

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-0026

AWARD OF CONTRACT NO. 50118.02 TO DIGNITY HEALTH, ST. MARY'S MEDICAL CENTER FOR MANAGEMENT AND OPERATION OF THE SFO MEDICAL CLINIC, WITH A NOT-TO- EXCEED AMOUNT OF \$5,900,000 FOR A THREE-YEAR TERM WITH ONE TWO-YEAR OPTION TO EXTEND

WHEREAS, the Airport Commission requires a medical clinic provider to manage and operate the San Francisco International Airport (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, the SFO Medical Clinic has been operated by Dignity Health (formerly Catholic Healthcare West) dba St. Mary's Medical Center since 2001; and

WHEREAS, the current contract for operation of the Clinic (Contract No. 9088) will expire on June 30, 2019; and

WHEREAS, on August 7, 2018, through Resolution No. 18-0230, the Airport Commission authorized the Airport to issue Request for Proposals ("RFP") 50118.02 for the operation and management of the SFO Medical Clinic upon expiration of Contract No. 9088; and

WHEREAS, the Airport issued the RFP on October 15, 2018, and received one proposal submitted by Dignity Health, St. Mary's Medical Center; and

WHEREAS, the proposal was found to be responsive and met the minimum qualifications based on the predetermined criteria stated in the RFP; now, therefore, be it

RESOLVED, that the Airport Commission awards Contract No. 50118.02 to Dignity Health, St. Mary's Medical Center for management and operation of the SFO Medical Clinic with a not-to-exceed amount of \$5,900,000 for a period of three years, with one 2-year option exercisable at the sole discretion of the Commission.

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

FEB 19 2019


Secretary



San Francisco International Airport

MEMORANDUM

February 19, 2019

19-0026

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenlime
Hon. Peter A. Stern

FEB 19 2019

FROM: Airport Director

SUBJECT: Award of Contract No. 50118.02 to Dignity Health, St. Mary's Medical Center for Management and Operation of the SFO Medical Clinic with a Not-to-Exceed Amount of \$5,900,000 for a Period of Three Years effective July 1, 2019, with One 2-Year Option

DIRECTOR'S RECOMMENDATION: ADOPT RESOLUTION TO AWARD CONTRACT NO. 50118.02 TO DIGNITY HEALTH, ST. MARY'S MEDICAL CENTER FOR MANAGEMENT AND OPERATION OF THE SFO MEDICAL CLINIC, WITH A NOT-TO-EXCEED AMOUNT OF \$5,900,000 FOR A PERIOD OF THREE YEARS WITH ONE 2-YEAR OPTION.

Executive Summary

Staff recommends the Airport Commission (Commission) award Contract No. 50118.02 to Dignity Health, St. Mary's Medical Center (Dignity Health) for management and operation of the SFO Medical Clinic (Clinic). Dignity Health was the sole proposer for the Request for Proposals (RFP) No. 50118.02 for management and operation of the Clinic. The contract will be for an initial term of three (3) years effective July 1, 2019, for a not-to-exceed funding amount of \$5,900,000, with one 2-year option exercisable at the discretion of the Commission.

Background

The 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.

The Clinic has been operated by Dignity Health (formerly Catholic Healthcare West) dba St. Mary's Medical Center since 2001. The current contract for operation of the Clinic was awarded by Resolution No. 11-0233 dated October 25, 2011, with an initial term of three years starting on July 1, 2012, with three 1-year options to extend. The Commission exercised all the options in

THIS PRINT COVERS CALENDAR ITEM NO. 2

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME PETER A. STERN IVAR C. SATERO AIRPORT DIRECTOR

the contract, and made two additional amendments to extend the term, until August 31, 2018 (Resolution No. 18-0167 dated June 5, 2018) and subsequently until June 30, 2019 (Resolution No. 18-0229 dated August 7, 2018).

On August 7, 2018, through Resolution No. 18-0230, the Commission authorized Airport staff to issue an RFP to commence a new competitive process. Staff issued the RFP on October 15, 2018 and conducted an extensive outreach effort to advertise this opportunity. In response to the RFP, the Airport received one proposal submitted by Dignity Health; this proposal met all the qualification requirements outlined in the RFP.

Professional Services Agreement

Dignity Health will be responsible for management and operation of the Clinic. The compensation for any given fiscal year will consist of an amount to cover the Clinic's net operating shortfall (revenues minus direct operating costs) for the year, plus a Management Fee to cover the operator's indirect costs and profit. The annual Management Fee for any given fiscal year shall consist of two components, as follows:

- Base Amount equal to \$355,000; and
- Management Fee Adjustment, based on the audited operating results for the year.

The Management Fee Adjustment will be determined based on the amount of savings achieved during the fiscal year. The term "savings" is defined as the difference between the projected operating shortfall corresponding to the "Base Case Scenario" (presented in Exhibit A), and the actual audited operating shortfall. If the savings for a fiscal year is a positive number (i.e., the financial results for the year represents a smaller operating shortfall than the budgeted amount in the "Base Case Scenario"), the Management Fee Adjustment will consist of an increase equal to Sixty Percent (60%) of the savings. If no savings are achieved in a particular fiscal year, the Management Fee Adjustment will be zero.

The contract will have an initial term of three years, with one 2-year option to extend the term at the discretion of the Commission. The agreement will be for a not-to-exceed amount of \$5,900,000 during the initial three years. The Airport will use operating funds to cover these payments.

Dignity Health plans to retain the staff currently working at the Clinic, as required by the City and County of San Francisco Employee Retention Policy. Dignity Health will discuss with the Airport any proposed changes in the staffing plan and will not implement any staffing changes without the Airport's approval.

Dignity Health and St. Mary's Medical Center

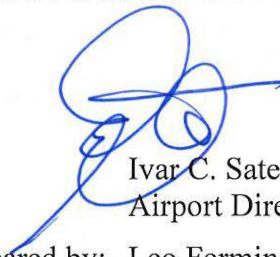
Dignity Health, one of the nation's largest health care systems and the largest hospital provider in California, is a 22-state network of 10,000 physicians, 63,000 employees, 41 acute care hospitals, and 400-plus care-centers including neighborhood hospitals, urgent care, surgery and imaging centers, home health, and primary care clinics. The organization was formed in 1986 when two congregations of the Sisters of Mercy joined their 10 hospitals together to form Catholic Healthcare West. Headquartered in San Francisco, Dignity Health is dedicated to

providing compassionate, high-quality, and affordable patient-centered care with special attention to those who are poor and underserved. In FY2017, Dignity Health had \$12.9 billion in revenue and \$17.4 billion in assets, and provided approximately \$2.6 billion in charity care, community benefit, and the unpaid cost of government programs.

St. Mary's Medical Center (SMMC) is one of the hospitals in the Dignity Health Network. SMMC is an accredited, not-for-profit community hospital that has been providing high-quality, affordable health care for the people of San Francisco since 1857. Located across from Golden Gate Park, it is the longest continually running hospital in San Francisco. As a full-service facility, SMMC is home to the nation's first digital cardiac catheterization laboratory, innovative orthopedic and spine care, state-of-the-art cancer center, and comprehensive rehabilitation programs. SMMC's cardiac program offers diagnostic services, treatment, and rehabilitation. SMMC has been recognized as one of the Top 100 Orthopedic Programs nationally by Becker's Hospital Review and is a Certified Stroke Center by the Joint Commission (the nation's oldest and largest standards-setting and accrediting body in health care). SMMC's state-of-the-art Cancer Center offers the full-range of oncology, radiation, and imaging services. Offering the most comprehensive breast imaging services in San Francisco, SMMC has been designated as a Center of Excellence by the American College of Radiology. For three consecutive years, from 2014-16, SMMC received the Distinguished Hospital Award for Clinical Excellence from Healthgrades. In addition, SMMC has been named a Top Performer in Key Quality Measures by the Joint Commission. SMMC is affiliated with UCSF Health to provide convenient, highly specialized care to the San Francisco community.

Recommendation

I recommend this Commission award Contract No. 50118.02 for management and operation of the SFO Medical Clinic to Dignity Health for three (3) years, for an amount not to exceed \$5,900,000, with one 2-year option exercisable at the sole discretion of the Commission.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachments

EXHIBIT A

SFO MEDICAL CLINIC FINANCIAL PROJECTIONS FY2019-20 TO FY2023-24 BASE CASE SCENARIO

FISCAL YEAR	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	TOTAL 5-YR.
BASE CASE SCENARIO						
Visit Volume	17,139	17,653	18,182	18,728	19,290	
Revenue per Visit	\$ 107.20	\$ 110.42	\$ 113.74	\$ 117.15	\$ 120.66	
Net Patient Revenue	\$ 1,837,372	\$ 1,949,268	\$ 2,067,978	\$ 2,193,918	\$ 2,327,527	\$ 10,376,063
Labor Costs	\$ 2,945,207	\$ 3,026,200	\$ 3,109,421	\$ 3,194,930	\$ 3,282,790	\$ 15,558,548
Additional PA/NP	\$ 64,301	\$ 66,069	\$ 67,886	\$ 69,753	\$ 71,671	\$ 339,680
Additional Advertising	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 250,000
Non-Labor Expenses	\$ 347,320	\$ 357,739	\$ 368,471	\$ 379,525	\$ 390,911	\$ 1,843,966
EMR interface between eCW and Cerner PCA	\$ 115,000	\$ -	\$ -	\$ -	\$ -	\$ 115,000
Total Operating Expenses	\$ 3,521,828	\$ 3,500,008	\$ 3,595,778	\$ 3,694,208	\$ 3,795,372	\$ 18,107,194
Operating Shortfall (Base Case Scenario)	\$ (1,684,456)	\$ (1,550,740)	\$ (1,527,800)	\$ (1,500,290)	\$ (1,467,845)	\$ (7,731,131)
Mgmt. Fee (Fixed)	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 1,775,000
Mgmt. Fee Adj. (60% of Savings): To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Mgmt. Fee	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000	\$ 1,775,000
PROJECTED SFO PAYMENTS (BASE CASE)	\$ 2,039,456	\$ 1,905,740	\$ 1,882,800	\$ 1,855,290	\$ 1,822,845	\$ 9,506,131