To: Honorable Mayor and Members of the City Council  
From: Phil Kamlarz, City Manager  
Submitted: Fred Medrano, Director, Health and Human Services  
Subject: Contract No. 6972 Amendment: UNILAB-Quest Diagnostics Laboratory - Laboratory Services

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute an amendment to Contract No. 6972 with UNILAB-Quest Diagnostics Laboratory to increase the amount by $93,363 for a total not to exceed $283,363; and to extend the term to September 30, 2008.

FISCAL IMPACTS OF RECOMMENDATION

Approval of the recommended action will involve the total expenditure of $283,363 for laboratory services provided by UNILAB-Quest Diagnostics over a twenty-seven month period beginning July 1, 2006 and ending September 30, 2008. Funds to cover this amendment will come from FY 2008 carryover General Funds and external source funds to the FY 2009 budget for the Department of Health and Human Services. (Budget codes: 010-4575-440.30-37 ($ 68,332); 958-4505 440.30-37($ 19,032); 010-4572-440.30-37 ($3,000); and 055-4574-440.30-37($ 2,999).) The contract amendment has been entered into the citywide contract database and assigned Contract Management System number GPS56.

This is a sole source contract amendment to maintain continuity of services pending a bid for other possible vendors that can provide the required Microbial, Viral, and Rickettsial disease examinations and analysis for FY 2009-2010. A bid process and vendor selection for FY 2009-2010 will be completed by September 30, 2008. Previously, the long-standing contract with the Department of Health Services Microbial Disease Laboratory (MDL) abruptly ended services to Berkeley due to state budget cuts to their infrastructure that made it impossible for them to provide routine direct services. Our contract with MDL was $300,000 per year.

The Public Health Division was able to negotiate a transitional contract with UNILAB/Quest that included most services for a total of $283,363 over a twenty-seven month period.
Additionally, oral HIV testing services and some Public Health diagnostic services were referred to the Alameda Public Health Laboratory for a total contract of $20,000 per year. These transitional contracts realize a net savings of over $13,000 per month. This was possible due to UNILAB/Quest’s ability to bill a third party payer directly for the lab services for approximately 80% of clients seen through the Public Health Clinic. The bid for services in FY 2009-2010 will mandate this billing ability. Bid research shows that most major private and county laboratories have this capability.

CURRENT SITUATION AND ITS EFFECTS

The contract allows the City to utilize laboratory services in order to remain in compliance with Title 17 of the California Code of Regulations, which is a requirement for health jurisdictions serving a population of 50,000 or more. Through the use of this laboratory, clients have access to the most advanced technological laboratory services in the state.

BACKGROUND

The City of Berkeley has contracted with the California Department of Health MDL since 1948 for laboratory tests for diseases of public health significance including sexually transmitted diseases, tuberculosis and infectious upper respiratory and gastrointestinal diseases, and bio-terrorism materials. Tests are also performed on suspect food, water, milk and other environmental hazards. These laboratory test services provide surveillance of certain communicable diseases in the community, and are required by State law. Effective laboratory diagnosis is a critical aspect of disease prevention and control. However, over the years, the infrastructure of the MDL has decreased considerably. Intermittently Berkeley would experience reductions of service due to staffing shortages and would be forced to use other labs like UNILAB-Quest to provide surge and safety net capacity. In addition, MDL did not have the ability to bill third-party payers like FPACT and MediCal, forcing the Public Health Division to absorb certain costs associated with this service. In FY 2007, MDL notified H&HS of the intent to end services mid-year. Transitional contracts were quickly negotiated to cover basic public health testing services with UNILAB/Quest Diagnostics and Alameda Public Health Laboratory. These entities were chosen because they were already contracted to provide surge capacity. Over the subsequent months Public Health trained constituent public health staff and community providers to use these new lab transitional services.

It was a large challenge to alter the systems put into place that had used MDL for over 30 years, especially as this transition was completed as a major unplanned activity in addition to critical baseline services in HIV prevention and communicable disease control. However, efficiencies were identified in this process that led to a comparable level of service at considerably less cost. These savings should continue in subsequent fiscal years, as the ability to bill a third party is made a requirement of future lab vendors. The bid process for FY 2009-2010 will be completed by September 30, 2008.

Past Council Action
On November 19, 2002 by Resolution No. 61,838-N.S., the City Council authorized contract number 6000 with the State of California Department of Health Services Microbial Disease Laboratory for laboratory test services in an amount not to exceed $213,953 for the period July 1, 2002 through June 30, 2003.

On July 8, 2003 by Resolution No. 62,135-N.S., the City Council authorized an amendment to contract number 6000 to increase the amount by $209,262 for a total contract amount not to exceed $423,215, and to extend the period to June 30, 2004.

On June 8, 2004 in accordance with section 3, paragraph a of contract number 6000, a letter was sent to the State of California Department of Health Services Microbial Disease Laboratory providing official notification of the City’s intent to extend the contract to June 30, 2005.

On February 8, 2005 by Resolution No. 62,801-N.S., the City Council authorized an amendment to contract number 6000 to increase the amount by $211,988 for a total contract amount not to exceed $635,203, and to extend the period to June 30, 2005.

On March 7, 2006 by Resolution No. 63,220-N.S. the City Council authorized contract number 6972 with the State of California Department of Health Services Microbial Disease Laboratory in the amount of $286,878 for the period July 1, 2005 through June 30, 2006.

On July 11, 2006, by Resolution 63,373-N.S. the City Council authorized contract amendment to 6972 with the State of California Department of Health Services Microbial Disease Laboratory to increase the amount by $300,000 for a total not to exceed $586,878; and to extend the period to June 30, 2007.

On September 7, 2006 by authority of the City Manager to execute contracts under $25,000 we executed transitional contract number 7102 with Unilab-Quest in the amount of $24,500 through June 30, 2007.

On May 22, 2007 by Resolution 63,700-N.S., the City Council authorized contract amendment 7102A with Unilab-Quest in the amount of $190,000 through June 30, 2008.

RATIONALE FOR RECOMMENDATION

Execution of this transitional contract amendment will allow vital laboratory services to continue and will aid ongoing infectious disease control efforts in Berkeley.

CONTACT PERSON

LeRoy Blea, M.P.H., Health Services Supervisor, Prevention Services Section 981-5358
RESOLUTION NO.            –N.S.

EXECUTE A CONTRACT AMENDMENT WITH UNILAB-QUEST DIAGNOSTICS LABORATORY TO INCREASE THE AMOUNT BY $93,363 FOR A TOTAL NOT TO EXCEED $283,363 AND TO EXTEND THE PERIOD TO SEPTEMBER 30, 2008

WHEREAS, the City of Berkeley maintains a health department which is required to provide public health laboratory services as defined in Title 17, California Code of Regulations; and

WHEREAS, on March 7, 2006 by Resolution No. 63,220-N.S. the City Council authorized contract number 6972 with the State of California Department of Health Services Microbial Disease laboratory for laboratory test services in an amount not to exceed $286,878 for the period July 1, 2005 through June 30, 2007; and

WHEREAS, on July 7, 2006 by Resolution No. 63,373-N.S. the City Council authorized a contract amendment with the State of California Department of Health Services Microbial Disease laboratory for laboratory test services to increase the amount by $300,000 for a total amount not to exceed $586,878 for the period July 1, 2005 through June 30, 2007; and

WHEREAS, the State of California Department of Health Services Microbial Disease laboratory ended direct routine lab service during the contract period which necessitated a quick change of vendors; and

WHEREAS, the City of Berkeley has executed contract number 7102A in the amount of $190,000 with UNILAB-Quest Diagnostics laboratory for transitional lab services until a bid process for FY 2009-2010 is complete; and

WHEREAS, the additional funds for this contract will cover the costs of laboratory tests at a reduced cost; and

WHEREAS, funds are available to perform this work in the current year budget in the Adult Health, AIDS Health Education and Prevention, and Realignment Trust Funds; Budget codes: 010-4575-440.30-37 ($68,332) (Expenditure); 958-4505-440.30-37($19,032) (Expenditure); 010-4572-440.30-37 ($3,000) (Expenditure); and 055-4574-440.30-37 ($2,999) (Expenditure) and the contract amendment has been set-up in the Citywide contracts database and assigned Contract Management System No. GPS56.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is hereby authorized to execute a contract amendment with UNILAB-Quest Diagnostics to increase the amount by $93,363 for a total not to exceed $283,363; and to extend the contract term to September 30, 2008. A record signature copy of said contract amendment to be on file in the Office of the City Clerk.