



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



DATE: June 21, 2011

BOARD MEETING DATE: July 12, 2011

SPECIAL NOTICE/HEARING: None

VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Jean S. Fraser, Chief, Health System
Susan Ehrlich, MD, MPP, Chief Executive Officer
San Mateo Medical Center

SUBJECT: Agreement with Rona Consulting Group

RECOMMENDATION:

Adopt a Resolution:

- A) Waiving the Request for Proposals process and authorizing the President of the Board to execute an Agreement with Rona Consulting Group for San Mateo Medical Center Lean Transformation for the term July 1, 2011 through June 30, 2013, for a maximum obligation \$900,000; and
- B) Authorizing the Chief of the Health System or designee to execute contract amendments which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate), and/or modify the contract term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

BACKGROUND:

San Mateo Medical Center (SMMC) has utilized Rona Consulting Group (Rona) over the last 3 years to help improve various processes and leadership practices at SMMC. Rona uses the Toyota Management System (also called "Lean Enterprise" or simply "Lean" practices) to address and improve quality, access, customer satisfaction, staff loyalty and satisfaction and financial performance. This work has led SMMC to take the first steps in creating a world-class Lean healthcare enterprise. SMMC needs to continue this work and to formalize its processes so that the improvements are systematically retained, leading to a true culture change with a supporting infrastructure.

DISCUSSION:

Rona will help SMMC change the way it manages to achieve higher-level performance. Rona will educate and train SMMC leadership to achieve SMMC's vision of superior clinical results, strong patient loyalty and positive financial performance. This approach to management will allow SMMC to set new standards

of excellence in the delivery of health services for its patients and allow SMMC to continue on its path of being a leading healthcare system.

Rona will provide a 2-year, Lean Enterprise Executive and Management Education and Training program consisting of 50 weeks of on-site work by their consultant team spread amongst SMMC's inpatient and outpatient clinical sites and administrative areas. The result of this work will be the development of internal competency and infrastructure to independently continue and provide demonstrable rapid progress in becoming a Lean organization, offering superior safety, quality, customer satisfaction, staff satisfaction, cost performance and margin.

SMMC is requesting a waiver of the Request for Proposals (RFP) for this Agreement. Rona was recently selected by the California Health Care Safety Net Institute (SNI), a non-profit organization which helps public hospital systems design and direct programs that accelerate the spread of innovative practices. SNI completed a Request For Proposals (RFP) in February 2009, and found Rona to be the best qualified and least expensive contractor of this type.

The Agreement and Resolution have been reviewed and approved by County Counsel as to form. The Contractor's insurance has been reviewed and waived by Risk Management. The Contractor has assured compliance with the County's Contractor Employee Jury Service Ordinance, as well as all other contract provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits.

This Agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by providing access to quality care for SMMC patients at a lower cost. It is anticipated that SMMC's cost per adjusted patient day will increase from \$881 to \$918 due to rising operational costs but through the use of Lean management principles, SMMC will be able to slow the ascent of this cost.

Performance Measure:

Measure	FY 2009-10 Actual	FY 2010-11 Projected
SMMC cost per adjusted patient day	\$881	\$918*

*Due to increase in operating costs

FISCAL IMPACT:

The term of the Agreement is July 1, 2011 through June 30, 2013. The maximum fiscal obligation is \$900,000. Funds in the amount of \$540,000 are included in the SMMC tentatively Adopted FY 2011-12 Budget. Similar arrangements will be made for future years. Expenses at SMMC are covered by fees for services or third-party payors whenever possible. The portion of expenses for services provided to the medically indigent or to those covered by programs that do not meet the full costs of care are covered by the County's General Fund contribution to SMMC.

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

* * * * *

RESOLUTION: A) WAIVING THE REQUEST FOR PROPOSALS PROCESS AND AUTHORIZING THE PRESIDENT OF THE BOARD TO EXECUTE AN AGREEMENT WITH RONA CONSULTING GROUP FOR SAN MATEO MEDICAL CENTER LEAN TRANSFORMATION FOR THE TERM JULY 1, 2011 THROUGH JUNE 30, 2013, FOR A MAXIMUM OBLIGATION \$900,000; AND B) AUTHORIZING THE CHIEF OF THE HEALTH SYSTEM OR DESIGNEE TO EXECUTE CONTRACT AMENDMENTS WHICH MODIFY THE COUNTY'S MAXIMUM FISCAL OBLIGATION BY NO MORE THAN \$25,000 (IN AGGREGATE), AND/OR MODIFY THE CONTRACT TERM AND/OR SERVICES SO LONG AS THE MODIFIED TERM OR SERVICES IS/ARE WITHIN THE CURRENT OR REVISED FISCAL PROVISIONS

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, Ordinance Code Section 2.83.170 authorizes the Board of Supervisors to waive the Request for Proposals process in any situation where the Board of Supervisors determines that the best interest of the County could be served without the necessity of proposals; and

WHEREAS, this Board has been asked to waive their Request for Proposals (RFP) requirement in order for San Mateo Medical Center (SMMC) to contract with Rona Consulting Group (Rona) for Lean Transformation training because Rona was recently selected after an RFP completed by the California Health Care Safety Net Institute (SNI) ; and

WHEREAS, this Board has determined that it is in the best interest of the County to waive the Request for Proposals process; and

WHEREAS, San Mateo Medical Center (SMMC) has worked with Rona Consulting Group (Rona) over the last 3 years to help improve various processes and leadership practices at SMMC through the use of “Lean” practices, and SMMC wishes to continue this work and to formalize its processes so that the improvements are systematically retained, leading to a culture change with a supporting infrastructure; and

WHEREAS, Rona will help SMMC change the way it manages to achieve higher-level performance by providing a 2-year program consisting of 50 weeks of on-site work by their consultant team spread amongst SMMC’s inpatient and outpatient clinical sites and corporate areas; and

WHEREAS, this Board has been presented with a form of such Agreement, has examined and approved it as to both form and content, and desires to enter into it.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the County requirement for the Request for Proposals process for said Agreement is hereby waived.

BE IT FURTHER RESOLVED that the President of this Board of Supervisors be and is hereby authorized and directed to execute said Agreement for and on behalf of the County of San Mateo, and the Clerk of the Board shall attest the President’s signature thereto.

BE IT FURTHER RESOLVED that the Chief of the Health System or designee is authorized to execute contract amendments which modify the County’s maximum

fiscal obligation by no more than \$25,000 (in aggregate), and/or modify the contract term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

* * * * *

**AGREEMENT BETWEEN THE COUNTY OF SAN MATEO AND
RONA CONSULTING GROUP**

THIS AGREEMENT, entered into this _____ day of _____ ,
20____, by and between the COUNTY OF SAN MATEO, hereinafter called "County,"
and Rona Consulting Group, hereinafter called "Contractor";

W I T N E S S E T H:

WHEREAS, pursuant to Government Code, Section 31000, County may contract with independent contractors for the furnishing of such services to or for County or any Department thereof;

WHEREAS, it is necessary and desirable that Contractor be retained for the purpose of providing San Mateo Medical Center (SMMC) a Lean Enterprise Executive and Management Education and Training program.

**NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO
AS FOLLOWS:**

1. Exhibits and Attachments

The following exhibits and attachments are included hereto and incorporated by reference herein:

Exhibit A—Services

Exhibit B—Payments and rates

Exhibit E – Corporate Compliance SMMC Code of Conduct (Third Parties)

Attachment H—HIPAA Business Associate requirements

Attachment I—§ 504 Compliance

2. Services to be performed by Contractor

In consideration of the payments set forth herein and in Exhibit “B,” Contractor shall perform services for County in accordance with the terms, conditions and specifications set forth herein and in Exhibit “A.”

3. Payments

In consideration of the services provided by Contractor in accordance with all terms, conditions and specifications set forth herein and in Exhibit "A," County shall make payment to Contractor based on the rates and in the manner specified in Exhibit "B." The County reserves the right to withhold payment if the County determines that the quantity or quality of the work performed is unacceptable. In no event shall the County’s total fiscal obligation under this Agreement exceed NINE HUNDRED THOUSAND DOLLARS, (\$900,000)

4. Term and Termination

Subject to compliance with all terms and conditions, the term of this Agreement shall be from July 1, 2011 through June 30, 2013.

This Agreement may be terminated by Contractor, the Chief of the Health System or his/her designee at any time without a requirement of good cause upon thirty (30) days' written notice to the other party.

In the event of termination, all finished or unfinished documents, data, studies, maps, photographs, reports, and materials (hereafter referred to as materials) prepared by Contractor under this Agreement shall become the property of the County and shall be promptly delivered to the County. Upon termination, the Contractor may make and retain a copy of such materials. Subject to availability of funding, Contractor shall be entitled to receive payment for work/services provided prior to termination of the Agreement. Such payment shall be that portion of the full payment which is determined by comparing the work/services completed to the work/services required by the Agreement.

5. Availability of Funds

The County may terminate this Agreement or a portion of the services referenced in the Attachments and Exhibits based upon unavailability of Federal, State, or County funds, by providing written notice to Contractor as soon as is reasonably possible after the County learns of said unavailability of outside funding.

6. Relationship of Parties

Contractor agrees and understands that the work/services performed under this Agreement are performed as an independent Contractor and not as an employee of the County and that Contractor acquires none of the rights, privileges, powers, or advantages of County employees.

7. Hold Harmless

Contractor shall indemnify and save harmless County, its officers, agents, employees, and servants from all claims, suits, or actions of every name, kind, and description, brought for, or on account of: (A) injuries to or death of any person, including Contractor, or (B) damage to any property of any kind whatsoever and to whomsoever belonging, (C) any sanctions, penalties, or claims of damages resulting from Contractor's failure to comply with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended, or (D) any other loss or cost, including but not limited to that caused by the concurrent active or passive negligence of County, its officers, agents, employees, or servants, resulting from the performance of any work required of Contractor or payments made pursuant to this Agreement, provided that this shall not apply to injuries or damage for which County has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct.

The duty of Contractor to indemnify and save harmless as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

8. Assignability and Subcontracting

Contractor shall not assign this Agreement or any portion thereof to a third party or subcontract with a third party to provide services required by contractor under this Agreement without the prior written consent of County. Any such assignment or subcontract without the County's prior written consent shall give County the right to automatically and immediately terminate this Agreement.

9. Insurance

The Contractor shall not commence work or be required to commence work under this Agreement unless and until all insurance required under this paragraph has been obtained and such insurance has been approved by Risk Management, and Contractor shall use diligence to obtain such insurance and to obtain such approval. The Contractor shall furnish the County with certificates of insurance evidencing the required coverage, and there shall be a specific contractual liability endorsement extending the Contractor's coverage to include the contractual liability assumed by the Contractor pursuant to this Agreement. These certificates shall specify or be endorsed to provide that thirty (30) days' notice must be given, in writing, to the County of any pending change in the limits of liability or of any cancellation or modification of the policy.

- (1) **Worker's Compensation and Employer's Liability Insurance** The Contractor shall have in effect during the entire life of this Agreement Workers' Compensation and Employer's Liability Insurance providing full statutory coverage. In signing this Agreement, the Contractor certifies, as required by Section 1861 of the California Labor Code, that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of the Code, and will comply with such provisions before commencing the performance of the work of this Agreement.
- (2) **Liability Insurance** The Contractor shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect him/her while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from contractors operations under this Agreement, whether such operations be by himself/herself or by any sub-contractor or by anyone directly or indirectly employed by either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall be not less than the amount specified below.

Such insurance shall include:

- (a) Comprehensive General Liability \$1,000,000
 . . .
- (b) Motor Vehicle Liability Insurance \$1,000,000
 . . .
- (c) Professional Liability \$1,000,000
 . . .

County and its officers, agents, employees and servants shall be named as additional insured on any such policies of insurance, which shall also contain a provision that the insurance afforded thereby to the County, its officers, agents, employees and servants shall be primary insurance to the full limits of liability of the policy, and that if the County or its officers and employees have other insurance against the loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, the County of San Mateo at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work pursuant to this Agreement.

10. Compliance with laws; payment of Permits/Licenses

All services to be performed by Contractor pursuant to this Agreement shall be performed in accordance with all applicable Federal, State, County, and municipal laws, ordinances and regulations, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and the Federal Regulations promulgated thereunder, as amended, and will comply with the Business Associate requirements set forth in Attachment “H,” and the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, as amended and attached hereto and incorporated by reference herein as Attachment “I,” which prohibits discrimination on the basis of handicap in programs and activities receiving any Federal or County financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including, but not limited to, appropriate licensure, certification regulations, provisions pertaining to confidentiality of records, and applicable quality assurance regulations. In the event of a conflict between the terms of this Agreement and State, Federal, County, or municipal law or regulations, the requirements of the applicable law will take precedence over the requirements set forth in this Agreement. The parties agree that, pursuant to Section 70713 of Title 22 of the California Code of Regulations (“Title 22”), the facility retains all professional and administrative responsibility for services rendered under this Agreement and that this Agreement is otherwise subject to any applicable requirements of Title 22. Further, Contractor certifies that the Contractor and all of its subcontractors will adhere to all applicable provisions of Chapter 4.106 of the San Mateo County Ordinance Code, which regulates the use of disposable food service ware.

Contractor will timely and accurately complete, sign, and submit all necessary documentation of compliance.

11. Non-Discrimination and Other Requirements

- A. *Section 504 applies only to Contractors who are providing services to members of the public.* Contractor shall comply with § 504 of the Rehabilitation Act of 1973, which provides that no otherwise qualified handicapped individual shall, solely by reason of a disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination in the performance of this Agreement.
- B. *General non-discrimination.* No person shall, on the grounds of race, color, religion, ancestry, gender, age (over 40), national origin, medical condition (cancer), physical or mental disability, sexual orientation, pregnancy, childbirth or related medical condition, marital status, or political affiliation be denied any benefits or subject to discrimination under this Agreement.
- C. *Equal employment opportunity.* Contractor shall ensure equal employment opportunity based on objective standards of recruitment, classification, selection, promotion, compensation, performance evaluation, and management relations for all employees under this Agreement. Contractor's equal employment policies shall be made available to County of San Mateo upon request.
- D. *Violation of Non-discrimination provisions.* Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject the Contractor to penalties, to be determined by the County Manager, including but not limited to
 - i) termination of this Agreement;
 - ii) disqualification of the Contractor from bidding on or being awarded a County contract for a period of up to 3 years;
 - iii) liquidated damages of \$2,500 per violation;
 - iv) imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager.

To effectuate the provisions of this section, the County Manager shall have the authority to examine Contractor's employment records with respect to compliance with this paragraph and/or to set off all or any portion of the amount described in this paragraph against amounts due to Contractor under the Contract or any other Contract between Contractor and County.

Contractor shall report to the County Manager the filing by any person in any court of any complaint of discrimination or the filing by any person of any and all charges with the Equal Employment Opportunity Commission, the Fair Employment and Housing Commission or any other entity charged with the investigation of allegations within 30 days of such filing, provided that within such 30 days such entity has not notified Contractor that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complainant, a copy of such complaint, and a description of the circumstance. Contractor shall provide County with a copy of their response to the Complaint when filed.

- E. *Compliance with Equal Benefits Ordinance.* With respect to the provision of employee benefits, Contractor shall comply with the County Ordinance which prohibits contractors from discriminating in the provision of employee benefits

- between an employee with a domestic partner and an employee with a spouse.
- F. The Contractor shall comply fully with the non-discrimination requirements required by 41 CFR 60-741.5(a), which is incorporated herein as if fully set forth.

12. Compliance with Contractor Employee Jury Service Ordinance

Contractor shall comply with the County Ordinance with respect to provision of jury duty pay to employees and have and adhere to a written policy that provides that its employees shall receive from the Contractor, on an annual basis, no less than five days of regular pay for actual jury service in San Mateo County. The policy may provide that employees deposit any fees received for such jury service with the Contractor or that the Contractor deduct from the employees' regular pay the fees received for jury service.

13. Retention of Records, Right to Monitor and Audit

(a) CONTRACTOR shall maintain all required records for three (3) years after the COUNTY makes final payment and all other pending matters are closed, and shall be subject to the examination and/or audit of the County, a Federal grantor agency, and the State of California.

(b) Reporting and Record Keeping: CONTRACTOR shall comply with all program and fiscal reporting requirements set forth by appropriate Federal, State and local agencies, and as required by the COUNTY.

(c) CONTRACTOR agrees to provide to COUNTY, to any Federal or State department having monitoring or review authority, to COUNTY's authorized representatives, and/or their appropriate audit agencies upon reasonable notice, access to and the right to examine all records and documents necessary to determine compliance with relevant Federal, State, and local statutes, rules and regulations, and this Agreement, and to evaluate the quality, appropriateness and timeliness of services performed.

14. Merger Clause

This Agreement, including the Exhibits attached hereto and incorporated herein by reference, constitutes the sole Agreement of the parties hereto and correctly states the rights, duties, and obligations of each party as of this document's date. In the event that any term, condition, provision, requirement or specification set forth in this body of the agreement conflicts with or is inconsistent with any term, condition, provision, requirement or specification in any exhibit and/or attachment to this agreement, the provisions of this body of the agreement shall prevail. Any prior agreement, promises, negotiations, or representations between the parties not expressly stated in this document are not binding. All subsequent modifications shall be in writing and signed by the parties.

15. Controlling Law and Venue

The validity of this Agreement and of its terms or provisions, as well as the rights and duties of the parties hereunder, the interpretation, and performance of this Agreement shall be governed by the laws of the State of California. Any dispute arising out of this Agreement shall be venued either in the San Mateo County Superior Court or in the

United States District Court for the Northern District of California.

16. Notices

Any notice, request, demand, or other communication required or permitted hereunder shall be deemed to be properly given when both (1) transmitted via facsimile to the telephone number listed below and (2) either deposited in the United State mail, postage prepaid, or when deposited for overnight delivery with an established overnight courier that provides a tracking number showing confirmation of receipt, for transmittal, charges prepaid, addressed to:

In the case of County, to:

San Mateo Medical Center
222 W. 39th Avenue
San Mateo, CA 94403
Attn: Chief Executive Officer
Facsimile: (650) 573-2950

In the case of Contractor, to:

Rona Consulting Group
9004 N. Mercer Way
Mercer Island, WA 98040
Attn: Thomas Jackson
Facsimile: (206) 230-8172

In the event that the facsimile transmission is not possible, notice shall be given both by United States mail and an overnight courier as outlined above.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hands.

COUNTY OF SAN MATEO

By: _____
President, Board of Supervisors, San Mateo
County

Date: _____

ATTEST:

By: _____
Clerk of Said Board

Rona Consulting Group

Contractor's Signature

Date: _____

Long Form Agreement/Business Associate
SMMC rev. 1/25/11

Exhibit “A”

In consideration of the payments set forth in Exhibit “B”, Contractor shall provide the following services:

The Rona Consulting Group will provide a 2-year Lean Enterprise Executive and Management Education and Training program of 50 weeks of on-site work by its consultant team spread amongst SMMC’s inpatient and outpatient clinical sites and corporate areas. The result of this work will be developing the internal competency and infrastructure to continue, independently, demonstrable rapid progress in becoming a lean organization offering superior safety, quality, customer satisfaction, staff satisfaction, cost performance and margin. The program will result in extensive training and staff exposure to this new approach. This is summarized in the following Scope and Deliverable Summary table:

Executive Team Certification	20 Individuals
Leadership Team Certification	35 Individuals
Physician Leader Certification	10 Individuals
Lean Healthcare Specialist Certification	15 Individuals
RCG Run Value Stream Workshops	10
RCG Run Kaizen Workshops	38
RCG Coached Kaizen Workshops	30
3P Workshops (for facility design)	2
Staff Workshop Training (Just in Time)	400
Hoshin Kanri Facilitator Training (Strategy)	20 Maximum
Preparation of 2-hour “Introduction to Lean in Healthcare”	Training of all certified leaders in delivery of module
Preparation of 5S training for staff module	Training of all certified leaders in teaching and evaluating 5S
Development of Daily Kaizen Improvement Program	Online system for all staff improvement suggestion system
Value Stream Identification Support	10 Value Streams
Development of Patient Safety Alert System	Deployed by Executive Team
Development & Deployment of KPO’s (Kaizen Promotion Office or Improvement Office Infrastructure)	<ul style="list-style-type: none"> • Development of KPO Office • Development of KPO organization structure & Job Descriptions • Development of Training Materials • Development of internal & external communications framework • Development of Standard Work Alert System (Knowledge Management System) • Integration plan for education, quality, process improvement, Service Excellence & Organizational Development
Project Planning	7 Weeks in 2011
Executive Assessment & Coaching	All certified leaders
On site presence of consultant(s)	50 weeks
Consultant Weeks	70

Exhibit "B"

In consideration of the services provided by Contractor in Exhibit "A", County shall pay Contractor based on the following fee schedule:

Contractor shall be paid a total of seven-hundred forty-two thousand eight-hundred dollars (\$742,800) for the work described in Exhibit "A", 20% (\$148,560) to be received on commencement of work and the remaining \$594,240 spread equally over the 24 month term of the Agreement in monthly payments of \$24,760. This amount does not include expenses. Contractor's reasonable costs and expenses, including travel, food, lodging, and supplies, incurred during the performance of this Agreement shall be reimbursed at cost as per agreement with CEO, expenses will be paid in addition to monthly payments at a rate of 16% (\$144,000) of \$900,000 and prorated over the 24 month term of the Agreement. All expenses other than a reasonable per diem for meals (as agreed to in writing in advance by County) require written documentation. The maximum amount payable under this agreement, including for out-of-pocket expenses, shall not exceed \$900,000, and in the event that Contractor's expenses push this Agreement near the \$900,000 total limit, Contractor must immediately notify the County and work with County to determine if the total Agreement amount can be increased by an amendment to this Agreement. The term of this Agreement is July 1, 2011 through June 30, 2013. All invoices shall be approved by the Chief Medical Officer and paid within 30 days of receipt.