

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Alaric Degrafinreid, Assistant Director, Office of Contract Administration
Romulus Asenloo, Acting Director, Contract Monitoring Division

FROM: Victor Young, Assistant Clerk *Victor Young*
Rules Committee

DATE: January 7, 2020

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Rules Committee received the following proposed legislation on December 17, 2019:

File No. 191237

Ordinance amending the Administrative Code to authorize the Department of Public Health to become a member of any Healthcare Group Purchasing Organization (GPO) and to enter into contracts with Healthcare GPO suppliers and distributors to purchase commodities and services without requiring competitive bidding and without approval of the City Purchaser.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: victor.young@sfgov.org.

c: Florence Kyaun, Office of Contract Administration
Rochelle Fretty, Contract Monitoring Division

1 [Administrative Code - Public Health Group Purchasing Organizations]

2

3 **Ordinance amending the Administrative Code to authorize the Department of Public**
 4 **Health to become a member of any Healthcare Group Purchasing Organization (GPO)**
 5 **and to enter into contracts with Healthcare GPO suppliers and distributors to purchase**
 6 **commodities and services without requiring competitive bidding and without approval**
 7 **of the City Purchaser.**

8

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
 9 **Additions to Codes** are in *single-underline italics Times New Roman font*.
 10 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
 11 **Board amendment additions** are in double-underlined Arial font.
 12 **Board amendment deletions** are in ~~strikethrough Arial font~~.
 13 **Asterisks (* * * *)** indicate the omission of unchanged Code
 14 subsections or parts of tables.

12

13 Be it ordained by the People of the City and County of San Francisco:

14

15 Section 1. Chapter 21A of the Administrative Code is hereby amended by revising
 16 Sections 21A.1 and 21A.2, to read as follows:

17

18 **SEC. 21A.1. SCOPE OF CHAPTER.**

19

(a) Agreements for Commodities and Services for the Department of Public Health
 20 ("DPH") may be entered into and procured under the requirements of this Chapter 21A where
 21 expressly stated in this Chapter.

22

(b) Unless expressly stated otherwise in Chapter 21A, *all of the requirements of* Chapter
 23 21, as well as any other applicable Charter or Code requirement, *including but not limited to the*
 24 *contract and lease limitations imposed by Section 9.118 of the Charter*, shall apply to Commodities
 25 and Services contracts procured by DPH *under the authority of this Chapter 21A*.

1 (c) As used in this Chapter 21A, all words shall have the same meanings as in
2 Chapter 21.

3 (d) For purposes of this Chapter 21A, a Healthcare Group Purchasing Organization, or
4 “Healthcare GPO,” is an entity that leverages the purchasing power of healthcare institutions to
5 obtain discounts on goods and services from suppliers.

6
7 **SEC. 21A.2. MEMBERSHIP IN GROUP PURCHASING ORGANIZATIONS.**

8 (a) **Findings.**

9 (1) In 1997, the City authorized the Department of Public Health ("DPH") to join
10 the ~~University HealthSystem Consortium ("UHC") and University HealthSystem Consortium Services~~
11 ~~Corporation ("UHCSC"), and utilize all programs and services offered by UHC and UHCSC including~~
12 ~~Novation, a Group Purchasing Organization ("GPO"); two Healthcare GPOs~~ to obtain discounts on
13 goods and materials. ~~(Enacted as Admin. Code Section 15.104, renumbered as Admin. Code Section~~
14 ~~21.43 in 2014.)~~

15 (2) Healthcare GPOs obtain cost savings by pooling their members' purchasing
16 power, ~~conducting a competitive bidding process for a vast array of goods and services for health care~~
17 ~~organizations,~~ and negotiating lower prices from their participating vendors. Healthcare GPOs
18 also provide their members with cost savings by conducting a competitive bidding process for some –
19 though not all – of the goods and services offered by their suppliers.

20 (3) Membership in Healthcare GPOs allows DPH to employ a streamlined process for
21 procureing goods and services ~~such as medical supplies and information technology on a timely and~~
22 ~~cost-effective basis,~~ thereby reducing administrative burdens, facilitating improved quality of care,
23 and saving DPH millions of dollars each fiscal year.

24 ~~—(4) On March 14, 2013, the Controller issued a City services audit report evaluating the~~
25 ~~ways in which DPH could improve its contracting practices to achieve greater cost savings. One of the~~

1 *Controller's recommendations was to centralize purchasing information and functions to maximize*
2 *DPH's purchasing options. This report is on file with the Clerk of the Board of Supervisors in File No.*
3 *150567.*

4 ~~— (5) Currently, DPH is authorized only to be a member of UHC, which prevents DPH from~~
5 ~~using other GPOs and comparing costs to determine whether DPH is getting the best prices.~~

6 ~~— (6) Since this Section 21A.2 (then numbered Section 21.43) was enacted, information~~
7 ~~technology has become an integral part of nearly every piece of medical equipment, and is essential to~~
8 ~~safe and effective patient care. Clarifying that DPH can procure information technology products and~~
9 ~~services through a number of GPOs will ensure that DPH will have access to competitive pricing for a~~
10 ~~wide array of goods and services.~~

11 (b) The Director of Health ("Director") is hereby authorized to enter into and execute
12 written membership agreements with one or more Healthcare GPOs, apply and pay any applicable
13 fees for membership of DPH in ~~the UHC, the UHCSC, and their successors, and other entities that~~
14 ~~offer any Healthcare GPOs in which it becomes a member.~~

15 (c) Upon obtaining membership in a Healthcare GPO, DPH is authorized to utilize all
16 programs and services offered to members of the Healthcare GPO by the UHC, the UHCSC, and
17 ~~their successors, and other entities that offer GPOs~~, including but not limited to ~~the~~ purchasing
18 programs that allow DPH to purchase Commodities and/or Professional Services from a vendor or
19 distributor that is under contract with a Healthcare GPO in which DPH is a member ("GPO
20 Supplier"). and the clinical and financial databases. The Director is authorized to enter into and
21 ~~execute written membership agreements on behalf of the City and County of San Francisco ("City")~~
22 ~~with the UHC, the UHCSC, and their successors, and other entities that offer GPOs.~~

23 (d) The Director, or person designated in writing by the Director, is also authorized to
24 enter into and execute written agreements, including but not limited to pricing commitments,
25 operating lease agreements, and finance agreements, with GPO Suppliers and/or their financing

1 ~~entities, for the acquisition, lease, or financing of~~ for equipment, on behalf of the City with suppliers
2 ~~of~~ Commodities, information technology products and related services, equipment
3 ~~maintenance, and~~ General and Professional Services, and finance entities. affiliated with those
4 ~~suppliers, selected by the UHC, the UHCSC, and their successors, or other entities that offer GPOs,~~
5 ~~through their competitive bidding processes. Subject to applicable provisions of the City Charter, such~~
6 ~~agreements shall be governed by the GPO's standard terms and conditions. DPH may consult with the~~
7 ~~Office of Public Finance on agreements to which a supplier's finance entity is a party.~~

8 (e) Notwithstanding Section 21.1 of the Administrative Code or any other provision of the
9 Municipal Code, DPH may enter into contracts under the authority of subsections (c) and (d) without
10 adhering to the requirements of Section 21.1 or any other competitive procurement requirements.

11 ~~(e)~~ The Director shall evaluate all Healthcare GPO memberships every five ~~(5)~~ years
12 beginning in ~~2020~~2025, and provide the Health Commission with a report of such evaluation by
13 January 31, ~~2020~~2025, and by January 31 of every fifth year thereafter to determine which
14 Healthcare GPO membership(s) offer DPH the best value.

15
16 Section 2. Chapter 21 of the Administrative Code is amended by revising Section
17 21.04, to read as follows:

18
19 **SEC. 21.04. DIRECT PURCHASING AUTHORITY OF DEPARTMENTS.**

20 (a) Department heads shall be authorized to purchase Commodities or Services
21 directly and without the approval of purchasing, as provided in the Charter or Municipal Code
22 of San Francisco, or in the following circumstances:

23 (1) When such purchase is recommended by a department head and is approved
24 by the Purchaser. The Purchaser's approval of direct department purchases may be for
25 individual contracts or for classes of contracts anticipated to be required by the department.

1 (2) Departments may directly enter into contracts with other public entities for the
2 purpose of fulfilling their governmental functions, which may include the provision or exchange
3 of Commodities or Services incidental to the purpose of the contract.

4 (3) Departments may directly enter into contracts for the investment of trust
5 moneys and agreements relating to the management of trust assets.

6 (4) Purchases of works of art or artifacts for museums or to display in public
7 areas, specialized art restoration, insuring, transport, storage, curation, and conservation
8 services.

9 (5) The Risk Manager is authorized to purchase insurance and expert services in
10 forms, amounts, and by procedures as approved by the Board of Supervisors in the annual
11 Risk Management Budget.

12 (6) The General Manager of the Public Utilities Commission may directly purchase
13 water, power, or natural gas, the conveyance or transmission of same, or ancillary services
14 such as spinning reserve, voltage control, or load scheduling, as required for assuring reliable
15 services in accordance with good utility practice, to or on behalf of the San Francisco Public
16 Utilities Commission.

17 (7) Officers and employees of the City may contract directly for the provision of
18 services related to travel required for official City business, subject to compliance with rules
19 and regulations established by the approving department and the Controller for
20 reimbursement of such expenses.

21 (8) When the purchase is made by the Director of Health under the authority of Chapter
22 21A of this Code.

23 (b) Nothing in this ~~s~~Section 21.04 is intended to affect the authorities granted to
24 departments elsewhere in this Code or in the Charter.

1 Section 3. Effective Date. This ordinance shall become effective 30 days after
2 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
3 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
4 of Supervisors overrides the Mayor’s veto of the ordinance.

5
6 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
7 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
8 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
9 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
10 additions, and Board amendment deletions in accordance with the “Note” that appears under
11 the official title of the ordinance.

12
13 APPROVED AS TO FORM:
14 DENNIS J. HERRERA, City Attorney

15 By: _____
16 ANNE PEARSON
17 Deputy City Attorney

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