Utah Department of Health & Human Services

UTAH DEPARTMENT of ENVIRONMENTAL QUALITY

Report to the Social Services Appropriations Committee October 1, 2022

Introduction:

The Legislature directs the Utah Department of Environmental Quality (DEQ) and the Utah Department of Health (now Department of Health and Human Services (DHHS); the Departments) to develop a comprehensive plan for:

1. the most cost-effective mechanisms to procure high volume environmental chemistry analyses with emphasis on the states ambient water quality monitoring needs,
2. a structure for the development of new laboratory methods that are not commercially available but would benefit the public interest,
3. an optimal governance structure to oversee state environmental testing resources, and
4. Health's plan to internally fund future equipment purchases and report on their plans by October 1, 2022

In 2020 the legislature transferred $900,000 from the Department of Health and Human Services (DHHS) to the Department of Environmental Quality (DEQ) for procuring laboratory services for ambient water quality testing. Since that time DEQ has been working with the Utah Public Health Laboratory (UPHL) to develop a comprehensive plan to fulfill the legislature's request. This plan required the departments to consider four key areas:

1. Determine the most cost-effective mechanisms to procure high volume environmental chemistry analyses with emphasis on the state's ambient water quality monitoring needs.
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   With the leadership transition at UPHL and operational and business uncertainty for the environment chemistry laboratory, UPHL's management team focused on operational structures and cost and service assessments for all testing services provided by the environmental chemistry laboratory. This assessment included a cost accounting assessment that was complemented with financial accounting data. The outcome of this assessment resulted in detailed understanding of test cost and section utilization. Properly assessed test cost laid subsequently the foundation for an updated fee structure. Detailed understanding of resource utilization laid the foundation for on-going section restructuring plans.

   To assess the market for environmental chemistry testing services, DEQ administered an open competition for their business through a statewide request for proposals (RFP) in the Spring of 2022. The RFP process was intended to identify the interest of commercial laboratories in Utah for the services currently provided by UPHL. Our goal was to establish the best value for the state in terms of cost competitiveness at the level of service required to support the scientific purposes of the agency. Key performance indicators were high volume throughput, data quality standards, work product delivery systems, and overall customer services.

   Only one qualified response to the RFP was received by state purchasing, that of UPHL. Recent consolidation within the private environmental laboratory industry has resulted in there being only

one other laboratory in Utah with the capacity and technical expertise needed to accommodate DEQ's workload volume of 60,000 to 100,000 analyses per year.

UPHL submitted a proposal describing its up-to-date operational, management and fee structure and DEQ will plan to develop an MOU to begin July 1, 2023.

2. Structure for development of new laboratory methods that are not commercially available but would benefit the public interest
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With leadership changes, UPHL aims to leverage emerging technologies across testing sections and laboratories and to eliminate siloed operations. New laboratory methods as well as emerging customer testing needs will be evaluated together with the respective customers to develop optimal solutions. This new approach is best highlighted by two two examples. (i) COVID-19 wastewater surveillance, a surveillance approach of critical importance, initiated and implemented by DEQ and operationally implemented in multiple academic and commercial centers throughout the state, was standardized and centralized at UPHL. The centralized method allows comparisons both in terms of temporal patterns as well comparisons between different geographic sites. Centralizing the method also allowed COVID sequencing from wastewater. Expanded biomonitoring augmented with sequencing capabilities will guide agency leadership regarding emerging pathogen threats present in all waters sources in Utah. Furthermore, centralization of wastewater monitoring lays the foundation for expanded capacities of pathogen surveillance as well as monitoring of opioid and drugs of abuse monitoring to guide both agencies regarding expanded testing activities and public policy guidance. (ii) The second example focuses on UPHL's customer service and testing quality efforts. Working with DEQ on an extensive quality assessment issue, that included extensive specimen retesting and verification through external partners, ultimately improved sampling and collection processes for DEQ.

3. Create an optimal governance structure to oversee state environmental testing resources

Starting in 2020, UPHL leadership extended principles of accountability and transparency to all operating sections. UPHL implemented regular client meetings or listening sessions with DEQ leadership with the goal to capture business and testing needs as well as communicating operational issues, technical issues or other roadblocks not allowing optimal customer service. DEQ and UPHL's ECL instituted a core governance team of UPHL, DEQ, DHHS and ECL representation and implemented a regular meeting cadence. In these meetings, service expectations, service quality, development progress as well as financial performance is and will be discussed and reviewed. Focus on special topics (e.g. emerging needs, IT systems, etc) will allow the inclusion of additional experts to develop sound implementation plans. Organizationally, this is further supported by DHHS's focus on result-based accountability already in place in several UPHL operating units.

4. Health's plan to internally fund future equipment purchases

The development of strategies to fund the replacement of equipment or the purchase of new equipment is ongoing and has been the center of extensive discussions including the legislative

fiscal analyst. Broadly, this seemingly straightforward topic is complicated and hindered by very high pricing of laboratory equipment, an inability to implement depreciations/amortization accounting structures for operating units, a building block process with very low and highly variable funding probabilities and unpredictable availability of general funds associated with non-lapsing authorities. While extreme operational focus on deficit avoidance has been an important step towards these goals, targeted salary increases without parallel and automatic fee increases counteract these efforts.

Going forward, we broadly aim to include instrument utilization per test per instrument into our fee structure. This instrument utilization cost together with non-lapsing authorities or restricted accounts to accumulate funds for replacement has been the identified strategy of choice. Together, both agencies also aim to also augment instrument needs with grant opportunities that can offset high initial capital expenditures.