



# Contract Management

## 1. Introduction

Providence Health Care (PHC) supports best practices in contract management. Provincial Health Services Authority (PHSA) has primary contracting authority for the [Health Organization](#) (HO).

Contracts must follow the contracting policies outlined by PHSA Supply Chain. See PHSA website for policies. <http://customerportal.phsa.ca/supplychain/AboutUs/Policies/Pages/default.aspx>

PHC retains contracting authority for certain types of commitments. Refer to the Signing Authority Policy, Appendix A: Contracting Authority Matrix for details. The levels of contracting authority applies to the total commitment for the whole term of the contract, and contracting authority is limited to a selected number of individuals who, by virtue of their position and background, have the ability to examine fully the implications of a particular contractual obligation.

### 1.1. Purpose

The purpose of this contract management policy is to:

- Establish a consistent framework for overall contract management within PHC
- Comply with regulatory requirements, financial management guidelines and policies applicable to PHC
- Support fair and equitable business practices within PHC
- Obtain good quality and best value for money spent through contractual commitments
- Ensure contracts between PHC and individuals, affiliated agencies and other third parties meet legal, financial and other requirements as set out in this policy
- Assign responsibility and accountability for contract management
- Establish contract management principles for monitoring and assessing contract performance
- Document approval, payment and reporting requirements for contracts.

### 1.2. Scope

This policy applies to all [Staff](#) of PHC. Unless specifically excluded under Section 1.3, this policy is applicable to all PHC contracts.



### **1.3. Exceptions**

This policy does not apply to PHC labour and employment contracts.

## **2. Policy**

Staff shall adhere to the contracting principles set out in this policy, which support fair business practices, value return for contracts, sound financial management, and appropriate risk management and accountability.

Members of staff appointed as Business Owners of Contracts are responsible for the management and performance of contracts within their area of responsibility, including funding commitments within pre-approved or allocated budgets, and compliance with contract management and reporting systems within PHC as determined by Procurement & Contract Management.

### **2.1. Contracting Principles**

#### **Due Diligence**

PHC's contracting practices may be subject to public scrutiny. Before contracting is initiated for services, supplies or equipment, staff accountable for initiating or responsible for the contracting process shall:

- a) Review the Signing Authority Policy, Appendix A: Contracting Authority Matrix to determine the type of commitment and identify the contracting authority responsible for the contract process (PHC or PHSA). The staff should contact the appropriate PHC contracting authority or PHSA Supply Chain to discuss service/equipment needs/availability, as they may be able to provide a superior product/service for the same or less risk and cost due to economies of scale, standing arrangements with vendors or other reasons. Also they are in the best position to recommend an appropriate contractor.
- b) Consult with appropriate contracting expertise, for example, PHSA Supply Chain, regarding standard procurement processes for proposed contracts to ensure conformance with applicable procurement guidelines/policies, including Request for Proposal (RFP), Request for Information (RFI), Tender or price quotation policies and processes. Refer to PHSA website for guidelines on competitive bid process.
- c) Consult with People where appropriate, to ensure that the proposed contract will not contravene any existing labour agreements binding PHC or guidelines concerning the use of professional service providers.



- d) Ensure that the specialized knowledge, techniques, software, capital or equipment are required and not currently available within PHC.
- e) Consult with or initiate consultation with appropriate experts (e.g., Legal, Risk Management, Finance, Business Owners of Contracts) to confirm that the proposed contract does not contravene any legislation, Ministry policy or guidelines, or existing agreements.
- f) Confirm with Finance that there are sufficient funds in the budget and that any required pre-approvals have been obtained in accordance with the Signing Authority Policy. For contracts of significant value, risk or profile that require signing by a Vice President or Senior Executive, the CFO, or by the CEO; complete a Contract Tracking & Approval Form to ensure that the appropriate stakeholders (e.g. contract sponsor, finance, legal, etc.) have reviewed and approved the proposed contract for signing.
- g) Consult with Procurement & Contract Management for contracts where PHC retains contracting authority to ensure this policy is followed, and potential contracts align with PHSA Supply Chain policies.
- h) Verify the proposed contract does not present any significant risk to PHC, its staff or to public health or safety.
- i) Verify that the project/services/equipment can be defined, monitored and assessed for contract purposes.
- j) Confirm that the acquisition of services or equipment is an appropriate business option for PHC.
- k) Conduct appropriate due diligence with regard to contractor/supplier qualifications, expertise, financial stability and other relevant criteria.

### **Conflict of Interest**

Staff must comply with all conflict of interest policies (applicable to the procurement, awarding and administration of contracts).

### **Procurement**

PHC must follow fair business practices in all business dealings. Staff shall adhere to applicable procurement policies. Staff must adhere to standard format procurement documents as required by procurement policies.



Adequate procurement documentation must be maintained for all phases of the procurement process.

### **Contractor's Legal Status**

Contractor must be a legal entity or person for the purposes of the contract and the full legal name(s) of the individual, partnership, corporation or society is required. Where contracting with an individual to provide services, the individual must have the legal capacity to contract for the purposes of the contract.

### **Contract Templates**

Where PHC has developed contract templates for specific Operational Areas, these templates must be used in accordance with applicable policy and guidelines for the Operational Area, for PHC initiated contracts. Business Owners of Contracts shall consult with Legal and others where revisions are proposed for contract templates. Contract templates evolve as business and operational requirements dictate.

PHC has adopted standard contract templates for the provision of health care and related services. Continuous service contracts are recommended for service delivery over a period of more than three years. Subject to Ministry policy, these contracts must include ninety days termination provisions without cause.

The Ministry of Health prescribes template language for some physician contracts in accordance with terms agreed between the Ministry of Health and the British Columbia Medical Association. Staff must consult with Medical Affairs regarding all physician contracts.

### **Non-Standard Contracts**

Where contract templates do not apply, Operational Areas shall work with PHSA Supply Chain, Procurement & Contract Management, Legal, Risk Management and other experts appropriate to the subject-matter to develop non-standard contracts. All non-standard contracts must contain key contractual provisions, such as the name of each party, the subject matter of the contract (e.g. identification of equipment, services being purchased), the price or fees, the term of the agreement, the key obligations of the parties, restrictions on subcontractors, privacy and appropriate indemnity and insurance provisions as set out in this policy. Other key provisions, depending on the nature and complexity of the contract, include provisions governing choice of law, dispute resolution, product and performance warranties and standard boilerplate provisions.



### **Supplier Contracts**

Where vendors require that their own contract templates be used, staff accountable for contracting shall ensure that the contract is reviewed as needed by Procurement & Contract Management, Legal, Finance, Risk Management, Privacy and other technical experts appropriate to the subject-matter.

### **Travel and Related Expenses**

Reimbursement of Contractor travel and related expenses is subject to PHC travel policies and limits specified for non-contract personnel. Direct billing by vendor for spending incurred by any Supplier/Contractor for travel and related expenses is not permitted.

### **Loan of Equipment or Leases**

As a general policy, contractors should not be provided with PHC equipment unless it is essential to the completion of the contract. Terms for the loan of equipment and its return and insurance requirements should be incorporated as part of the contract and reviewed by Legal, Finance, Risk Management, Privacy and other technical experts appropriate to the subject-matter. Terms for the ownership and return of equipment acquired under lease related to the contract should also be specified, as needed.

### **Pricing the Contract and Budget**

Operational Areas are responsible for negotiating a contract price and payment format that reflects value return and is at least consistent with industry or market rates for obtaining services. All contracts require that sufficient funds are available in the budget to which the contract is assigned.

### **Contract Approvals and Signing Authority**

The authorized member of staff who may sign contracts on behalf of PHC is the appropriate authorized signatory in accordance with the Signing Authority Policy, Appendix A: Contracting Authority Matrix for details. The member of staff who may authorize spending for contracts is identified in the Signing Authority Policy, Appendix B: Spending Authority Matrix. An authorized spending authority may authorize financial commitments and expenses against a budget for which he/she is responsible. Staff shall ensure appropriate adherence to the Signing Authority Policy for all contracts.



## **Contractor Guidelines**

PHC enters contracts for professional services with independent contractors in accordance with guidelines established by People. Staff shall consult People to verify that the contractor is an independent contractor and not an employee.

## **Measuring Performance**

Where appropriate to the service, contracts for services should include outcomes, outputs and performance measures, evaluation and reporting mechanisms.

### **2.2. Standard Contract Provisions**

Contracts should include key provisions, including the legal name of each party to the contract, the subject matter of the contract (for example, identification of the particular equipment, supplies or services being purchased), the price or fees, the term of the agreement, the obligations of the parties, restrictions on subcontractors, and appropriate indemnity and insurance provisions. Other key provisions, depending on the nature and complexity of the contract, include provisions governing choice of law, dispute resolution, product and performance warranties and standard boilerplate provisions.

## **Insurance**

### **a) General Requirements**

The Health Care Protection Program recommends specific insurance coverage(s) for PHC contracts. PHC templates and standard terms require specific provisions or insurance schedules to be included in the contract, depending on the services, supplies or equipment being purchased. If Business Owners of Contracts/Staff have questions about the options, type and level of insurance required for the contract, Finance should be contacted for assistance. Contract templates should contain standard insurance provisions.

### **b) Obtaining Liability Insurance for Funded Agencies**

The Ministry of Health provides Comprehensive General Liability Insurance to select publicly funded agencies providing health services through an independent company. Agencies funded by PHC may apply for coverage under the government's Master Insurance Program (MIP) if they are non-insured or insufficiently insured. Private companies or individual contractors are not eligible. Staff should consult with Risk Management in respect of agency-specific insurance requirements and the government's



MIP. Risk Management will advise on insurance coverage eligibility, application and administrative details.

### **Worker's Compensation**

PHC has statutory obligations and potential Workers' Compensation liability for service providers directly contracted for service with PHC. All contracts with service providers must require eligible contractors be registered and in good standing or otherwise protected, in accordance with WorkSafe BC legislation. Staff shall request confirmation from contractors that they are compliant with WorkSafe BC obligations and will maintain proper WorkSafe BC coverage during the term of the contract. Contract templates should include appropriate contract language to this effect.

### **Tax Withholding Requirements**

All out of country contractors will be subject to non-resident withholding taxation unless they are registered with Revenue Canada. If so, they must demonstrate that they are registered with Revenue Canada at the contract implementation. Contract language is required to support the withholding of appropriate tax that may be due to Revenue Canada from the performance of the contract. Tax withholding requirements are separate from bid thresholds and contracts. These are statutory requirements.

### **Indemnification**

As a general rule, contracts must include an indemnity clause requiring the contractor/service provider/supplier to indemnify and hold PHC harmless against potential claims, liability or other losses that may be incurred by PHC during, or arising from the contract. Staff may not change these clauses without the prior approval of General Counsel.

Only in rare or unusual situations will PHC grant an indemnity or guarantee to a contractor. All indemnities and guarantees by PHC must be approved by Legal and Risk Management.

### **Subcontracting and Assignment**

Contracts should include appropriate restrictions on assignment of obligations and subcontracting clauses. Contractors may not assign or subcontract their obligations without prior written approval of PHC, to which special conditions may be attached.



### **Confidentiality**

Contracts should contain appropriate confidentiality provisions protecting sensitive PHC operational, business and financial information, and any PHC intellectual property related to the contract, consistent with the Information Privacy & Confidentiality Policy.

### **Freedom of Information and Protection of Privacy Act**

Where the contract involves the handling of “personal information” as defined by the ***Freedom of Information and Protection of Privacy Act***, the contract must include a standard privacy schedule approved by the PHC Information Access and Privacy Office.

### **Ownership of Assets**

Where assets are purchased by PHC or contractors are funded to create or acquire assets for PHC, the contract must state who owns the asset, and where appropriate, who is responsible for insurance and maintenance.

### **Dispute Resolution**

Any disputes arising out of a contract must be dealt with in a just, prompt and cost-effective manner. Contracts should contain provisions specifying how a dispute will be resolved.

### **Contract Payments**

The contract should specify the price, fees and expenses and applicable billing criteria. Contractors providing services are usually paid within 30 days of Accounts Payable receiving the correct documentation.

### **Advances to Contractors**

Contract terms that provide for advance payments to contractors prior to services being provided must have appropriate payment or recovery terms included in the contract.

### **Term and Termination of Contracts**

Contracts should specify the term of the agreement and include provisions for termination.

## **2.3. Contract Management**

### **Amendments**

Staff shall adhere to the applicable contracting guidelines above for all amendments. Any change to the terms and conditions of the contract must be approved by the appropriate Contracting Authority identified in the Signing Authority Policy, Appendix A: Contracting





Authority Matrix. Amendments should be in writing and executed by both parties to the contract.

### **Documentation and Records**

Original contracts will be kept by Procurement & Contract Management and retained in accordance with PHC document retention policies. Staff shall retain contract files for a minimum of seven years, unless otherwise provided in PHC document retention policies.

### **Contract Monitoring and Evaluation**

Program or other Operational Area directors are responsible for assigning contracts to appropriate Business Owners of Contracts for contract management purposes. Contracts for services should include appropriate performance indicators, and should be monitored to ensure successful performance. Monitoring strategies may include status reports, evaluations, audits, site inspections, accreditation, certification or other mechanisms. The Business Owner of Contract shall retain all records related to contractor performance and monitoring in order to support contract changes, suspension, termination and penalties or for future references.

### **Holdbacks**

Contracts may contain a provision for a holdback and conditions of payment where performance or delivery of services is dependent on satisfactory fulfillment of the work. Specific criteria for holdbacks should be noted in the contract.

### **Contract Compliance**

The Procurement & Contract Manager shall monitor contract compliance and performance. If the service is inadequate or deficient, or if the contractor is non-compliant or in breach of the contract, the Procurement & Contract Management Leader shall, in partnership with the Business Owner of the Contract, take appropriate action, within the contract terms, to notify the Contractor and, if appropriate, enforce the contract. Any deficiencies and default notices should be documented and maintained on file.

### **Termination of Contract**

Most contracts set out established process for giving notice of default, giving time to cure, dispute resolution and termination of the contract. In the event of termination, the Business Owner of Contract shall ensure that appropriate procedures and contract terms are followed in respect of termination. Prior to terminating a contract or commencing any form of dispute resolution, Business Owner of Contract shall ensure that there is appropriate consultation



with Procurement & Contract Management, Finance, General Counsel, Risk Management and, where applicable, the Program or Operational Area Director.

### **Renewal of Contracts**

For the purposes of contract renewals, the Procurement & Contract Management Leader should, in partnership with the Business Owner of Contract, follow any renewal provisions included in the contract itself. Renewal notices and dates should be monitored closely to avoid loss of renewal rights.

## **3. Compliance**

Failure by Signing Authorities to comply with this policy may result in disciplinary action up to and including termination of employment, services or privileges.

## **4. Supporting Documents**

### **4.1. Related Policies**

[Conflict of Interest](#)

[Information Privacy & Confidentiality](#)

[Signing Authority](#)

[Travel & Business Expense Reimbursement](#)

### **4.2. Guidelines/Procedures/Forms**

PHSA Supply Chain Consultant Engagement Process

<http://customerportal.phsa.ca/supplychain/VendorSupport/ConsultantEngagement/Pages/default.aspx>

## **5. Definitions**

**“Amendment”** means an addition, deletion, correction or modification to a contract.

**“Business Owner of Contract”** means the member of Staff within a specific Operational Area, assigned the responsibility to manage a Contract.

**“Contract”** means an agreement between two or more parties that creates, modifies or nullifies a legal relationship.

**“Contractor”** means a person, partnership, corporation, agency or society, which enters into a contract with PHC to provide services.



**“Health Organizations (HO)”** include Vancouver Coastal Health Authority and Fraser Health Authority within the meaning of the Health Authorities Act. Health Organizations also include Provincial Health Services Authority, its Branch Agencies and Providence Health Care, which are incorporated under the Society Act.

**“Operational Area”** means the area responsible for operations within a given corporate portfolio.

**“Professional Services Contract”** means a contract for professional or management consulting services where the primary deliverable may be advice or other services, and where these services are provided directly to PHC or for PHC use or in support of PHC programs and services.

**“Program”** means a major PHC operation designed to meet certain health services objectives of PHC.

**“Proposal”** means a formal written document submitted by a prospective contractor to PHC in response to a Request for a Proposal, outlining the prospective contractor’s conceptual approach to a problem, the results to be achieved within a specific timeframe, and the proposed fee.

**“Request for Information” or RFI** means a request from PHC to prospective contractors to submit proposals on how they would provide services/products.

**“Request for Proposal” or RFP** means a request from PHC to prospective contractors to submit proposals on how and at what price they would provide goods or services. The request will specify the required results, but not the approach to be used.

**“Staff”** means all employees (including management and leadership), medical staff (including physicians, midwives, dentists and nurses), residents, fellows and trainees, health care professionals, students, volunteers, contractors, researchers and other service providers engaged by PHC.

**“Tender”** means a formal written offer by a prospective contractor, submitted in a sealed envelope, to PHC, plainly identified as a tender, for the performance of services at a stated price, which is subject to acceptance by PHC, within the terms and conditions of the tendering procedures.



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