

SUMMARY OF CONTRACT REQUEST TO THE HEALTH COMMISSION

Contractor	NuVasive, Inc.	Division/Section	DPH/ ZSFGH
Address	7475 LUSK BLVD	Deputy Director	Roland Pickens ^{DS}
	SAN DIEGO, CA 92121	DPH Administrator	Daisy Aguallo <i>Da</i>
Contact	Danielle Thayer	Program Administrator	Dana Nelson Phone 628-206-4461
	Sales Director	Contract Analyst	Philip Mach Phone 415-554-2675

Request for approval of a new contract with NuVasive, Inc. to purchase hardware, biologics, instrumentation, disposables and related surgical spinal products. Products are chosen by the Surgeon based on patients' needs. The total proposed contract amount is \$6,250,000 which includes a 12% contingency for the term of November 1, 2021 through October 31, 2026 (60 months).

Profit Non-Profit LBE RFP-Number: _____ Date: _____
 _____ New _____ Renewal _____ Mod Sole Source 21.5 Date: _____

Number of years DPH has been doing business with this organization: 8+ years

<u>CONTRACT INFORMATION:</u>	<u>Prior Transaction</u>	<u>Proposed Transaction</u>	<u>Annualized Difference*</u>
	New – No Prior Transaction	11/01/2021-10/31/2026	
Funding Sources:			
General Fund	-\$0-	\$5,580,360	\$5,580,360
TOTAL DPH REVENUES	-\$0-	\$5,580,360	\$5,580,360
12% Contingency Amount	-\$0-	669,640	669,640
CONTRACT TOTAL	-\$0-	\$6,250,000	\$6,250,000
ANNUAL AMOUNT OF CONTRACT (estimate)	-\$0-	\$1,116,072	\$1,116,072
Agency Funds	-\$0-	-\$0-	-\$0-
Contract FTE	N/A	N/A	N/A

PROPOSED:

Mode(s) of Service & Unit of Service Definition

UOS = One implantable medical device item

Hardware, biologics, instrumentation, disposables and related surgical spinal products.

Products are chosen by the Surgeon based on patients' needs. The NuVasive representative(s) will work closely with the surgeon to plan the cases, and will request all the necessary trays for a case in advance of the surgery. Any items that are used during the procedure will be billed for.

Emergency Patients - NuVasive organizes and consigns equipment in the hospital in anticipation of emergency spine surgery. Approximately 25 Instrument sets and Implant pans (approx. \$1,000,000 in value) will be on-hand to support surgeons' needs.

	<u>No. Of Clients</u>	<u>No. of Units</u>	<u>Unit Cost *</u>
N/A Duplicated			
N/A Unduplicated			Various
Actual		Actual – as required by each specific case	Various
Actual		Actual – as required by each specific case	Various

Clinic Patients - The NuVasive representative will request any Product or instrument trays that are not already on-hand. NuVasive ships these trays via FedEx or Courier, depending on the urgency of the case. The NuVasive representative will arrive at the hospital, prior to the case, to ensure all necessary equipment and Product is ready for the specific patient's surgical procedure.

Actual –
as required
by each
specific
case

Actual

Various

Explanation of Service Change and Variances:

This is a new contract.

Monitoring Report/Program Review & Follow-up:

The contract will be monitored in accordance with all applicable Departmental procedures through the Orthopedic and Neurosurgery units.

Nondiscrimination and Cultural Competency:

The Contractor will participate in applicable cultural competency requirements.

Sole Source: Nuvasive Inc. is the lead supplier in spine technology innovation, which is why Orthopedic and Neurosurgeons at the Department of Public Health's (DPH) Zuckerberg San Francisco General Hospital (ZSFG) request their medical, surgical equipment and instruments to use for patients in surgery. Instruments that the Orthopedic and Neurosurgeons use on a daily basis include plates, screws, grafts and rods. The doctors and surgeons have found NuVasive medical instruments and products to be clinically superior to any other product on the market, which has resulted in better patient outcomes, especially in the trauma department. NuVasive Inc. materials and instruments are also needed for any patient revisions/replacements that will be needed in the future.

ZSFG's Orthopedic and Neurosurgery departments have been using these medical instruments, implants and hardware on patients for over 8 years, with payments made under Purchase Orders on an invoice-by-invoice basis. The Department wishes to establish a contract for these services for five years. The sole source authority to enter into this contract comes from inclusion of the desired items on a City approved Proprietary List 7-03 that specifically includes medical and surgical equipment; instruments; special supplies (List category #6).

**Note on pricing: In order to evaluate the pricing on a wide range of products which may be required in a procedure, the supply chain unit utilized a third-party analytic benchmarking tool to analyze manufacturer pricing information and to assist the Department in price negotiations. The results of the benchmarking analysis revealed that the pricing the Department received is within the 75th percentile of pricing for 1,800 nationwide healthcare facilities. The supply chain unit will periodically review pricing utilizing benchmarking analytics to maintain or obtain favorable pricing.*

Other Significant Issues:

Nuvasive Inc. is a publicly traded medical device company with 2,800 employees and 25 locations globally. With annual revenues of \$1.2Billion. NuVasive, Inc. develops and markets minimally disruptive surgical products and procedurally integrated solutions for spine surgery. Its products focus on applications for spine fusion surgery, including ancillary products and services used to aid in the surgical procedure. The company's principal products include Maximum Access Surgery, a minimally disruptive surgical platform, which includes its software-driven nerve detection and avoidance systems, and intraoperative monitoring (IOM) services and support; MaXcess, an integrated split-blade retractor system; and various specialized implants and biologics. Its spine surgery product line offerings comprises products for the thoracolumbar and the cervical spine, which are primarily used to enable surgeons to access the spine to perform restorative and fusion procedures in a minimally disruptive fashion.

In the past, these services and the associated products have been purchased through the purchase order process without an overriding contract to cover all the purchases collectively. Given the volume of purchases, and the fact that the sales representatives serve as a resource to the doctors, a City contract is preferred as it has stronger

insurance coverage than is required through the standard terms and conditions in the purchase order format. Additionally, this will better ensure continued access to the required supplies and associated support services.

Listing of Board of Directors, Owners of 10% or More of the Firm, and Executive Director

Executive Director:

Vendor does not have an Executive Director, however, there is a Lead Independent Director, Daniel Wolterman.

Board of Directors

Gregory Lucier - Chairman, NuVasive, Inc. Chief Executive Officer, Corza Health, Inc.

J. Chris Barry - Chief Executive Officer, NuVasive, Inc.

Vickie Capps - Former Chief Financial Officer, DJO Global, Inc.

John DeFord, Ph.D. - Executive Vice President and Chief Technology Officer, Becton, Dickinson and Company

Robert Friel - Former Chairman and Chief Executive Officer, PerkinElmer, Inc.

R. Scott Huennekens - Former Chairman, Chief Executive Officer and President, Verb Surgical Inc.

Leslie Norwalk, Esq. - Strategic Counsel, Epstein Becker & Green, P.C., EBG Advisors and National Health Advisors

Donald Rosenberg, Esq. - Executive Vice President, General Counsel and Corporate Secretary, QUALCOMM Incorporated

Daniel Wolterman - Former President and Chief Executive Officer, Memorial Hermann Health System

The vendor has 9 Board members with 0 vacancies. Board members serve a term of Three years.

There are no term limits for members, however, Directors may not stand for re-election after age 72.

Owners of 10% or more of the Firm:

Wellington Management - 12.7% ownership

BlackRock Institutional Trust - 10.9% ownership

Recommendation: The Department recommends approval of this contract.