



**STAFF REPORT
ACTION REQUIRED**

Sole Source Contract for Vacuum Assisted Closure (V.A.C.) Therapy Systems and Services for the Long-Term Care Homes & Services Division.

Date:	January 14, 2011
To:	Government Management Committee
From:	General Manager, Long-Term Care Homes and Services Division and Director, Purchasing and Materials Management
Wards:	All
Reference Number:	P:/2011/Internal Services/pmmd/GM11001pmmd (AFS #13157)

SUMMARY

This report requests authority to award a proprietary sole source contract to KCI Medical Canada Inc. for the supply and delivery of Vacuum Assisted Closure (V.A.C.) Therapy Systems and Services for the Long-Term Care Homes and Services Division (LTCHS) in the amount of \$600,000.00 (net of all taxes) for a three (3) year period with an option to renew for two (2) additional one-year periods in the amount of \$200,000.00 per year for a total of \$1,000,000.00, net of all taxes. The \$200,000.00 (net of all taxes) per year estimated amount is based on average past utilization and forecasted utilization.

KCI Medical Canada Inc. is the sole proprietary distributor of V.A.C. Therapy Systems and Services in Canada. KCI Medical Canada Inc. has provided fair market pricing for both product purchase and rental of V.A.C. Therapy Systems and Services.

V.A.C. Therapy Systems and Services is a medical treatment modality for treating and healing serious skin and wound conditions. V.A.C. Therapy Systems and Services is a fully funded healthcare service from the Ministry of Health and Long-Term Care (MOHLTC), requiring specific, individual MOHLTC approval for each resident requiring the treatment. There is a MOHLTC requirement for long-term care homes to be able to access this treatment modality for residents who have a bona fide medical requirement. If an attending physician orders V.A.C. Therapy Systems and Services as the best possible clinical response to a skin and wound care problem, then the long-term care home is obligated to provide it. Incrementally over the last number of years, the LTCHS long-term care homes have been admitting residents with significantly more complex healthcare needs, including the need for specialized skin and wound care. As a result, the medical need for V.A.C. Therapy Systems and Services has increased.

RECOMMENDATIONS

The General Manager, Long-Term Care Homes and Services Division and the Director of Purchasing and Materials Management Division recommend that:

1. City Council grant authority to award a sole source contract to KCI Medical Canada Inc. for the supply and delivery of V.A.C. Therapy Systems and Services for the Long-Term Care Homes and Services Division in the amount of \$600,000.00 (net of all taxes) for a three (3) year period with an option to renew for two (2) additional one year options not to exceed \$200,000.00 (net of all taxes) per year for a total of \$1,000,000.00, net of all taxes. Option years will be exercised at the sole discretion of the City.

Should the option(s) be exercised, the General Manager, Long-Term Care Homes and Services Division will instruct the Chief Purchasing Official to process the necessary contract renewals under the same terms and conditions.

Financial Impact

The total potential contract award including all option years identified in this report is \$1,000,000.00 net of all taxes and charges. The total potential cost to the City is \$1,017,600.00 net of HST Recoveries. [The city will be reimbursed for the amounts expended as V.A.C. Therapy Systems and Services is 100% provincially funded].

Funding of \$203,520.00 net of HST Recoveries was available in the 2010 LTCHS Operating Budget and \$203,520.00 net of HST Recoveries has been recommended in the 2011 LTCHSD's Operating Budget in Cost Centre D3*170 2820. The balance of funds in the estimated amount of \$203,520.00 net of HST recoveries will be requested in each of the years 2012 and 2013 LTCHS operating submissions in the same cost centre. Should the options be exercised, then additional funds will be requested in the 2014-2015 operating budget submissions as outlined in the table below:

Date of award to December 31, 2013 (net of HST recoveries)	Option Year 1 January 1, 2014 to December 31, 2014 (net of HST recoveries)	Option Year 2 January 1, 2015 to December 30, 2015 (net of HST recoveries)	TOTAL (net of HST recoveries)
\$610,560.00	\$203,520.00	\$203,520.00	\$1,017,600.00

ISSUE BACKGROUND

In July, 2004, a sole source Blanket Contract #47009409 was issued to KCI Medical Canada Inc. in the amount of \$350,000.00 (net of all taxes) for the provision of V.A.C. Therapy Systems and Services to various LTCHS locations under staff authority. Blanket Contract #47009409 expired May 31, 2005.

In September 2006, sole source Blanket Contract #47011906 was issued to KCI Medical in the amount of \$50,000.00 (net of all taxes) with an amendment of \$50,000.00 (net of all taxes) processed in November 2007 for a total value of \$100,000.00 (net of all taxes) to continue to provide this mandatory medical treatment modality. Blanket Contract #47011906 expired March 31, 2009.

In August 2009, a Divisional Purchase Order (DPO) #3411799 was issued to KCI Medical Canada Inc. in the amount of \$50,000.00 (net of all taxes) to continue to provide this mandatory medical treatment modality. Staff from the LTCHS began to work with staff from the Purchasing and Materials Management Division (PMMD) to prepare a report requesting a multi-year contract. In December 2009 and April 2010, KCI Medical Canada Inc. provided the requirements for a proprietary sole source vendor contract proposal to LTCHS, confirming that KCI Medical Canada Inc. is the sole distributor of V.A.C. Therapy Systems and Services in Canada and that they have provided fair market pricing for both product purchase and rental.

In May 2010, DPO #3435234 was issued to KCI Medical Canada Inc. for \$50,000.00 (net of all taxes) and is currently in effect, to bridge any mandatory costs incurred related to necessary V.A.C. Therapy Systems and Services until a new sole source contract can be awarded. The current utilization rate of V.A.C. Therapy Systems and Services is such that DPO #3435234 will be exhausted prior to this report being considered at Government Management Committee. Therefore, Purchase Order #6032133 for \$75,000.00 (net of all taxes) was issued to KCI Medical Canada Inc. in December 2010 to continue to provide this mandatory medical treatment modality.

The total cumulative value for all sole source purchases for V.A.C. Therapy Systems and Services from KCI Medical Canada Inc. has exceeded the staff approval authority of \$500,000.00 by \$125,000.00 due to the on-going requirement for V.A.C. Therapy Systems and Services.

V.A.C. Therapy Systems and Services is an advanced, medically based wound therapy system that promotes wound healing. It delivers negative pressure (vacuum) at the wound site through a patented dressing and therapy unit, creating an environment that promotes wound healing. KCI Medical Canada Inc. is the sole supplier of this wound therapy system in Canada.

The Long-Term Care Homes Act and Regulation 79/10 have legislative and regulatory requirements related to skin and wound care, including: the need for a comprehensive skin and wound care program with assessment and strategies, equipment, supplies and devices to ensure

that residents receive immediate treatment and intervention to relieve pain and promote healing of wounds.

With more published evidence of effectiveness in wound therapy by V.A.C. Therapy Systems and Services than any other type of system, the MOHLTC requires that this treatment modality be available for residents whose clinical profile indicates the need for specialized wound healing care, as assessed and prescribed by a physician specialist or enterostomal nurse specialist. The MOHLTC reimburses 100% of the cost of this treatment modality through the High Intensity Need (HIN) fund. As such, there is zero financial impact to the City of Toronto.

The objective of the HIN fund is to prevent unnecessary admissions to hospitals and to enable the discharge of patients from hospitals to long-term care homes who have more complex care needs than are generally seen in long-term care. The HIN fund aims to meet the care requirements of high-needs residents in long-term care homes in an effective, sustainable, accountable and integrated manner. It supports long-term care homes to fund the extraordinary treatment costs of residents with acute or intensive service needs.

LTCHS long-term care homes have been admitting residents whose complex care needs and health profile are such that increased utilization of V.A.C. Therapy Systems and Services is medically warranted. The \$200,000.00 (net of all taxes) per year estimated amount is based on average past utilization and forecasted utilization.

Based on forecast utilization rates, LTCHS is requesting a sole source contract with KCI Medical Canada Inc. in the amount of \$600,000.00 (net of all taxes) for a three (3) year period with an option to renew for two (2) additional one-year periods in the amount of \$200,000.00 per year for a total of \$1,000,000.00, net of all taxes.

The prices quoted by KCI Medical Canada have been reviewed by LTCHS and are considered to be fair and reasonable. The prices quoted by KCI Medical Canada Inc. have been confirmed to be fair market pricing for both product purchase and rental.

The Fair Wage Office has reported that the recommended firm has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

COMMENTS

The total cumulative value for all sole source purchases for V.A.C. Therapy Systems and Services from KCI Medical Canada Inc. has exceeded the staff approval authority of \$500,000.00 by \$125,000.00 due to the on-going requirement for V.A.C. Therapy Systems and Services. The approval of this proprietary sole source contract is required to continue the provision of MOHLTC mandated treatment modality of V.A.C. Therapy Systems and Services at various LTCHS locations. V.A.C. Therapy Systems and Services is 100% funded by the MOHLTC through their HIN Fund, based on prior assessment and approval for individual residents' specialized medical treatment.

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SIGNATURE

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