



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Submitted on:
(COB Stamp)

Department Name: Public Health
Department No.: 041
Agenda Date: March 18, 2025
Placement: Administrative Agenda
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors
FROM: Department Director(s): Mouhanad Hammami, Director
Contact Info: Paola Hurtado, Assistant Deputy Director (805) 698-2418
SUBJECT: 340B Contract Pharmacy Network Program - McKesson Agreement Increase

County Counsel Concurrence

As to form: Yes

Other Concurrence: Procurement

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Authorize the Purchasing Agent to increase the Agreement amount for McKesson (not a local vendor) for an amount up to but not to exceed \$120,000 per year and aggregate costs not to exceed \$240,000 for the period July 1, 2024, through June 30, 2026, to procure pharmaceuticals for the 340B Contract Pharmacy Network Program;
- b) Approve and authorize Budget Revision BJE #0010300 in the amount of \$120,000 as revenue and expenses for FY 2024-25 to the Public Health Department; and
- c) Determine that the recommended actions do not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), and are exempt pursuant to Section 158378(b)(4) of the CEQA Guidelines, since the recommended actions are the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

This item is on the agenda to authorize the County Purchasing Agent to increase the McKesson Agreement for an amount up to but not to exceed \$120,000 per year and aggregate costs not to exceed \$240,000 for the period July 1, 2024 through June 30, 2026. This adjustment is necessary due to rising pharmaceutical costs in the industry and increased productivity levels among contracted pharmacies. An increase to this Agreement is necessary to continue serving the current Public Health Department's (PHD) 340B Contract Pharmacies.

Background:

PHD previously received approval for a bid waiver for FYs 2024-2025 through FY 2025-2026 to procure pharmaceuticals for the 340B Contract Pharmacy Network Program from McKesson. This approval allowed Contract Pharmacies and McKesson to maintain exclusivity Agreements and to ensure 340B Program compliance. Costs through McKesson, a wholesale pharmaceutical company, are reimbursed from Medicare. McKesson has been supplying the PHD contract pharmacies since 2012.

Mandates:

The State of California mandates that the County provide access to necessary medical care under Section 17000 of the Welfare and Institutions Code. The PHD is mandated to provide access to medical care under Sections 330 (e) and 330 (h) of the Public Health Service Act, which also establishes its Federally Qualified Health Center (FQHC) status. These pharmaceuticals are necessary in order for the PHD to deliver the necessary medical care. The 340B Program allows the PHD to acquire these pharmaceuticals at discounted rates.

Performance Measures:

The performance measures for this Agreement are focused on replenishment and supply of pharmaceuticals in a timely manner. The PHD, as the party eligible for participation in the federal 340B drug discount program, is known as the covered entity and is responsible for ensuring compliance with all 340B requirements throughout its pharmacy network.

Fiscal and Facilities Impacts:

Budgeted: No; Budget Revision requested for approval (BJE #0010300).

Fiscal Analysis:

Table 1 FY 2024-2026 Estimates of pharmaceutical expenses for the PHD 340B program

Vendor	Product	Entities Served	Requested Amount
McKesson	Pharmaceuticals	PHD In-house Pharmacies and 340B Contract Pharmacies	\$240,000
Total			\$240,000

The costs shown above are the total costs for all PHD pharmacy operations which include both 340B and Non-340B operations and all in-house and contracted and specialty pharmacies. Revenue to offset these costs is from Medicare billing.

This action will allow for the PHD to continue purchasing replenishment pharmaceuticals for its PHD 340B Contract Pharmacy Network. Because of FQHC status, the PHD has the ability to participate in the Federal Section 340B Drug Discount program as a “covered entity.” As a covered entity, the PHD is able to purchase certain drugs at the lowest market price made available in order to provide access to affordable medications for its patients. Budget Journal Entry (BJE #0010300) in the amount of \$120,000 will be added to the PHD FY 24-25 Recommended Budget and will be included in the FY 25-26 Recommended Budget.

Funding Source	FY 2024-25	FY 2025-26	Total
General Fund			-
State			
Federal (Medicare)	120,000	120,000	240,000
Fees			-
Other			-
Total	120,000	120,000	240,000

Key Contract Risks:

The PHD has worked with the entity since 2012 and McKesson is in compliance with the terms of this agreement. McKesson is one of the largest pharmaceutical wholesalers in the nation and is financially stable.

Special Instructions:

Please return an electronic copy of the Minute Order to the PHD Contracts Unit at PHDGROUPContractsUnit@sbcphd.org

Attachments:

Attachment A – BJE #0010300

Authored by:

Paola Hurtado
Assistant Deputy Director
phurtado@sbcphd.org