



EXECUTIVE COMMITTEE MEETING

TUESDAY, APRIL 8, 2025

A•G•E•N•D•A•

CALL TO ORDER - 9:00 AM

Mr. Pagán

1. Executive Session

Mr. Pagán

2. Authorizing the New York City Health and Hospitals Corporation (the “System”) to execute a contract with **Cardinal Health 200, Inc. (“Cardinal”) for Medical and Surgical Supply Distribution** for a term of five years with a two-year renewal option exercisable at the discretion of the System. In accordance to OP 100-05 Procurement and Contracting Policy, Article II Procurement Table, Not-To-Exceed amounts on Goods Contracts is not applicable.
(Presented Directly to the Executive Committee: (04/08/2025)
Vendex: Pending / EEO: Pending

Ms. DiBari

>>Old Business<<

Mr. Pagán

>>New Business<<

>>Adjournment<<

RESOLUTION

Authorizing the New York City Health and Hospitals Corporation (the “System”) to execute a contract with **Cardinal Health 200, Inc. (“Cardinal”) for Medical and Surgical Supply Distribution** for a term of five years with a two-year renewal option exercisable at the discretion of the System. In accordance to OP 100-05 Procurement and Contracting Policy, Article II Procurement Table, Not-To-Exceed amounts on Goods Contracts is not applicable.

WHEREAS, the System entered into a contract with Cardinal dated August 1, 2008 following an RFP process and pursuant to authorization given by the System’s Board of Directors to provide medical and surgical supply distribution services; and

WHEREAS, the System has identified a continued need for medical distribution supplies; and

WHEREAS, the System has analyzed the current state of the international market in terms of tariffs being levied by the United States to multiple foreign countries and sees the need to increase its savings and rebates with a proven distribution partner to protect the financial well-being of the System; and

WHEREAS, the System will benefit from a renegotiation of this agreement with Cardinal in the form of savings and rebates totaling \$105.8M over a term of five years with a two-year renewal option exercisable at the discretion of the System; and

WHEREAS, consequently, it was determined that it is in the System’s best interest to renew the agreement with Cardinal; and

WHEREAS, the Supply Chain Services Department under the leadership of the Chief Procurement Officer will be responsible for the management of the proposed contract, with annual reporting to the Board.

NOW THEREFORE, be it

RESOLVED, that New York City Health and Hospitals Corporation be and hereby is authorized to execute a contract with Cardinal Health 200, Inc. for medical and surgical supply distribution for a contract term of five years with a two-year renewal options exercisable at the discretion of the System. In accordance to OP 100-05 **Procurement and Contracting Policy**, Article II **Procurement Table**, Not-To-Exceed amounts on Goods Contracts is not applicable.

EXECUTIVE SUMMARY
MEDICAL AND SURGICAL SUPPLY DISTRIBUTION
AGREEMENT WITH
CARDINAL HEALTH 200, INC.

OVERVIEW: The purpose of this agreement is to provide the system with Medical and Surgical Supply Distribution through our existing partner Cardinal Health 200, Inc. (“Cardinal”)

PROCUREMENT: The System is conducting a Best Interest Contract Renewal in order to increase savings and rebates to the System. The necessity for this contract renewal stems from the current need to insulate the System from the increased tariffs the federal government levied on foreign countries that have historically manufactured medical and surgical supplies for the System.

MWBE: An overall MWBE utilization goal of 8.5% has been established and accepted by the selected vendor and will continue to be honored throughout the Best Interest Renewal.



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

From: Georgia Tsismenakis
Associate Counsel
Office of Legal Affairs

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

Date: April 4, 2025

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

<u>Vendor Legal Name</u>	<u>Vendor Responsibility</u>	<u>EEO</u>	<u>MWBE</u>
Cardinal Health 200, Inc.	Pending	Pending	8.5%

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.

Executive Committee Meeting

Medical Surgical Distribution

**Application to Enter into Contract
Best Interest Renewal – Cardinal Health 200 Inc.
April 8, 2025**

**Danielle DiBari – Senior Vice President,
Business Operations
Peter Bernacki – Deputy Chief Procurement Officer**

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➤ With annual reporting to the Board

Background/Current State

The standard practice of all health systems is to utilize a distribution partner to warehouse and distribute Medical Surgical products. Cardinal Health 200, Inc. is the prime distributor of Medical, Surgical and Laboratory products for the System, providing forward purchasing of products, warehousing, and shipping that permits them to provide customers with one comprehensive supply delivery platform. The services are provided to Acute, Post-Acute, Gotham, and Correctional Health. The original agreement was awarded by RFP in 2008, and a 3-year best interest extension was executed in August 2017.

NYC H+H uses medical/surgical supplies that are provided by more than 500 manufacture red delivered to us by Cardinal. These supplies are all on either 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 locally negotiated agreements. Premier provided tiered pricing to health systems based on volume purchasing – H+H pay Cardinal the previously negotiated rates and they in-turn pays the vendors.

- A First Amendment one-year renewal was executed on August 1, 2020
- A Second Amendment three-year renewal was executed August 1, 2021 with an option to renew one additional year
- A Third Amendment two-year early renewal was executed April 1, 2023 with expiration date of July 31, 2026 and one-year renewal option to expire July 31, 2027

U.S Medical Surgical Distribution Market

- Three Suppliers represent 95% of Distribution Market
 - Cardinal Health 200, Inc.
 - Medline
 - Owens & Minor
- All three suppliers provide similar distribution models related to Medical Surgical products, with self manufactured products available with varying degrees of product coverage
- Cardinal is only supplier that can provide Medical Surgical, Lab, and Pharmacy Distribution
- Cardinal provides dedicated on-site resources as part of support model
- Cardinal has invested in a supply resiliency program, building out additional warehouses to support and additional 120 days of inventory on hand

Distribution

- Pre-purchase, warehousing/3PL of products contracted/ordered by the system
- Deliveries five days per week, weekend courier service available
- Dedicated full time employees for daily support of facilities
- Supply Resiliency commitment with new warehouse to support additional 120 days of inventory

Emergency Support

- Preferred allocation of difficult to source stock, e.g. PPE, Critical Care, Vent supplies
- 24/7 access to warehouse and logistics support, moved product overnight to ensure availability, performed courier service between facilities so limited product could be shared
- Cardinal reviews H+H sourced product to ensure authenticity of 3rd party replacement product
- On-site clinical support team to build custom kits from alternate sourced products to ensure OR procedures were not interrupted

Operations

- Transition from bulk ordering to just-in-time ordering
- 3,300+ items ordered through an operationally efficient procurement process
 - Reduces inventory on the shelves and streamlines ordering processes
- Utilizes barcode reading/touchless ordering, and unit-based deliveries of supplies

Best Interest Renewal Justification

The proposed new contract term of seven years through 2032, will provide long-term stability and enhanced value through a combination of line item cost reductions and annual rebates.

Financial

- All Distribution Markups reduced on purchases
- Increase in Cost Savings and Rebate Program

Continuity of Partnership

- Low Unit of Measure Program
- ERP Item Master Coordination
- Operational Synergies
 - Pharmacy, Laboratory, 3PL Program, Optifreight
- Supply Resiliency – Seasonal bolus order commitments for essential products

Best Interest Renewal

Under OP 100-05, the System can renew a contract with appropriate vendor and pricing due diligence rather than re-procure when it is in the System's best interest to do so.

Best Interest Renewal elements:

- Vendor due diligence
 - As mentioned in the market overview there are only 3 vendors capable of servicing NYCHHC in the medical / surgical distribution space
 - Cardinal Health 200, Inc. has proven to be a strategic partner to NYCHHC providing assistance during crisis' such as pandemics, shortages, natural disasters, etc.
- The cost of switching to a different distributor would have disruptive financial and operational impacts
 - This would have cost and logistical implications, along with potential patient care disruption

Vendor Performance

DESCRIPTION	ANSWER
Did the vendor meet its budgetary goals, exercising reasonable efforts to contain costs, including change order pricing?	Yes
Has the vendor met any/all of the MWBE participation goals and/or Local Business enterprise requirements, to the extent applicable?	Yes
Did the vendor and any/all subcontractors comply with applicable Prevailing Wage requirements?	Yes
Did the vendor maintain adequate records and logs, and did it submit accurate, complete and timely payment requisitions, fiscal reports and invoices, change order proposals, timesheets and other required daily and periodic record submissions (as applicable)?	Yes
Did the vendor submit its proposed subcontractors for approval in advance of all work by such subcontractors?	Yes
Did the vendor pay its suppliers and subcontractors, if any, promptly?	Yes
Did the vendor and its subcontractors perform the contract with the requisite technical skill and expertise?	Yes
Did the vendor adequately supervise the contract and its personnel, and did its supervisors demonstrate the requisite technical skill and expertise to advance the work	Yes
Did the vendor adequately staff the contract?	Yes
Did the vendor fully comply with all applicable safety standards and maintain the site in an appropriate and safe condition?	Yes
Did the vendor fully cooperate with the agency, e.g., by participating in necessary meetings, responding to agency orders and assisting the agency in addressing complaints from the community during the construction as applicable?	Yes
Did the vendor adequately identify and promptly notify the agency of any issues or conditions that could affect the quality of work or result in delays, and did it adequately and promptly assist the agency in resolving problems?	Yes
Performance and Overall Quality Rating	Excellent

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- With annual reporting to the Board