



**SUBMITTAL TO THE RIVERSIDE UNIVERSITY HEALTH SYSTEM MEDICAL CENTER GOVERNING BOARD
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM: 15.7
(ID # 22259)

MEETING DATE:
Tuesday, June 27, 2023

FROM : RUHS-MEDICAL CENTER:

SUBJECT: RIVERSIDE UNIVERSITY HEALTH SYSTEM-MEDICAL CENTER: Approve the Fourth Amendment to the Agreement for Medical and Surgical Distribution Services with Medline Industries, Inc. for an aggregate amount of \$145,045,896 through January 31, 2024, with five one-year renewal options, All Districts. [Total Amendment Cost \$145,045,896; 100% Hospital Enterprise Fund 40050.]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the Fourth Amendment to the Medical and Surgical Distribution Services Agreement with Medline Industries, Inc. for medical and surgical distribution services for an aggregate amount of \$145,045,896 through January 31, 2024, with five one-year renewal options, and authorize the Chair of the Board to sign the Agreement on behalf of the County; and
2. Authorize the Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding and as approved as to form by County Counsel to sign amendments that exercise the options of the agreement including modifications of the statement of work that stay within the intent of the Agreement.

ACTION:Policy

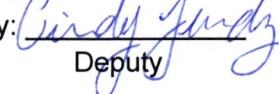

 Jennifer Cruikshank Chief Executive Officer - Health System 6/13/2023

MINUTES OF THE GOVERNING BOARD

On motion of Supervisor Perez, seconded by Supervisor Spiegel and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez
 Nays: None
 Absent: None
 Date: June 27, 2023
 xc: RUHS-Medical Center

Kimberly A. Rector
 Clerk of the Board

By: 
 Deputy

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FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 22,423,733	\$ 145,045,896	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: 100 % RUHS Medical Center and Community Health Centers Enterprise Funds.			Budget Adjustment:	No
			For Fiscal Year:	23/24- 28/29

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

Currently, the Riverside University Health System Medical Center (RUHS-MC) and Community Health Centers (CHC) use over 6,000 unique and regularly ordered medical-surgical supplies. Medical-surgical supply distribution services, like those provided by Medline Industries Inc. (Medline), ensure that the supplies hospitals and other providers use are readily available for quick turnaround ordering, and supply replenishment. In most cases, if orders were placed with each manufacturer or supplier individually, there would be a several day, to multi-week delay in the receipt of ordered supplies. Both manufacturers and suppliers also rely on distribution services to ensure their products are stocked locally for the distributor's clients to access quickly, and as needed.

Medline has been the primary medical-surgical supply distributor for the RUHS-MC and CHC since its 2016 purchase of an earlier distributor, Professional Hospital Supply (PHS). Medline competes for opportunities offered by the RUHS-MC's group purchasing organization, Vizient, Inc. (Vizient), and offers opportunities above and beyond the Vizient contract pricing—the proposed Agreement is one such opportunity, as it incorporates the Vizient competed terms and conditions for medical supply distribution services, as well as additional locally negotiated terms that improve on the competed terms. In addition to distribution services, Medline also offers clinically equivalent substitute products through their manufactured product portfolio at prices that are comparable with Vizient competed items.

This current motion requests approval of an amendment for a period of one year with the option to renew for five additional one-year periods. The five optional one-year renewals are available upon execution by both Parties of a written Amendment to this Agreement should Vizient Agreement No. DM0026 be extended beyond 2024. This Agreement shall terminate at such time that Medline is not awarded an extension of Vizient Agreement No. DM0026 during the original or any extended term. The total aggregate amount includes estimated purchasing through Medline of both Medline-brand products and Vizient competed items as well as the related distribution services for the RUHS-MC, CHCs, and the Medical Office Building for a

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period of 6 years. The agreement with Medline does not obligate the County to buy any particular product(s) or any set amount of products from the distributor.

Impact on Residents and Businesses

The approval of this Amendment will have a positive impact on the citizens and businesses of Riverside County as Medline provides high-quality products for use in the care of patients at both the RUHS-MC and CHC facilities. In addition, Medline maintains two facilities in Temecula where a large portion of the medical-surgical supplies that are ordered for RUHS's facilities are sourced and employs over 600 people.

Additional Fiscal Information

Funds for this contract have been allocated in the FY23/24 budget. Budget adjustments are not necessary. Estimated contract costs are based on utilization reports and estimated costs associated with opening new RUHS buildings. Medline has indicated annual compensation increases may not exceed three (3%) each year after the initial first-year term and will provide RUHS-MC and CHC at least sixty (60) days' advance notice of any such adjustment.

Description	Year 1 FY23/24	(Optional term) Year 2 FY24/25	(Optional term) Year 3 FY25/26	(Optional term) Year 4 FY26/27	(Optional term) Year 5 FY27/28	(Optional term) Year 6 FY28/29	Total Cost
Medical and Surgical Distribution Services	\$22,423,733	\$23,096,445	\$23,789,338	\$24,503,018	\$25,238,109	\$25,995,252	
Total Cost:	\$22,423,733	\$23,096,445	\$23,789,338	\$24,503,018	\$25,238,109	\$25,995,252	\$145,045,894

Contract History and Price Reasonableness

On October 2, 2019, Agenda Item #15.1, the Board approved a Medical and Surgical Distribution Services Agreement with Medline Industries, Inc. for medical and surgical distribution services in the amount of \$43,614,000 for two years with the option to renew for two additional one-year periods for a total of \$87,228,000 through June 30, 2023.

On June 17, 2021, the Purchasing Agent executed a First Amendment to exercise its first option to renew for an additional one-year period through June 30, 2022.

On August 29, 2022, the Purchasing Agent executed a Second Amendment to exercise its second option to renew for an additional one-year period through June 30, 2023.

On April 1, 2023, the Purchasing Agent executed a Third Amendment to modify the rebate pay terms and electronic signature provisions of the Agreement.

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This current proposed Amendment will extend the term of the contract, allowing RUHS-MC and CHC to continue to receive medical and surgical supply distribution services from Medline through its Vizient awarded contract. This contract includes locally negotiated pricing discounts based on the RUHS historical volumes of purchasing medical-surgical supplies.

ATTACHMENTS:

ATTACHMENT A. Fourth Amendment to the Agreement for Medical and Surgical Distribution Services between County of Riverside and Medline Industries, Inc.

Meghan Hahn

Meghan Hahn, Deputy Director of Procurement

6/13/2023

Jacqueline Ruiz

Jacqueline Ruiz, Sr. Management Analyst

6/20/2023

Gregg Gu

Gregg Gu, Chief Deputy County Counsel

6/14/2023

COUNTY OF RIVERSIDE
AMENDMENT NO. 4 TO THE AGREEMENT
WITH
Medline Industries, Inc.

Original Contract Term:	07/1/2019 through 06/30/2023
Contract Term Extended To:	01/31/2024
Effective Date of Amendment:	07/01/2023
Original Annual Maximum Contract Amount:	\$21,807,000
Amended Annual Maximum Contract Amount:	\$22,423,733
Contract ID:	MCARC-47599-003-06/28

This Fourth Amendment to the Agreement for Medical and Surgical Distribution Services between the **County of Riverside**, a political subdivision of the State of California (herein referred to as "COUNTY", on behalf of its **Riverside University Health System Medical Center** and **Medline Industries, L.P.**, an Illinois corporation (herein referred to as "CONTRACTOR"), sometimes collectively referred to as the "Parties" or individually referred to as a "Party."

RECITALS

WHEREAS, the Parties have entered into that certain Agreement for Medical and Surgical Distribution Services, approved October 22, 2019, Agenda Item Number 15.1, and effective July 1, 2019 (herein referred to as "Agreement"); and

WHEREAS, the Parties have entered into that certain Amendment No. 1 to the Agreement, executed on June 17, 2021, and effective as of July 1, 2021, to extend the period of performance by exercising a renewal option; and

WHEREAS, the Parties have entered into that certain Second Amendment to the Agreement, executed on August 29, 2022, and effective as of July 1, 2022, to extend the period of performance by exercising a renewal option; and

WHEREAS, the Parties have entered into that certain Third Amendment to the Agreement, executed on April 3, 2023, and effective as of April 1, 2023, to modify the rebate pay terms and electronic signature provisions of the Agreement; and

WHEREAS, the Parties now desire to amend the Agreement to extend the term, modify the distribution table, and modify the compensation provisions of the Agreement.

NOW THEREFORE, in consideration of the foregoing, and the mutual covenants and conditions hereinafter set forth, the Parties agree as follows:

1. **Term.** Section I. Overview and Purpose, Subsection 2. Term, of the Agreement is hereby deleted in its entirety and replaced as follows:

"The term of this Agreement shall be effective July 1, 2019 through January 31, 2024 ("Initial Term"). Five optional one-year renewals are available upon execution by both Parties of a written Amendment to this Agreement should the underlying Vizient Agreement No. DM0026 be extended beyond 2024. This Agreement shall terminate at such time that Medline is not awarded an extension

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of Vizient Agreement No. DM0026 during the original or any extended term. The effective date of such termination will be the last day of the lawfully extended term of Vizient Agreement No. DM0026.

2. **Distribution.** Section II. Covenants, Subsection 3. Distribution, the table, only, is hereby deleted in its entirety and replaced as follows:

“This pricing can be accessed in return for 85.00% of the distributable lab products being distributed through Supplier.

Distributed Product Category	Tier 1	Tier 2	Tier 3	Tier 4*	Tier 5
	Cost Plus (with 25% Ratio of Distributor Brand Purchases)	Cost Plus (with 30% Ratio of Distributor Brand Purchases)	Cost Plus (with 35% Ratio of Distributor Brand Purchases)	Cost Plus (with 40% Ratio of Distributor Brand Purchases)	Cost Plus (with 45% Ratio of Distributor Brand Purchases)
Base Mark-Up - National Brand Contract Products - Bulk	1.25%	1.00%	0.60%	0.50%	0.40%
Medline Brand Contract Products - Bulk	0.00%	0.00%	0.00%	0.00%	0.00%
Delivery to RUHS Clinic Locations	5.00%	5.00%	5.00%	4.75%	4.50%
Laboratory Products	2.00%	2.00%	2.00%	0.75%	0.75%
Medline Brand - New Product Conversions Guaranteed Aggregate Savings Bulk	5.00%	5.00%	5.00%	5.00%	5.00%
Rebate on Medline Brand Year over Year Growth	5.00%	5.00%	5.00%	5.00%	5.00%

**Riverside will be slotted at Tier 4 for the first 18 months following the execution of this Amendment. Thereafter, Distributor brand purchase ratio will be reviewed annually and Provider will be slotted at the Tier achieved.*

First Year Lab Distribution Conversion Rebate. Supplier will pay Provider a one-time conversion rate of one percent (1.00%) on all first year lab distribution purchases tied to the conversion of the Lab distribution business. Conversion rebate will be paid according to the rebate payment terms outlined in the Agreement.”

3. **Maximum Payments.** Section II. Covenants, Subsection 8. Maximum Payments is hereby deleted in its entirety and replaced as follows:

“Maximum payments by Riverside to Medline under this Agreement shall not exceed twenty-two million four hundred twenty-three thousand seven hundred thirty-three (\$22,423,733) dollars per County fiscal year, including all expenses, effective July 1, 2023”. Medline may adjust the maximum payments from time to time and warrants the annual maximum payment increases following the term shall not exceed three (3) percent for each following year, with at least sixty (60) days’ advance notice of any such adjustment and by mutual written amendment and signed by both parties. The County of Riverside is not responsible for any fees or costs incurred above or beyond

COUNTY OF RIVERSIDE
AMENDMENT NO. 4 TO THE AGREEMENT
WITH
Medline Industries, Inc.

the contracted amount and shall have no obligation to purchase any specified amount of services or products. Medline will have no obligation to fill orders if Riverside exceeds the maximum amount listed above. Medline and Riverside will review Riverside's expenditure rate quarterly to ensure that each understands whether demand will exceed the Maximum currently certified by Riverside County.”

4. **Miscellaneous.** All other terms and conditions of this Agreement not modified herein shall remain unchanged and in full force and effect.
5. **Effective Date.** This Fourth Amendment to the Agreement shall become effective July 1, 2023.

IN WITNESS WHEREOF, the Parties hereto have caused their duly authorized representative to execute this Fourth Amendment.

COUNTY OF RIVERSIDE, a political subdivision of the State of California

By: 

Name: Kevin Jeffries

Title: Chair

Date: 6/27/23

MEDLINE INDUSTRIES, Inc., an Illinois corporation

By: 

Name: Marc Phillips

Title: Sr Vice President Corporate Sales

Date: Jun 8, 2023

ATTEST:
Kimberly Rector
Clerk of the Board

By: 
Deputy

APPROVED TO FORM:

Minh C. Tran
County Counsel

By: Esen Sainz

Esen Sainz,
Deputy County Counsel

Date: Jun 8, 2023

Amd_Medline Industries_4th Amd

Final Audit Report

2023-06-08

Created:	2023-06-08
By:	Adilene Godines (a.godines@ruhealth.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAACdqfU2XzjTZjV_zPqin3L5C1MzRGKQg7

"Amd_Medline Industries_4th Amd" History

- Document created by Adilene Godines (a.godines@ruhealth.org)
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- Signer mphillips@medline.com entered name at signing as Marc Phillips
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- Email viewed by esainz@rivco.org
2023-06-08 - 10:14:55 PM GMT
- Signer esainz@rivco.org entered name at signing as Esen Sainz
2023-06-08 - 10:17:31 PM GMT
- Document e-signed by Esen Sainz (esainz@rivco.org)
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- Agreement completed.
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