

County of Santa Clara

Santa Clara Valley Health & Hospital System

Valley Medical Center



HHS14 082509


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DATE: August 25, 2009

TO: Board of Supervisors

FROM: 
Kim Roberts
SCVHHS - Chief Executive Officer

SUBJECT: Provision of Positron Emission Tomography/Computed Tomography (PET/CT) Services

RECOMMENDED ACTION

Consider recommendations relating to provision of diagnostic imaging services.

Possible action:

- a. Accept report on providing Positron Emission Tomography/Computed Tomography (PET/CT) Services that responds to Board questions raised at the August 11, 2009 meeting (Item 8).
- b. Approve delegation of authority to Executive Director, Santa Clara Valley Medical Center Hospital and Ancillary Services, or designee, to negotiate, execute, amend, terminate, and take any and all necessary or advisable actions regarding agreement with

Alliance Imaging, Inc. relating to providing mobile PET/CT services in an amount not to exceed \$1,200,000 for period August 11, 2009 through February 13, 2011, following approval by County Counsel as to form and legality, and approval by the Office of the County Executive. Delegation of authority shall expire on February 13, 2011.

FISCAL IMPLICATIONS

There is no impact on the County General Fund as a result of the recommended actions. The mobile PET/CT procedures generate sufficient revenue to cover the contract expense. The FY10 Santa Clara Valley Medical Center (SCVMC) budget includes the revenue and expenditures associated with the contract services.

In FY09, the County spent \$631,050 on PET/CT services that includes \$63,400 in outstanding invoices not submitted to Accounts Payable for payment. The FY09 level of spending reflects six months of PET/CT services at one day per week and six months at two days per week. Under the rates that staff put in place with Alliance Imaging in March 2009, the estimated annual cost of PET/CT imaging services in FY10 is \$769,600 excluding overtime or extra days of service to address lengthy wait lists. Overtime may be necessary when a scan takes longer than scheduled or a patient arrives late for the appointment. Therefore, SCVMC is recommending \$800,000 per fiscal year, or \$1.2 million for the period August 11, 2009 through February 13, 2011.

Over the last three fiscal years, the County has spent on average \$889,385 per year on MRI (two days per week) and PET/CT (all but six months at one day per week) services. Under the March 2009 rate structure, two days per week of MRI services costs \$7,600 per week while one day per week of PET/CT services costs \$7,400 per week, not including overtime and any extra days of service. Therefore, the savings from the termination of MRI services is substantially offset by the addition of one day per week of PET/CT services.

CONTRACT HISTORY

On February 7, 2006, the Board of Supervisors approved a delegation of authority to negotiate, execute and amend an agreement with Alliance Imaging, Inc. relating to mobile Magnetic Resonance Imaging (MRI) and PET/CT imaging services. It set a contract not to exceed amount of \$225,000 for the remainder of FY06 and \$800,000 annually for the period February 14, 2006 through June 30, 2008. The delegated authority expired on June 30, 2008.

In February 2007, the First Amendment was executed to lower the radiopharmaceutical rates and allow for a 12-hour day MRI schedule. A month later, the Board of Supervisors modified the existing delegation to increase the maximum contract amount from \$800,000 to \$960,000 annually. Staff requested the increased contract maximum to expand the mobile diagnostic imaging services to accommodate higher than expected patient volume. Following Board approval, the Second Amendment was executed on May 15, 2007 increasing the maximum annual compensation to \$920,000.

REASONS FOR RECOMMENDATION

On August 11, 2009, the Board of Supervisors considered various actions related to the service agreement with Alliance Imaging, Inc. See attached August 11, 2009 transmittal. The recommended actions included ratifying the third and fourth amendments to the agreement and extending the delegation of authority through June 30, 2011. The delegation included

authority to extend the term of the agreement through June 30, 2011 and reducing the maximum annual compensation to \$900,000 for FY 2010 and FY 2011.

The Board of Supervisors agreed that the County should pay the outstanding invoices the Alliance contract has generated to date. It directed staff to provide additional information regarding the provision of PET/CT imaging services at the August 25 Board meeting. The Board also referred a report to the next Health and Hospital Committee meeting on the processes in place to monitor contracts at SCVMC.

Cancer Treatment at SCVMC

The Board of Supervisors and its community partners have invested significant resources in providing patients at Santa Clara Valley Medical Center with comprehensive cancer treatment options. In 2006, the Board advanced \$4.2 million to fund the linear accelerator project that is part of the Sobrato Cancer Center housed at the Valley Specialty Center. Nearly a dozen donors contributed \$1.85 million through the VMC Foundation to offset the County's funding for the linear accelerator.

Just prior to opening the Sobrato Cancer Center in February 2009, staff increased the number of days per week that Alliance provides mobile PET/CT services from one day to two days per week. For the first eight months of 2008, the median weekly wait time, measured on Monday of each week, was 29 days. From September 2008 through January 12, 2009, the median weekly wait time had increased to 43 days. The 48 % increase in the wait time for PET/CT services led to exercising this option in the Alliance contract.

With the opening of the Sobrato Cancer Center, SCVMC has experienced a 60 percent increase in annual demand for PET/CT procedures. The addition of the second day per week has led to a median weekly wait time of 11 days through August 10, 2009.

The physicians and support staff treating cancer patients have a much easier job of coordinating care if PET/CT services are at the same location. They have more control over scheduling both PET/CT procedures and other aspects of the treatment plan if they only interact with one facility rather than two. The results of scans are likely to be available more quickly and in electronic formats compatible with County information systems if generated internally. Oncologists have easier access to have face-to-face contact with radiologists reading scans, if the need arises.

PET/CT services provide critical information in the staging, planning and developing the treatment pathways for patients where time is of the essence. See attached article about the Centers for Medicare and Medicaid Services (CMS) decision to expand PET coverage and National Comprehensive Cancer Network (NCCN) practice guidelines in oncology.

Cancer patients undergo PET/CT procedures on average two or three times during a course of treatment. Having patients receive those services on the SCVMC campus has significant treatment benefits to patients and their families. Patients undergoing cancer treatment already have sufficient fear, anxiety and stress in their lives just based on the disease they have. Sending them to a different facility introduces the stress of navigating an additional medical institution. Families of patients also find it much easier to coordinate transportation and schedules if the patient receives all services at one location.

PET/CT Service Providers

Staff has contacted a specialized diagnostic imaging facility and Stanford Hospital in order to receive PET/CT pricing information.

The specialized diagnostic imaging facility would accept the payment from insured patients that had insurance with firms that had contracts with the facility. For those that did not meet that condition, the facility would charge the County a flat fee of \$2,000 for each scan. The facility takes Medicare patients but not Medi-Cal.

Twenty-two percent of the County's current PET/CT patients have Medicare and 13 percent have some other form of commercial insurance. If all of the commercially insured patients have coverage with firms that have contracts with the facility, that leaves 65 percent at the \$2,000 rate. The PET/CT unit at SCVMC currently serves eight to ten patients daily, depending on the type of procedure ordered by the physician. Assuming 800 annual scans, the number of flat rate scans equals 520 for a total annual cost of \$1.04 million at the specialized facility.

SCVMC has contacted Stanford and requested pricing information for PET/CT services. Detailed information from Stanford was not available at the time this report was submitted, but will be shared verbally at the Board meeting. Since SCVMC's current relationship with Stanford does not cover outpatient services, a new service agreement would need to be developed for these services. It generally takes several months to negotiate and execute new agreements with Stanford.

Alliance Imaging has agreed to continue to provide PET/CT services while the County resolves this situation. Alliance Imaging provides staffing for 10 hours a day with a General Electric Discovery ST scanner with an 8 slice CT component. At this time, the two days a week of mobile PET/CT services provided by Alliance Imaging, adequately handles the current volume of requests for PET/CT services.

Periodically, SCVMC evaluates the option to purchase the PET/CT imaging equipment. The last such analysis took place in FY 2008 and staff concluded there was too much uncertainty over patient volumes to justify the multi-million dollar equipment investment. During FY10, SCVMC will complete the purchase cost-benefit analysis as planned and if purchasing the equipment is not a feasible option, staff will begin work on the new Request for Proposal.

Conclusion

Given the information available at this time, SCVMC recommends approval of the recommended action to continue contracting with Alliance Imaging, Inc. to ensure convenient and timely provision of PET/CT imaging services to cancer patients. The recommended action will provide the County with the ability to amend the agreement to change terms and conditions, modify operational requirements (such as changes to hours of service, days of service, and rates), and add County policies and procedures (such as Budget Contingency and Smoke Free Campus language).

CONSEQUENCES OF NEGATIVE ACTION

Failure to approve the recommended actions may impact SCVMC's ability to continue providing PET/CT imaging services.

ATTACHMENTS

- CMS PET
- NCCN Practice Guidelines
- August 11, 2009 transmittal