO Medical Clinic to Dignity Health, with an initial term of three years, effective July 1, 2019, and one option to extend the term for two years exercisable at the sole discretion of the Commission, and a not-to-exceed amount of \$5,900,000; and

WHEREAS, on May 28, 2020, due to the COVID-19 pandemic, Dignity Health and the Airport entered into Modification No. 1 of the Contract, which provided for Dignity Health, through a subcontractor, to make available on-site testing for diagnosis of COVID-19 for Airport Commission employees, Airport tenants, airlines, and other entities serving the Airport; and

WHEREAS, on May 18, 2021, by Resolution No. 21-0116, the Commission approved Modification No. 2 of the Contract, which increased the Contract amount by \$3,500,000 and reduced the Management Fee by 50% for fiscal years 2022/23 and 2023/24 only; now, therefore, be it

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RESOLVED, that this Commission approves Modification No. 3 to Contract No. 50118.02 with Dignity Health dba St. Mary's Medical Center, as operator of the SFO Medical Clinic, to exercise the two-year option to extend the Contract through June 30, 2024 and to increase the Contract amount by \$1,600,000, for a new total not-to-exceed amount of \$11,000,000; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of Modification No. 3 to the Contract from the Board of Supervisors pursuant to Section 9.118(b) of the Charter of the City and County of San Francisco.

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I hereby certify that the foregoing resolution was adopted by the Airport Commission
APR 19 2022
at its meeting of _____

Secretary



San Francisco International Airport

MEMORANDUM

April 19, 2022

TO: AIRPORT COMMISSION
Hon. Eleanor Johns, President
Hon. Malcolm Yeung, Vice President
Hon. Everett A. Hewlett, Jr.
Hon. Jane Natoli
Hon. Jose F. Almanza

22-0062

APR 19 2022

FROM: Airport Director

SUBJECT: Approval of Modification No. 3 to Contract No. 50118.02 with Dignity Health dba St. Mary's Medical Center to Exercise the Two-Year Option to Extend the Contract and to Increase the Contract Amount for Fiscal Years 2022/23 and 2023/24

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 3 TO CONTRACT NO. 50118.02 WITH DIGNITY HEALTH DBA ST MARY'S MEDICAL CENTER TO EXERCISE THE TWO-YEAR OPTION TO EXTEND THE CONTRACT THROUGH JUNE 30, 2024 AND TO INCREASE THE CONTRACT AMOUNT BY \$1,600,000, FOR A NEW TOTAL NOT-TO-EXCEED CONTRACT AMOUNT OF \$11,000,000.

Executive Summary

Dignity Health dba St. Mary's Medical Center (Dignity Health) manages and operates the SFO Medical Clinic (Clinic) under Contract No. 50118.02 (Contract), which has a three-year term that expires on June 30, 2022, and one two-year option to extend at the sole discretion of the Airport Commission (Commission).

Prior to the onset of the COVID-19 pandemic, the Clinic's operating performance was within the Contract's projected budget. Since March 2020, the Clinic has been operating at a substantial shortfall due to significantly reduced patient visit volumes. Additional Airport funding is required to pay the projected Contract requirements.

Background

The Clinic has been operated by Dignity Health (formerly Catholic Healthcare West) since 2001 providing: urgent care, emergency medicine, occupational medicine, travel medicine, pre-placement examinations, and clinical care for City and tenant employees, contractors, and the traveling public.

THIS PRINT COVERS CALENDAR ITEM NO. 5

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED
MAYOR

ELEANOR JOHNS
PRESIDENT

MALCOLM YEUNG
VICE PRESIDENT

EVERETT A. HEWLETT, JR.

JANE NATOLI

JOSE F. ALMANZA

IVAR C. SATERO
AIRPORT DIRECTOR

Following a competitive process, on February 19, 2019, by Resolution No. 19-0026, the Commission awarded the Contract for the management and operation of the Clinic to Dignity Health, with an initial term of three years, effective July 1, 2019, and a not-to-exceed amount of \$5,900,000. The Contract allows for one option to extend for two years, exercisable at the sole discretion of the Commission.

On May 28, 2020, due to the COVID-19 pandemic, Dignity Health and the Airport entered into Modification No. 1 of the Contract, which provided for Dignity Health, through a subcontractor, to make available on-site testing for the diagnosis of COVID-19 for Airport Commission employees, Airport tenants, airlines, and other entities serving the Airport.

On May 18, 2021, by Resolution No. 21-0116, the Commission approved Modification No. 2 of the Contract, which increased the contract amount by \$3,500,000 and reduced the Management Fee by 50% for fiscal years (FYs) 2022/23 and 2023/24 only. This reduction was implemented because the Clinic was operating at a substantial loss due to the significantly reduced visit volumes caused by the pandemic. The Clinic is still operating at a considerable loss.

In FY 2019/20, the Airport had approximately 20.2 million enplanements, 29% below FY 2018/19. In FY 2020/21, the Airport had around 6.9 million enplanements, 66% lower than FY 2019/20. The pandemic continues to impact businesses globally and, if the current trends continue, passenger traffic is expected to reach 2019 levels by FY 2025 at the earliest. To address the revenue impact, the Airport significantly reduced its operating budget by cutting professional and service contracts, among other actions.

As a result, the Clinic's operating performance has been, and will continue to be, severely impacted by the reduction in passenger volumes. The Clinic's operating shortfalls in FYs 2019/20 and 2020/21 were approximately -\$2,000,000. For FY 2021/22, Staff projects the operating shortfall to also be near -\$2,000,000. In response, Staff proposed cost reduction measures to the Airport's Expense Control Committee to reduce the Clinic's Monday-to-Friday operating hours from 12 to 8 hours. The proposed measure would result in expected savings of at least \$900,000 annually for FYs 2022/23 and 2023/24. Dignity Health has agreed to this measure.

The Airport continues to require the services provided by the Clinic and is now seeking Commission approval of Modification No. 3 of the Contract to exercise the two-year option to extend the term of the Contract through June 30, 2024 and to increase the contract amount by \$1,600,000, for a new total not-to-exceed contract amount of \$11,000,000.

As the Contract exceeds \$10,000,000, pending Commission authorization, the Airport will request the Board of Supervisors to approve Modification No. 3, as required by San Francisco Charter Section 9.118(b).

On April 18, 2022, Staff will seek Civil Service Commission approval to contract out for this service. If this item is not approved on April 18, 2022, Staff will remove this item from the Commission agenda.

Recommendation

I recommend the Commission adopt the attached resolution approving Modification No. 3 to Contract No. 50118.02 with Dignity Health dba St. Mary's Medical Center to exercise the two-year option to extend through June 30, 2024 and to increase the Contract amount by \$1,600,000, for a new total not-to-exceed amount of \$11,000,000. I further recommend the Commission direct the Commission Secretary to request approval of Modification No. 3 from the Board of Supervisors pursuant to Section 9.118(b) of the Charter of the City and County of San Francisco.



Ivar C. Satero
Airport Director

Prepared by: Kevin Bumen
Chief Commercial Officer

Attachment