

Approved by the Board of Trustees
September 10, 2015

Board Meeting
September 10, 2015

ROLL CALL

PURCHASE RECOMMENDATIONS

The "Purchase Recommendations" are presented by campus and a Summary from "Appropriated Funds" (i.e., from State appropriations to the University) and from "Institutional Funds" is included. The latter term is used here to designate funds received by the University under contracts with the United States Government; contracts with private corporations and other organizations, from foundation grants, and grants from corporations and other donors; and University revolving funds authorized by law. The Summary also indicates a total amount by campus.

The board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois Statutes, The General Rules Concerning University Organization and Procedure, and Board of Trustees policies and directives.

The Assistant Vice President, Procurement Services has proposed and the Vice President, Chief Financial Officer recommends the following purchase. Unless otherwise specified, the purchase in each case is recommended on the basis of the lowest acceptable bid.

The President of the University concurs.

PURCHASES RECOMMENDED

Urbana-Champaign Campus

1 Unit Office of Capital Programs and Real Estate Services

Item Capital project management system to facilitate the capital delivery process for the period of October 1, 2015 through June 30, 2020.

Cost \$1,820,000.00 (actual)

Vendor e-Builder Inc., Plantation, FL

<u>Proposals Received</u>	<u>Point Summary of Proposals</u> (Maximum Score of 4,000)
e-Builders Inc., Plantation, FL	3,341
Oracle America, Inc., Redwood Shores, CA	3,052
AssetWorks, LLC Wayne, PA	1,510
 Renewal Options:	
July 1, 2020 through June 30, 2023	\$1,000,000.00
July 1, 2023 through June 30, 2025	\$ 750,000.00

Competitive bidding procedures were followed in accordance with the Illinois Procurement Code.

The University Office of Capital Programs and Real Estate Services (UOCPRES) manages capital project management (CPM) systems to facilitate the capital delivery process. These systems are over 10 years old and built on a variety of platforms and architectures that make integrations and sharing of data between systems complex. Furthermore, the separation of systems creates duplication of data stored within each system that leads to increased effort to keep data consistent between the systems as well as errors when the data is inconsistent. The marketplace for CPM systems has evolved such that systems now offer increased functionality and features that do not exist within the current UOCP systems today. A new CPM system also provides the opportunity to centralize and store data within a single store which greatly reduces the complexity and needs for data and system integration. The result is ultimately an improved user experience, reduction in processing errors, and the facilitation of end-to-end management of capital projects within the university through a single cohesive system.

The University will realize a substantial cost reduction that was achieved through a Best and Final Offer. The vendor will be providing unlimited software licenses, a 57% reduction in the annual licensing fee, a 15% reduction of the consulting/implementation service fee and a 10% discount for the entire first five year contract.

 2 Unit Facilities and Services, Energy Services Administration

Item Power Management Control System for the Abbott Power Plant

Cost \$2,365,245.00 (Estimated)

Vendor General Electric International, Inc., Shelton CT

Proposals Received

Point Summary of Proposals

(Maximum Score of 2,000)

General Electric International, Inc.,
Shelton CT

1,347

Competitive bidding procedures were followed in accordance with the Illinois Procurement Code. Three (3) vendors submitted proposals in response to the Request for Proposal (RFP), however only one (1) vendor, General Electric International, was deemed responsive in accordance with the Illinois Procurement Code.

General Electric International will provide a functional Power Management Control System (PMCS) for the University's Abbott Power Plant. The PMCS system will enable the Abbott Power Plant to shed load and keep the Power Plant on-line without major power interruptions. In addition to the PMCS system implementation, the University requires a modification to the existing system configurations to remove PMCS load shedding routines that are not currently functional. The modifications to the current system will include programming and testing of the control logic to control steam turbine generators and gas turbine generators after a load shed incident.

Additionally, the vendor will upgrade relays at the plant and substation to meet all project goals. These relays have reached end of economic life and have very limited parts support for future repairs. Reusable relays removed from the system will be put in University storage to help repair these similar relays on campus until such time as those relays can be upgraded.

If the system is not installed the University will continue to use a manual campus power recovery procedure. Depending on the nature of the failure, all of the utility power to the campus may need to be shut off while the plant is restarted on internal emergency power generators. Once sufficient power is available from the grid and/or the plant, portions of campus could be re-energized manually to the extent power is available. The PMCS will greatly reduce the risk of total and partial campus blackout from failures on the grid or at the plant. General Electric's price is deemed fair and reasonable based

on comparisons with similar projects in scope conducted at power plants throughout the Midwest.

3 Unit Division of Intercollegiate Athletics

Item Men's and Women's Basketball Team Travel/Charter Flight Services for the 2015 – 2016 Season

Cost \$1,151,240.00 (Estimated)

Vendor Air Planning, LLC, Salem NH

Competitive bidding procedures were followed in accordance with the Illinois Procurement Code. Six (6) vendors submitted bids in response to the issued Invitation for Bid (IFB), however only two (2) vendors, Air Planning, LLC and New England Flight Watch Charter Search were deemed responsive in accordance with the Illinois Procurement Code.

The Division of Intercollegiate Athletics with the Women's and Men's basketball teams will utilize travel/charter flight services for the purpose of team travel to the following locations:

Women's basketball is scheduled to travel to two (2) non-conference game (Memphis, Tennessee and Miami, Florida) and seven (7) conference games (University of Minnesota, University of Nebraska, University of Wisconsin, Rutgers University, University of Iowa, Ohio State University, and University of Michigan).

Men's basketball is scheduled to travel to two (2) non-conference games (Providence, Rhode Island and Fort Walton Beach, Florida) and seven (7) conference games (University of Maryland, Rutgers University, Michigan State University, University of Minnesota, Penn State University, Ohio State University, and University of Wisconsin).

The University will realize a cost reduction that was achieved through a Best and Final Offer. The vendor will be providing a 1.8% discount from their original price offered.

Chicago Campus

4 Unit University of Illinois Hospital & Health Sciences System (UIHHSS) on behalf of the Department of Ambulatory Care Pharmacy

Item Pharmaceutical drug products on an as-needed basis to support seven (7) outpatient clinics and retail pharmacies for the Department of Ambulatory Care Pharmacies for the period of September 11, 2015 through September 10, 2016.

Cost \$120,000,000 (estimated)

Vendor McKesson Corporation, San Francisco, CA

McKesson Corporation is the most economically feasible provider of pharmaceuticals, to include specialty medications, for the seven Ambulatory Care pharmacies that utilize these drugs.

Since 2002, the University of Illinois Hospital and Ambulatory Care Pharmacies purchased all prescription drugs under the University Health Systems Consortium (UHC)/Novation Group Purchasing Organization (GPO) Agreement; McKesson Corporation is the drug wholesaler and distributor for the University as part of the GPO contract. In 2013, the Federal 340B drug discount program implemented purchasing prohibition provisions against obtaining drugs for outpatients through a GPO that affected all recipients of 340B Federal drug pricing, including the University of Illinois Hospital and Ambulatory Care Pharmacies. For this reason, the University requires separate sole source approval to purchase drugs from McKesson outside of the Novation contract, although that contract is still utilized for the Hospital in-patient pharmacies.

Currently, all drug inventory management, ordering, dispensing, and patient billing are based on McKesson's integrated system and all UIHHSS staff are trained to work with the vendor's unique software. There are specific cost savings that accrue to the University because of the ongoing use of McKesson as the wholesaler for pharmaceuticals. McKesson awards prompt payment, once-daily delivery and volume discounts to the University of Illinois based upon the aggregated cost of goods purchased by the hospital and the ambulatory care pharmacies. The discounts are calculated based upon the combined total of 340B and non-340B purchases and range from 0.5 to 5.0% off list price. In addition, McKesson provides market access to medications distributed through restricted distribution

networks (i.e. high cost biologics) and offers “drop ship” arrangements for medications that must be ordered directly from the manufacturer.

McKesson also maintains national buying power of the generic drug portfolio provided by the larger wholesale distributors. Transition to another vendor would result in significant time and financial costs due to staff retraining, software conversion, and labor intensive changes in administrative processes.

Pricing is based on 340B and Wholesale Acquisition Cost (WAC) pricing structures, both of which are set by the federal government and are the lowest-cost options available to the University. The pricing is considered reasonable and acceptable and represents an estimated discount of \$4 million annually based on the University’s total purchase volume.

University Administration

5 Unit University Human Resources

Item Health insurance coverage for certain contingent employees, all campuses, for the period of January 1, 2016 through December 31, 2016

Cost \$1,600,000.00 (estimated)

Vendor Mercer Health & Benefits LLC, Chicago IL

University Human Resources seeks approval for the procurement of health insurance coverage for certain contingent employees for calendar year 2016. The rates for this coverage resulted from an emergency procurement led by the Illinois Public Higher Education Cooperative (IPHEC) and are consistent with the rates and coverage offered to the other state universities in Illinois. Emergency purchasing procedures were followed in accordance with the Illinois Procurement Code.

The Patient Protection and Affordable Care Act (PPACA) requires large employers to offer health insurance coverage, effective January 1, 2016, to at least 95% of their employees who qualify as full-time under PPACA, which includes employees who work on average 30 or more hours per week. Based on statutory language of the State Employees Group Insurance Act, certain categories of University employees who work temporary or variable hours, but may be considered full-time employees under PPACA, are not currently eligible for group health insurance provided through the State of Illinois

Department of Central Management Services (CMS). These categories may include: short-term employment; temporary, intermittent or irregular employees, including extra help employees; adjunct faculty; employees with a J-1 or F-1 visa who have not yet established residency; student employees; and hourly clinical/research/faculty employees. Based on calendar year 2014, the University had approximately 2,330 such employees. The University is obligated to offer these employees coverage, but the employees may decline coverage, especially if they have coverage from a different source (i.e., under a spouse, parent, or student health plan).

In January 2013, the University joined other state universities to pursue an IPHEC procurement for health insurance coverage. IPHEC coordinated a Request for Information (RFI) and three Request for Proposals (RFP), which resulted in no responsive bids, and ultimately the state procurement officer provided approval to engage in an emergency procurement. After discussions with six (6) vendors, IPHEC identified a single viable proposal. The total cost of the plan to the University is estimated at a maximum of \$1,600,000 for calendar year 2016. The cost is comprised of two parts:

1. An administrative fee paid by the University estimated at \$15.25 per eligible employee per month totaling an estimated \$426,390.
2. A plan premium rate paid by the University for the Minimum Essential Coverage (MEC) portion, not to exceed \$40 per enrolled employee per month, which could total \$1,118,400 if all eligible employees were to enroll (which is not anticipated).

Employees enrolled in this plan may also purchase, at their own expense, expanded coverage under a Limited Medical plan (at the rate of \$56.77 per month) and dependent spouse or child coverage. Additionally, this vendor offers dental, life insurance, and short-term disability plans that these employees may elect and purchase at their own expense.

It is recommended that the Board approve the procurement of health insurance coverage to be offered to qualifying contingent employees who are ineligible for the State of Illinois group health insurance plan in order to reduce the risk of financial penalties for noncompliance with PPACA.

The Board action recommended in this item complies in all material respects with applicable State and Federal laws, *University of Illinois Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

SUMMARY OF PURCHASES	
Urbana-Champaign Campus	\$ 5,336,485.00
Chicago Campus	\$ 120,000,000.00
University Administration	\$ 1,600,000.00
Recommended from Institutional Funds	
Grand Total	\$ 126,936,485.00