FINANCE COMMITTEE AGENDA

Date: May 14, 2020
Time: 10:30 am
Location: Virtual Meeting

I.	**Call to Order** Adoption of the March 12, 2020 Minutes	Freda Wang
II.	**COVID-19 Financial Impact Report**	John Ulberg
III.	**Action Item: Sodexo Laundry and Linen Services** Authorizing New York City Health and Hospitals Corporation (the "System") to execute an extension to its agreement effective July 1, 2011 (the "Agreement") with Sodexo, Inc. & Associates (the "Vendor") to provide laundry processing and linen distribution services the "Laundry Services") that will extend the term of the agreement for an additional two years with an option exercisable solely by the System to extend for one additional year at a total additional cost not to exceed $52,687,808.	Paul Albertson
IV.	**Action Item: Cardinal Health Medical Surgical Distribution Services** Authorizing New York City Health and Hospitals Corporation (the "System") to execute an extension to the agreement dated March 3, 2008 extended by renewal made August 1, 2017 by (the "Agreement") with Cardinal Health, Inc. (the "Vendor") to provide medical and surgical distribution services (the "Med Surg Distribution Services") that will extend the term of the Agreement for an additional year at a total additional cost not to exceed $130,000,000.	Paul Albertson
V.	**Old Business**	Freda Wang
VI.	**New Business**	
VII.	**Adjournment**	

MINUTES

Finance Committee **Meeting Date: March 12, 2020**
Board of Directors

The meeting of the Finance Committee of the Board of Directors was held on March 12, 2020 in the 5th floor Board Room with José Pagán presiding as Chairperson.

ATTENDEES

COMMITTEE MEMBERS

José Pagán
Eric Wei – representing Dr. Mitchell Katz in a voting capacity
Sally Hernandez-Piñero delegated her vote to Helen Arteaga Landaverde – per the By-Laws: Section 14. Committee - Attendance "If any member of a standing or special committee of the Board will not be present at a scheduled committee meeting, the member may ask the Chair of the Board to request that another Board member, not a member of that committee, attend the scheduled meeting and be counted as a member for purposes of quorum and voting."

OTHER ATTENDEES

C. Chen, OMB
J. DeGeorge, OSDC
M. Dolan, DC37
A. Mirdita, PAGNY

H+H STAFF

J. Cassidy, Director, Central Finance
F. Covino, Vice President, Corporate Budget
L. Dehart, Senior Assistant Vice President, Corporate Reimbursement Services
M. Farag, Assistant Vice President, Corporate Budget
M. Fay, Senior Assistant Vice President, Central Finance
C. Hercules, Chief of Staff, Board Office
M. Karlin, Chief Revenue Officer, Revenue Cycle Services
C. Miller, Senior Director, Communications
K. Olson, Senior Assistant Vice President, Corporate Budget
M. Siegler, Senior Vice President, Central Office
M. Thompson, Associate Director, Central Finance
J. Ulberg, Senior Vice President/CFO, Central Finance
J. Weinman, Corporate Comptroller, Central Finance

CALL TO ORDER **JOSÉ PAGÁN**

Mr. José Pagán called the meeting to order at 11:23am. The minutes of the January 9, 2020 meeting were approved as submitted.

ACTION ITEM: VERISMA RELEASE OF INFORMATION SREVICES MARJI KARLIN, LISA PEREZ

Ms. Marji Karlin, Chief Revenue Officer, presented a resolution:

> **Authorizing New York City Health and Hospitals Corporation (the "System") to execute an agreement with Verisma Systems, Inc. ("Verisma") to provide release of information services for the System over an initial term of three years with two one-year options to renew solely exercisable by the System and with an expense over the combined five-year term, not to exceed $5,229,920 net of fees collected from patients and others to process their record requests.**

Ms. Karlin began by providing an overview of Release of Information (ROI) services, including providing an overview of regulations that are required to be followed for compliance. She continued by describing the current state of ROI services provided by Ciox Health, which performs ROI services on-site at NYC H+H acute care hospitals for information releases primarily to third parties. H+H pays fees to Ciox Health for any non-billable requests processed by them.

Ms. Lisa Perez provided an overview of the procurement timeline, which took place May 2019 through August 2019.

Ms. Perez gave an overview of the RFP criteria, highlighting the minimum evaluation criteria and committee representatives.

Verisma agreed to the 30% MWBE utilization plan via their partner, CPS Recruitment, who will provide staffing which will exceed 30% of the overall contract. CPS Recruitment is a NYS certified WBE.

Ms. Perez continued by reporting on the current vs. future state of ROI services at H+H. The new contract will allow expansion of services from acute only to acute care, Gotham, and post-acute care sites. It will also allow the ability to accept online electronic requests for multiple sites. In terms of staffing, the vendor staff will be remote and H+H staff will be onsite. Verisma will handle 90% of all billable and non-billable requests. They will also standardize services by facility type and create centralized policies and procedures. Finally, with Verisma H+H will have one repository for ROI monitoring and tracking. The contract will further enable ROI requests to be HIPAA compliance via the electronic system, tracked in an established IT infrastructure, more efficiently handled by staffing resources, and overall the ROI process will improve the patient experience through easy access.

Ms. Helen Arteaga Landaverde: Because it is not centralized, depending on person's income will the ROI fee be waived for those who cannot afford it?

Ms. Perez confirmed fees will be waived.

Mr. Pagán inquired about the 30% MWBE plan and how we will keep track of it.

Ms. Perez replied that they will be tracking this through recruitment and that it will be tracked monthly.

Mr. Keith Tallbe replied saying his team will be tracking it monthly.

Ms. Perez provided an overview of the previous vendor volume, around 135,000 in 2019 resulting in $4.9M; whereas the new vendor will be able to handle an estimated volume of 325,000 requests, which will result in $10.8M (numbers are estimates).

Ms. Perez spoke to Verisma's references, which include Northwell Health and New York Presbyterian.

Ms. Perez provided an overview of the phased rollout for Verisma services, which will take place April 2020 through July 2020.

Ms. Karlin read the resolution again, requesting Finance Committee Approval of the Verisma contract for consideration by the Board of Directors.

Following discussion and upon motion made and duly seconded, the Committee unanimously approved the resolution.

ACTION ITEM: UNDERWRITING AGREEMENT LINDA DEHART

Ms. Linda Dehart, Senior Assistant Vice President – Finance, presented a resolution:

Authorizing the President of the New York City Health and Hospitals Corporation (the "Corporation") to approve and appoint Citigroup, JP Morgan and Morgan Stanley & Co. to provide investment banking services and serve as senior managing underwriters, and to approve and appoint BNY Mellon Capital Markets, Blaylock Beal Van LLC, Drexel Hamilton LLC, Fidelity Capital Markets, FTN Capital Markets, Hilltop Securities (formerly First Southwest), Janney Montgomery Scott, Jefferies LLC, Loop Capital Markets LLC, Mischler Financial Group, Ramirez & Company, RBC Capital Markets, Rockfleet Financial Services, Roosevelt & Cross Inc., Stern Brothers, TD Securities and Wells Fargo Securities to serve as co-managing underwriters for the Corporation's debt issuances from August 2020 through July 2021 (a 12-month extension to the 2015 Resolution), to support its capital finance program. Such authorization in respect to the entities mentioned above shall extend to the successors of any such entities which assume the business of such entities through merger, reorganization, consolidation or acquisition.

Further authorizing the President to negotiate and execute a contract with one of the three senior underwriters in the event of a Board authorized issuance.

Ms. Dehart described that the underwriting teams are the firms that actually sell H+H bonds to investors or clients when H+H has a bond issuance. There is a group of Senior Managing Underwriters who serve as H+H partners for planning and implementing bond issuances. Between any issuances H+H has an ongoing relationship with these firms to monitor H+H debt, bring ideas to H+H, and then H+H chooses one of the Senior Managing firms to serve as the underwriter for any issuance H+H pursues. This resolution extends an authorization that was approved in 2015. Typically, the agreement has a roster of firms to approve for a five-year term but given uncertainty at the State and Federal level, this resolution is only seeking a one-year extension of previously authorized group. H+H's independent financial counseling firm reviewed the groups that were previously authorized and confirmed they all continue to be appropriate. This is not a contract, but an authorized list of approved firms. Any future debt activity would have to come before the Board.

Mr. Pagán asked why the extension was only one year.

Ms. Dehart said because they wanted to be respectful of the Board's authority.

Mr. Wei asked how the three Senior Underwriters were chosen.

Ms. Dehart said during the selection, an RFP was issued and the firms were evaluated based on their experience, share of this type of business in the market, knowledge of H+H, and interviews with firms.

Mr. Wei asked each of the Senior Underwriters charge.

Ms. Dehart said the fee is negotiation at the time of the transaction.

Following discussion and upon motion made and duly seconded, the Committee unanimously approved the resolution for consideration to Board of Directors.

INFORMATIONAL ITEM: OVERVIEW OF JANUARY FINANCIAL PLAN JAMES CASSIDY

Mr. John Ulberg began by stating that he and Mr. Matthew Siegler presenting the January Financial Plan to City Council during the Preliminary Budget Hearing on March 09, 2020, highlighting that he financial plan is stable and transformation is on target, but that H+H is facing external pressures on the out-years of the financial plan. The main concern is in regards to the State's January cut, which are not currently factored into the plan because the Medicaid Redesign Team (MRT) II work is still underway. The plan-to-plan has not changed drastically; however, a big gap in the out-years of the plan include the Disproportionate Share Hospital (DSH) cuts.

Mr. James Cassidy provided an overview of our five-year financial plan, which is done in conjunction with the City of New York and counts as the basis of H+H's submission to the Public Authority Accountability Board. FY20 and FY21 H+H has very strong cash balances, $790M and $868M respectively. After FY21, the plan cash balances decreases slightly with small but manageable gaps, which is largely due to the DSH cuts. H+H is optimistic that the DSH cuts will continue to be delayed, but as a manner of prudent financial management, the cuts are shown in the out-years.

Ms. Arteaga Landaverde asked how long the DSH cuts would be delayed for.

Mr. Ulberg said he is hopeful they will be pushed for two years especially in the wake of COVID-19.

Mr. Cassidy continued by pointing out the transformation plan items on the plan, which include the revenue-generating initiatives and expense-reducing initiatives. In some out-years, you will see higher State payments due to rolling-cash delays from prior years.

Mr. Pagán asked if H+H rolls payments in conjunction with the City.

Mr. Cassidy said the payments are rolled in conjunction with the City.

Mr. Pagán asked what the City's response to the out-year gaps is.

Mr. Ulberg replied emphasizing the complexity of managing H+H cash flow given the dependence on supplemental payments. He described working with the State to create more predictable payment schedules.

Mr. Pagán reiterated that more predictable payment schedules will be helpful, but asked how the City views the out-year gaps and why they leave them as gaps.

Mr. Fred Covino replied stating the out-years of the plan are used to identify gaps and come up with contingency plans for solving the gaps.

Mr. Ulberg replied stating that if the DSH dollars were in the chart the numbers would look very different.

Ms. Arteaga Landaverde asked if we are advocating for the DSH dollars.

Mr. Ulberg replied saying it is GNYHA number one priority.

Mr. Pagán asked if we are hearing about resources that could come to H+H because of COVID-19.

Mr. Ulberg stated that H+H is tracking this daily. The H+H emergency management administrative team is tracking and monitoring financial implications of COVID-19, including Federal and State policy. Congress enacted an $8B relief plan; the House has another plan proposed to increase Medicaid FMAP payments by 8% – meaning any claim will have an 8% boost, which is an effective way to infuse cash into the system during a crisis.

SENIOR VICE PRESIDENT'S REPORT **JOHN ULBERG**

Mr. John Ulberg began his report discussing the Medicaid Redesign Team (MRT) II efforts, highlighting the key provisions of the March 10, 2020 MRT meeting that H+H submission were accepting, including UPL conversion and special population's proposal. There are items in the package related to safety net hospital funding that H+H is watching closely.

Mr. Matthew Siegler added H+H is cautiously optimistic but worried about the short time frame that the MRT has.

Dr. Wei asked if in the wake of COVID-19, we had to shut down elective surgeries or clinics, would the proposed funding out of the House be able to make up for this or would it come through only in things that H+H bills for?

Mr. Ulberg replied saying he is thinking through how H+H wants to receive the relief funding. H+H is in discussions with GNYHA on how we can infuse relief funding in a lump sum from the proposed House bill that would increase the FMAP by 8% FMAP. He continued by emphasizing the importance of business continuity, reflecting on and praising lessons learned during Hurricane Sandy.

ADJOURNMENT **JOSÉ PAGÁN**

There being no further business to discuss, Mr. Pagán adjourned the meeting at 11:57am.

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Finance Committee – May 14, 2020

COVID System Preparation and Data

- H+H began planning and preparing for the treatment of COVID-19 in December 2019 and formally activated its COVID emergency command center on January 21, 2020.
- H+H first began treating COVID-19 positive patients in early March.
- The COVID ICU census peaked on April 17 at H+H. The week of April 14-20, the proportion of NYC ICU COVID patients at H+H ranged from 19.2% to 20.7%.
- The COVID IP (non-ICU) census peaked on April 13 at H+H. The week of April 10-17, the proportion of NYC IP (non-ICU) COVID patients at H+H ranged from 15.0% to 17.1%.
- As of April 27, NYC had over 153,000 confirmed cases, including over 18,000 positive tests taken at H+H. H+H has approximately 1,800 patients admitted (positive or suspected positive), including nearly 550 in the ICU.

Pre-COVID Preparation

- Canceling elective surgical procedures contributed to a total **Inpatient (IP) admission reduction of 12%** compared to the baseline.
- Reassignment of ambulatory care providers and staff to IP settings resulted in an overall **Outpatient (OP) volume loss of 42%.**
- **Overall ED volume decreased by 9%** against the baseline during the week of March 15th, driven by a 18% decrease in treat & release encounters and a decrease in pediatric ED volume from 5,100 to 2,500.

COVID Preparation Period: March 15-21			
Metric	**Baseline Weekly Average (January & February)**	**Weekly Volume March 15-21**	**Changes From Baseline**
IP Admissions	3,402	3,003	-12%
OP Visits	84,983	49,241	-42%
ED Treat & Release Visits	22,093	18,116	-18%

COVID Period

- **IP admissions are up 12%** with COVID admissions making up 70% of all admissions, though that trend is beginning to reverse.
- Patients discharged during this period have an **average Case Mix Index (CMI) of 1.8 which is 45% higher than the baseline CMI of 1.2**. COVID patients discharged to date have an average CMI of 2.01 (65% higher than average baseline).
- Some IP payors have increased their share above the baseline: Medicare by 6% (COVID-only 12%) and Commercial by 2%. Self-pay is up by 7% but may reflect a lag in emergency Medicaid conversion and/or insurance capture.

COVID Period: March 22-April 11			
Metric	**Baseline Weekly Average (January & February)**	**Weekly Volume March 22-April 11**	**Changes From Baseline**
IP Admissions	3,402	3,810	12%
OP Visits	84,983	43,817	-48%
ED Treat & Release Visits	20,125	9,668	-43%

Revenue Impact

- During the COVID preparation period, revenue is projected to decrease 13% from the baseline.
- For the COVID period overall revenue is projected to be 11% above the baseline driven by increased COVID related IP admissions.

Period	Inpatient Revenue	Outpatient Revenue	Total Revenue	Variance from Baseline	
Baseline: ***(Jan-Feb Weekly Average)***	$48,845,686	$15,790,184	$64,635,870	n/a	
COVID Preparation Period: ***March 15-21 Weekly Average***	$46,440,795	$9,932,190	$56,372,985	($8,262,884)	-13%
COVID Period: ***March 22-April 11 Weekly Average***	$64,553,981	$7,000,419	$71,554,400	$6,918,531	11%

**Revenue projected based on estimated COVID and telehealth rates.*

- Volume data in recent weeks, after April 11th, show that COVID admissions are trending down, and non COVID admissions have not rebounded.
  - OP volume has also continued to decrease driven by ED treat and release continuing to decline against the baseline.
- As of April 11th revenue is still expected to meet budget targets. As COVID volume decreases, future alignment with budget is at risk.

COVID Stabilization
(Post COVID Surge)

- In the period following the COVID surge, **IP admissions have decreased 14%** below baseline. COVID admissions make up 50% of all admissions. IP Revenue is projected to be down from baseline by 9%.
- OP volume has continued to trend down, although televisits continue to increase.

Post COVID Period: April 12 - April 25th			
Metric	**Baseline Weekly Average (January & February)**	**Weekly Volume April 12-April 25**	**Changes From Baseline**
IP Admissions	3,402	2,926	-14%
OP Visits	84,983	46,279	-46%
ED Visits	20,125	6,198	-69%

Period	Inpatient Revenue	Outpatient Revenue	Total Revenue	Variance from Baseline	
Baseline: (Jan-Feb Weekly Average)	$ 48,976,576	$15,790,184	$ 64,766,760	n/a	
Post COVID Period: April 12-April 25 Weekly Average	$ 44,587,316	$6,333,794	$ 50,921,111	$ (13,845,649)	-21%

**Revenue projected based on estimated COVID and telehealth rates.*

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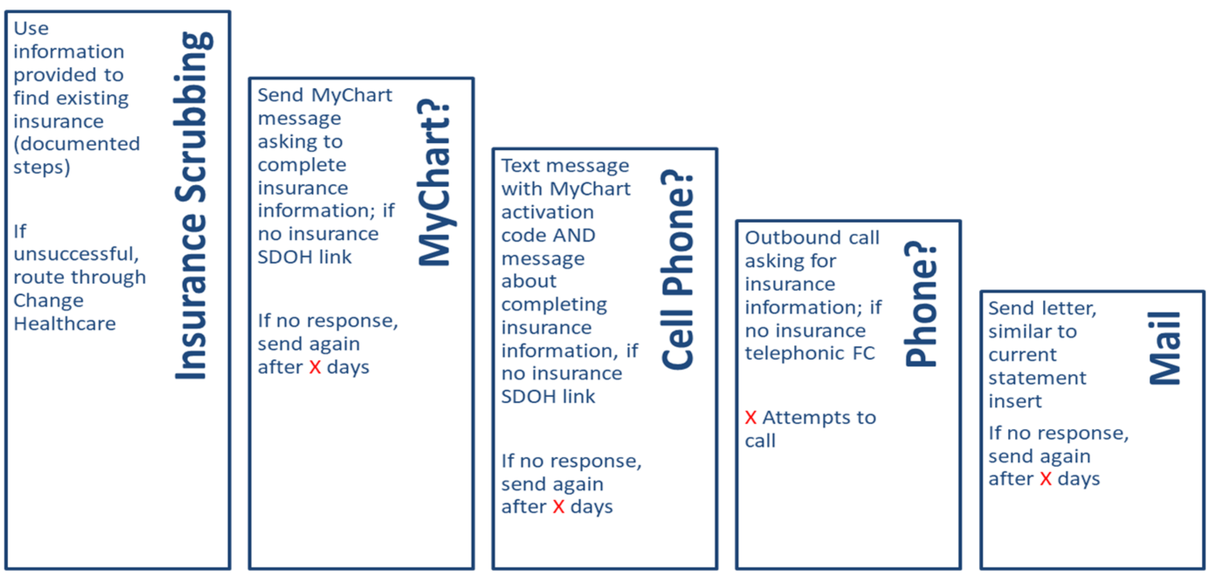
Revenue Cycle Strategy

- Actions have been taken to help stabilize revenue cycle operations in an effort to maximize collections. Strategies include;
  - Facilitate transition to allow revenue cycle staff to work from home
  - Redeployed and trained central office staff to work targeted assignments related to insurance capture, backstopping stressed facility operations.
  - Implementing an outreach strategy using MyChart and text messaging campaign to aid in insurance information capture and enrollment
  - Fast tracked launch of telephonic financial counseling
  - Temporarily updated Financial Assistance policy to help streamline patient throughput
  - Ongoing revenue reconciliation to ensure complete charge capture associated with flex/surge beds
  - Ongoing central review of IP coding to assure final DRG assignment is complete and appropriate
  - Optimize post acute care for COVID patients
  - Expand and improve telehealth operations
  - Monitor and communicate regulatory changes, incorporating into simplified workflows for facilities



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FEMA Intervention to Fund COVID Expenditures

- On March 27th H+H filed a request for $650M in FEMA relief.
- Components of that request include:
  - **Staffing** ($200-300M estimated, $127M to-date)
    - Contracting clinical and support staff (800 RNs, 300 NPs, 150 PAs, 100 MDs) to help surge capacity
  - **Infrastructure and Equipment** ($200-300M estimated, $36M to-date)
    - Building out surge capacity space at multiple facilities; providing hotels for patients and staff; buying essential equipment, including ventilators and tents
  - **Personal Protective Equipment (PPE)** ($150-250M estimated, $41M to-date)
    - Purchasing masks, face shield, gowns, gloves, wipes, and pharmaceuticals
  - **Testing** ($100-150M estimated, $9M to-date)
    - Administrating lab tests with associated equipment and reagents
- To-date, FEMA has conceptually approved $532M, of which over $200M has been spent through April.

Federal Relief: CARES Act and Other Funding Opportunities

- To help combat the pandemic, Congress has passed multiple "stimulus" bills. The most direct financial support for healthcare providers was included in the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act and the fourth bill referred to as Stimulus 3.5.
- In total, the bills created a $175B Provider Relief Fund. To date, $72.4B has been allocated with an additional portion that will be set aside for treatment of the uninsured. The remainder is still to be allocated.

Title ($ Amount)	Distribution/Claiming Method	H+H Benefit
General Provider Relief ($50B)*	Total Net Patient Revenue	**$117.7M***
COVID-19 High Impact Provider Relief ($12B Total; Expected NYS Benefit: $5B)*	COVID+ cases, Medicare and Medicaid DSH allocation	**TBD**
Uninsured COVID-19 Treatment ($TBD)*	Patient claiming at the Medicare rate	**TBD**
Health Center Program ($1.4B)	Overall & Uninsured Patient Count	**$4.1M**
Existing Grants Add-on (Ryan White, SAMHSA)	Current Grantee Service Recipients & Awards	**$0.3M**
Hospital Preparedness Program ($50M, $2.4M to NYS)	Distribution through hospital associations	**$0.2M**
FCC Telehealth Grant ($200M)	Application Submitted ($2.4M)	**TBD**
Medicare Sequester Suspension ($TBD)	Routine Billing	**TBD**
Medicare COVID DRG 20% Increase ($TBD)	Routine Billing (with COVID coding)	**TBD**
Families First Act COVID-19 Testing for Uninsured ($1B)	Patient claiming at the Medicare rate, process TBD	**TBD**

**Only General Provider Relief, High Impact Provider Relief, & Uninsured COVID Treatment are from the Provider Relief Fund ($175B).*

- Another relief bill, which would be referred to as Stimulus 4, is expected in May. H+H believes that existing, unallocated funds and any new funds should prioritize high-Medicaid and safety-net hospitals.

State Budget/MRT II

- The Governor and State Legislature passed the SFY20-21 State budget which included many of the recommendations proposed by the Medicaid Redesign Team (MRT) II panel.
  - Given the uncertainties of the pandemic, the Governor was afforded additional superpowers to make changes to the State budget during the year based on overall revenues.
  - NYS released a report last week stating that they have a $13.3B deficit.

- Based on pre-budget actions by the Executive and the enacted State budget policies, the system projects cuts of over $100M annually.

- **Positive Actions**
  - Accepted MRT II proposal for UPL Conversion and Coordinated Care for Special Populations
  - Increased Indigent Care Pool equity (elimination of transition collar)
  - Required managed care plan administrative simplification (preventing medical necessity denials, allowing provisional provider credentialing, reducing down coding)

- **Negative Actions**
  - Cumulative 1.5% across-the-board payment reduction
  - Elimination/reduction of managed care/hospital quality pools and capital reimbursement
  - Elimination of enhanced safety-net pool

- **To Be Determined Actions**
  - Long-Term Care proposals intended to contain costs and limit annual growth
  - Pharmacy (340B) Workgroup to consider carving pharmacy benefits out of managed care
  - Timely DSH payment provision proposed by H+H was in the budget, but will be pursued administratively

FY20 Cash Flow

- The system has approximately $400M cash on hand at the end of April (18 days).

- To stabilize and ensure ongoing financial health, the system is seeking the following funding streams:

  - Regular Patient Revenue: $1B
    - Secure insurance for self-pay patients
    - Utilize DFS flexibility to reach settlements with MCOs
    - Avoid additional Medicaid cuts

  - Supplemental Medicaid: $800M
    - Expedite State and federal approval for owed DSH/UPL funds

  - FEMA Reimbursement: $200M
    - Receive funding advance for COVID-related expenses based on submitted claims

  - CARES Act/Stimulus Funds: $ TBD
    - Obtain additional support through existing funding streams and seek new reimbursement that prioritizes high Medicaid/safety-net providers

RESOLUTION

Authorizing New York City Health and Hospitals Corporation (the "System") to execute an extension to its agreement effective July 1, 2011 (the "Agreement") with Sodexo, Inc. & Associates (the "Vendor") to provide laundry processing and linen distribution services the "Laundry Services") that will extend the term of the agreement for an additional two years with an option exercisable solely by the System to extend for one additional year at a total additional cost not to exceed $52,687,808.

WHEREAS, the System entered into the Agreement with the Vendor to provide the Laundry Services; and

WHEREAS, the Agreement was for an initial term of five years with two two-year options to extend, which the System has exercised resulting in a current term to expire June 30, 2020; and

WHEREAS, the System had intended to issue a Request for Proposals ("RFP") for the Laundry Services to re-procure the Laundry Services; and

WHEREAS, due to the COVID-19 pandemic it was determined that switching vendors would destabilize the mission critical services currently being provided; and

WHEREAS, the Vendor has produced a proposal that will provide greater value than the current state through capital investments, increased technology, additional management personnel, cost reduction guarantees, and quality enhancements; and

WHEREAS, the Contract Review Committee approved a "best interest" extension of the Agreement to allow for stabilized Laundry Services during the COVID-19 pandemic and time to evaluate the outcomes of the proposed contract deliverables; and

WHEREAS, the Sr. Vice President of Business Operations will be responsible for the administration of the proposed amended agreement.

NOW THEREFORE, BE IT:

RESOLVED, that New York City Health and Hospitals Corporation be and hereby is authorized to execute an amendment to the agreement effective July 1, 2011 with Sodexo, Inc. & Associates to provide laundry processing and linen distribution services that will extend the term of the agreement for an additional two years with an option exercisable solely by New York City Health and Hospitals Corporation to extend for one additional year at a total additional cost not to exceed $52,687,808.

EXECUTIVE SUMMARY
Extension Agreement with Sodexo, Inc. & Associates
Laundry Processing and Linen Distribution Services

BACKGROUND: Since 2011, the System has used a vendor to provide laundry processing and linen distribution services. At that time, the System contracted with the Vendor for such services. That contract, after an initial five-year term and two, two-year extensions, is due to expire on June 30,2020. The System seeks a two-year best interest extension with a one-year option to extend so that continuity of critical services during the COVID-19 pandemic is ensured. The Vendor has produced a proposal that will provide greater value than the current state through capital investments, increased technology, additional management personnel, cost reduction guarantees, and quality enhancements;

PROCUREMENT: The Sodexo agreement was originally awarded on the basis of an RFP. The System is unable to competitively re-procure during the COVID-19 pandemic. The incumbent Vendor has developed a proposal to extend the term for two years with the option to extend for one year. The Contract Review Committee approved a "best interest" extension of the Sodexo agreement.

TERMS: The terms of the existing agreement will remain in effect during the proposed extension term. However, the Vendor has committed to making further investments in capital equipment using updated technology and has committed additional management staff assigned exclusively to the System's account. The total cost of the contract extension will not exceed $52,687,808.

MWBE: Sodexo has submitted an MWBE Utilization Plan of 31% exceeding the 30% goal.

NYC HEALTH + HOSPITALS

Keith Tallbe
Senior Counsel, Office of Legal Affairs
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To: Colicia Hercules
Chief of Staff, Office of the Chair

From: Keith Tallbe
Senior Counsel
Office of Legal Affairs

Re: Vendor Responsibility, EEO and MWBE status for Board review of contract

Vendor: Sodexo, Inc.

Date: May 4, 2020

The below chart indicates the vendor's status as to vendor responsibility, EEO and MWBE:

Vendor Responsibility	**EEO**	**MWBE**
Approved	Approved	31% Utilization Plan

The above status is consistent and appropriate with the applicable laws, regulations, and operating procedures to allow the Board of Directors to approve this contract.

Laundry & Linen Services

Application to
Enter into Contract
(*Best Interest Extension)*

Finance Committee
May 14, 2020

Paul Albertson – Vice President Supply Chain
Mercedes Redwood, AVP, Supply Chain

Background

- Current Laundry/Linen services are provided through Sodexo, with partnerships with Unitex for laundry/linen, and Nexera for data management

- Sodexo was selected as NYC Health + Hospitals' partner as an outcome of an RFP
  - Contract since July 1, 2011
  - Facilitated closure of Brooklyn Laundry plant/transition to union labor linen plant
  - 5 year contract with two 2-year extensions
  - Current spend is approximately $17.3 million per year
  - Contract expires June 30, 2020

- This item was brought before the CRC on 2/4/20 for a best-interest extension for 6 months in order to conduct an organizational assessment of current state and to issue RFP

- Due to the COVID-19 pandemic, it became impossible to complete the operational assessment or to conduct a solicitation.

- In March 2020, Sodexo's new VP of Operations for H+H, came on board. While simultaneously managing the Food & Nutrition Operations, current Laundry/Linen services, and the expanded H+H need in response to COVID-19 (RIMC, Javits, and overall greater demand), he led development of a proposal that will help H+H realize much greater value than the current state.

Contract Overview

- Sodexo provided a robust and compelling opportunity to improve service, management, staffing, processes, and achieve savings, through this proposed 2 year agreement with one year extension (exercisable by H+H).

- The improvements in the structure, staffing, and technology are justified by Sodexo on the basis on the two year term.

- With that commitment, Sodexo is able to move forward now with the staffing reorganization, hiring several staff at their expense, and acquiring/installing the equipment and technology to change processes.

- These changes will result in significant improvement, with end-to-end ownership/accountability via Sodexo, and will provide assistance to the H+H staff.

Contract overview, continued

- Over the next year, the plan is to work through the pandemic linen/laundry needs, and have the improvements rolled out immediately.

- We have established performance measures (KPIs) for on-going monitoring to evaluate the work efforts with Sodexo in this enhanced partnership.

- Not proceeding with this proposal de-stabilizes the Laundry/Linen service (we have ramped up considerably more service to our facilities as part of the response with high patient census, the addition of RIMC, and Javits Center).

- This proposal meets H+H's needs – uninterrupted service; a commitment from a known partner to invest in H+H and make improvements through a standardized program; and the opportunity to make a change in the not-distant future if needed, while preserving vital services for patients and staff in these unprecedented times.

Contract Highlights

Key Program Milestones and Deliverables

- Address Opportunities for Improved Utilization Efficiencies
  - Reduce utilization cost/pound from $0.68 to $0.617 - projected savings of $945k
  - Reduce ED utilization by 15% per visit through implementation of ED aLex machines – projected savings of $345k
  - Engage key stakeholders through linen awareness education
  - Implement linen committees at each site to establish standardized protocols
- Investment in Program Expansion
  - Organizational Structure – Investment of $543k
    - Restructuring of site leadership with addition of 2 General Managers
    - Upgrade of existing supervisors to managers
    - Addition of 7 FTEs to manage soiled collection
  - Technology
    - aLex machine lease agreement on behalf of NYC H+H
    - aLex machine installation in all acute care EDs – investment of $348k
    - Staff accountability through real-time dashboards
    - Implementation of Linen Helper handheld technology – investment of $5,500
- End-to-End Program Management
  - Linen loss reduction while achieving par level requirements
  - Improved linen delivery flow process
  - Ownership of linen collection
  - Establishment of bed making protocol and standards
  - Develop key user satisfaction tool

Contract Highlights cont.

Contract Renewal Highlights

Program Guarantee

- Reduction of $0.03/pound in linen replacement cost
  - Savings compared to 2019 baseline of $0.68/pound
  - Utilization savings realization expected 60 days after install of aLex machines; 30 days after install of Scrubex machines
  - *15% decrease in pounds per ED visit*
- Daily fill rate of 95% or greater
  - 95% fill rate is a measure of accountability
  - Costs not reduced by supplying less linen and sacrificing patient comfort and care.

Program Summary

- Additional management and front line staff
- Enhanced technology and equipment
- Structured performance management program
- Standardized program across the System
- COLA for all staff
- Guaranteed reduction in spend

NYC HEALTH+ HOSPITALS

Key Performance Indicators

#	CATEGORY	INDICATOR	MEASURE
1.	Employee Engagement	Employee Engagement	▪ Percentage of employees who complete Employee Engagement Survey
2.	Productivity/ Utilization	Pounds per Adjusted Patient Day	▪ Volume of pounds divided by Adjusted Patient Day ▪ Linen delivered divided by volume of ordered linen ▪ Replacement cost compared to processing cost ▪ Ratio of linen weights delivered vs. weight of linen being returned
3.		Daily Fill Rate	
4.		Linen Replacement/ Loss	
5.		Soil Factor	
6.	Budget	Labor Expense	Actual vs. established annual budget

MWBE Plan

- Sodexo has partnered with four diverse vendors to reach a Utilization Plan of 31%

Name	Certification	Scope	Value	% of Total Contract
SigmaTex	NYS MBE	Linen supplier	$13,410,049	25%
Eastern Bag and Paper	NYC WBE	Paper products	$1,633,323	3%
Calderon	*Pending**	Cleaning solutions	$897,199	2%
Magnus	*Pending**	Laundry machine services	$474,190	1%
Total	-	-	$16,414,761	31%

*Pending: Both of these vendors have submitted applications for diversity certification with NYC. Based on discussions and experience the vendors meet the certification criteria and we expect they will be certified.

Finance Committee Request

- We are seeking approval for a 2 year Best Interest Renewal with Sodexo, with a 1 year optional extension, for Laundry & Linen Services:
  - Effective July 1, 2020
  - Total not to exceed contract extension value of $52,687,808
  - MWBE Utilization Plan of 31%

RESOLUTION

Authorizing New York City Health and Hospitals Corporation (the "System") to execute an extension to the agreement dated March 3, 2008 extended by renewal made August 1, 2017 by (the "Agreement") with Cardinal Health, Inc. (the "Vendor") to provide medical and surgical distribution services (the "Med Surg Distribution Services") that will extend the term of the Agreement for an additional year at a total additional cost not to exceed $130,000,000.

WHEREAS, the System entered into the Agreement following an RFP process and pursuant to authorization given by the System's Board of Directors to provide the Med Surg Distribution Services; and

WHEREAS, a 3-year best interest extension was executed effective August 1, 2017 and the Agreement will expire July 31, 2020; and

WHEREAS, the Vendor is the prime distributor of medical, surgical and laboratory products for the System; and

WHEREAS, there are 3 major distributors in the US similar to the Vendor the synergy and efficiency provided by such vendors is their forward purchasing of products, warehousing, and shipping that permits them to provide customers with one comprehensive supply delivery platform; and

WHEREAS, prior to the COVID-19 pandemic, Supply Chain was negotiating a best interest extension of three years to include additional savings and added-value; and

WHEREAS, due to the COVID-19 pandemic it is necessary to stabilize the distribution relationship for supply and inventory management and continue to manage the COVID-19 pandemic response, which relies on receipt of supplies acquired through the Vendor; and; and

WHEREAS, the terms of the Agreement will remain in effect during the proposed extension term and will result in a continuation of $1.9 million savings during this year, similar to the last 3 years; and

WHEREAS, the Sr. Vice President of Business Operations will be responsible for the administration of the proposed amended agreement.

NOW THEREFORE, BE IT:

RESOLVED, that New York City Health and Hospitals Corporation be and hereby is authorized to execute an amendment to the agreement dated March 3, 2008 extended by renewal made August 1, 2017 with Cardinal Health, Inc. to provide medical and surgical supply distribution services that will extend the term of the agreement for one additional year at a total additional cost not to exceed $130,000,000.

EXECUTIVE SUMMARY
Extension Agreement with Cardinal Health, Inc.
Medical and Surgical Distribution Services

BACKGROUND: Cardinal Health, Inc. ("Cardinal") currently provides NYC Health + Hospitals with medical and surgical distribution services including nationally branded and private label products. Cardinal is the prime distributor of medical, surgical and laboratory products for the System. There are 3 such principal distributors in the US. The synergy and efficiency provided by such vendors is their forward purchasing of products, warehousing, and shipping that permits them to provide customers with one comprehensive supply delivery platform.

PROCUREMENT: Cardinal currently provides the System with medical and surgical distribution services including nationally branded and private label products. These services have been provided under an agreement dated March 3, 2008 as a result of a Request for Proposal released on January 28, 2008 and extended effective August 1, 2017. The current agreement will expire July 31, 2020.

TERMS: The terms of the existing agreement will remain in effect during the proposed extension term. The total cost of the contract extension will not exceed $130,000,000.

MWBE: Most of the costs of this agreement are for the distribution of goods provided by third-parties, as well as some Cardinal branded products. Since the goods are highly regulated clinical goods there are very few diverse vendors that are able to provide such goods. The current NYS and NYC MWBE spend is 7.93%. Consistent with State and City practices, MWBE opportunity for this category was analyzed utilizing the historical spend categories and products against the offering of certified vendors in the NYS and NYC certified vendor directory. As a result of this analysis, a 8.34% MWBE goal has been set.

NYC HEALTH + HOSPITALS

Keith Tallbe
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To: Colicia Hercules
Chief of Staff, Office of the Chair

From: Keith Tallbe
Senior Counsel
Office of Legal Affairs

Re: Vendor Responsibility, EEO and MWBE status for Board review of contract

Vendor: Cardinal Health, LLC

Date: May 4, 2020

The below chart indicates the vendor's status as to vendor responsibility, EEO and MWBE:

Vendor Responsibility	**EEO**	**MWBE**
Approved	Approved	8.34% Utilization Plan

The above status is consistent and appropriate with the applicable laws, regulations, and operating procedures to allow the Board of Directors to approve this contract.

NYC HEALTH+ HOSPITALS

Medical Surgical Distribution

Application to Enter into Contract

(Best Interest One Year Renewal)

Finance Committee
May 14, 2020

Paul Albertson – Vice President Supply Chain
Joe Wilson – Senior AVP Strategic Sourcing

Background

- Cardinal Health is the prime distributor of Medical, Surgical and Laboratory products for the System. There are 3 such principal distributors in the US; the synergy provided by such a vendor includes their:
  - forward purchasing of products,
  - warehousing, and
  - trucking them to our facilities,
- This provides customers with one comprehensive supply-delivery platform.
- NYC H+H uses medical/surgical supplies that are provided by more than 500 manufacturers delivered to us by Cardinal.
- These supplies are all on either 1) contracts that have been negotiated by the Group Purchasing Organization (GPO) that H+H utilizes, which is Premier, which works with hundreds of hospitals/health systems across the country, or 2) locally negotiated agreements.
- Premier provides tiered pricing to health systems based on volume purchasing; H+H usually gets best pricing due to this.

Background – Cont'd

- 100% of the supplies that Cardinal delivers to H+H are supplies for which H+H has contracts.

- Cardinal charges H+H the prices H+H negotiated with each of those vendors. Cardinal obtains those products in advance, warehouses them on our behalf, and distributes to each of our facilities based on our ordering. Those deliveries happen 5 days a week.

- Cardinal bills us for those deliveries 30 days after they have been delivered – not in advance – in an all-inclusive invoice.

- Additional Synergies through Cardinal Health relationship
  - Lab Distribution
  - Pharmacy Distribution
  - Gotham Inventory Management
  - Optifreight
  - Acute Care Perioperative inventory services
  - Cardinal Health also manages $5M Custom Pack program within the Operating Rooms

Background – Cont'd

- NYC Health + Hospitals has an agreement with Cardinal Health for Medical/Surgical supply distribution. It expires 7/31/20. The original agreement was awarded by RFP in 2008.

- 3 year best interest extension executed on August 1, 2017
  - $10+ million contract savings
    - 1.1% Markup on National Brand Products, down from 2.85% in previous agreement
    - 0% Markup on Cardinal Brand Products, down from 1.1% in previous agreement
    - $4,250,000 in rebates realized on Cardinal Brand products
  - ValueLink just in time delivery program – supports Logical Unit of Measure on the supply shelves with next day deliveries - lowers on hand supply costs
  - Deliveries 5 days per week, weekend courier service available
  - 7 Cardinal employees dedicated specifically to H+H providing support around inventory management, PO submission, backorders, shipping, billing, product conversions, clinical education, etc., at no cost to H+H
  - These contract savings and rebates result in a negative cost of goods for H+H.

- NYC Health + Hospitals has a 75% national brand and 25% Cardinal brand product distribution.

- This is a request for a one-year extension, which includes continuation of the $1.9M in cost-of-good mark-up savings.

Extension Justification

- Supply Chain recommends extending the current agreement with Cardinal Health for one year, through July 31, 2021, to stabilize the distribution relationship through the immediate COVID-19 response for supply and inventory management.

- Emergency Management
  - Cardinal Health has been instrumental in providing 24/7 logistics and sourcing support through Hurricane Sandy, Ebola, and now COVID-19.
  - Proactive efforts created new supply channels in times of need working with global and domestic supply partners to shift distribution channels in order to procure product safer and faster.
  - Creation and management of pandemic supply area specific to H+H within their own warehouse where supplies can be sequestered, stored, and distributed to facilities as needed.

- H+H has integrated these med/surg products into our electronic ordering system and use bar-coding readings, like you see in grocery stores for touchless re-ordering in several hospitals and just-in-time deliveries.

- If H+H was to move distributors this would potentially zero out our allocations with manufacturers exacerbating an already difficult supply market, e.g., PPE, IV solutions.

- Since this is negative cost of goods with all pricing negotiated by H+H, a small pool of qualified vendors, and service/support being the largest driver of distribution choice, the Negotiated Acquisition is the best sourcing process for choosing a Med/Surg distributor.

Extension Justification – Cont’d

- All current prices and services outlined here will remain through July 31, 2021.

- Justification:
  - Current relationship is mission critical for COVID-19 supply efforts
  - Cardinal Health offers 24/7 response to immediate supply needs
  - Greater access to global manufacturing capabilities for essential PPE supply
  - Management of pandemic stockpile that is distributed to NYC H+H facilities daily
  - Continuity of Supply Chain support through COVID-19 recovery
  - Continued planning and implementation of the transformed inventory management system
  - Cardinal Health has been an integral part of supply chain and hospital operations for the past 12 years and is very familiar with supply chain and operational needs of the system
  - There will be no increase in pricing

Vendor Diversity

- Most of the costs of this agreement are for goods NYC Health + Hospitals has contracted for, with 500+ third-parties, as well as some Cardinal branded products. Cardinal Health does the advanced purchasing, warehousing, and delivery of these goods to NYC Health + Hospitals facilities.

- The goods are highly regulated clinical goods. There are very few diverse vendors that are able to provide such goods.
  - Historically, NYC Health + Hospitals has excluded this contract from MWBE participation based on the lack of availability of diverse vendors able to provide clinical goods.

- Consistent with State and City practices, MWBE opportunity for this category was analyzed utilizing the historical spend categories and products against the offering of certified vendors in the NYS and NYC certified vendor directory.
  - Total opportunity with NYS/NYC vendors: 0.41%, representing twelve vendors.
  - Of those twelve vendors, NYC Health + Hospitals is utilizing four of the vendors. H+H has discussed opportunities with all of the identified diverse vendors with the support and participation of Cardinal. Based on clinical needs and standardization, however, H+H has not been able to move any further spend towards these diverse vendors.
  - In addition, 4.52% of the annual contract spend is with certified diverse vendors other than NYC or NYS.

Vendor Diversity – Cont'd

- Despite there being close to zero MWBE opportunity, however, through the partnership of Cardinal and NYS Industries for the Blind, H+H has been able to create 7.93% of preferred source spend, which counts toward our NYS MWBE goal.
  - Cardinal provides incontinence products and gloves to the Blind, which in turn packages the products for distribution to our facilities.

- Based on the NYS/NYC MWBE opportunity of 0.41% and the 7.93% achievement through NYS Industries for the Blind Supply Chain recommends an MWBE Goal of 8.34%

- Cardinal Corporate Supplier Diversity:
  - 2,700+ Diverse Supplier Partner Relationships Inclusive of small businesses, HUB zone-based businesses and businesses owned by minorities, women, veterans, service-disabled veterans, lesbian, gay, bisexual or transgender individuals
  - Globally, $847 million annual spend with diverse suppliers
  - National Minority Supplier Development Council (COE)

- Of further note Cardinal's EEO workforce analysis has never had any under-representations

Finance Committee Request

- Supply Chain Services is seeking approval to enter into contract with Cardinal Health for Medical/Surgical Distribution services:
  - 1 year
  - Effective 8/1/20
  - Not-to-exceed $130M
  - MWBE Goal of 8.34%