

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

Department Name: Public Health
Department No.: 041
For Agenda Of: January 13, 2015
Placement: Administrative
Estimated Tme: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Takashi Wada, MD, MPH, Director and Health Officer
Director Public Health Department
Contact Info: Dan Reid, Assistant Deputy Director 681-5173
SUBJECT: Amendment to the 340B Pharmacy Services Agreement with Walgreens

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the Chair to execute the attached First Amendment (effective January 13, 2015) to the Walgreens Company 340B Pharmacy Services Agreement. This Amendment is projected to generate approximately \$9,000 for the remainder of Fiscal Year 2014-2015 and \$36,000 revenue annually thereafter.
- b) Determine that these activities are exempt from California Environmental Quality Act review per CEQA Guideline Section 15378(b)(4), since this is a government fiscal activity that does not involve commitment to a specific project that may result in a potentially significant physical impact on the environment.

Summary Text:

This item is on the agenda to execute a First Amendment to the Agreement with Walgreens Company 340B Pharmacy Services Agreement, effective January 13, 2015.

Because of its Federally Qualified Health Center (FQHC) status, PHD has the ability to participate in the Federal Section 340B Drug Discount program as a "covered entity". As a covered entity, 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. PHD has partnered successfully with Walgreens Company over the past year at three Walgreens pharmacy locations in Santa Barbara County. This First Amendment will add the fourth Walgreens pharmacy location (Goleta, CA) as a new 340B pharmacy. Eligible County patients will benefit from the Walgreens Agreement by gaining increased access.

Because of its existing commitments to SUNRx, MedImpact and CenCal Health Systems under the existing Savings Share Agreement for CenCal members, this Walgreens Agreement does not include Medi-Cal eligible Public Health Department patients.

Background/Contract History

Through its network of five ambulatory Health Care Centers and three satellites countywide, PHD serves a significant number of Medicare Part D assigned members in Santa Barbara County. In addition, three Health Care Center locations (Santa Barbara, Santa Maria and Lompoc) provide in-house pharmacies to serve PHD patients for their prescription needs.

Your Board executed the Walgreens 340B Pharmacy Services Agreement in January 2014 initially with three Walgreens Company locations. Utilization information has demonstrated a mutual benefit to PHD, Walgreens and PHD patients to include the fourth Walgreens location (Goleta, CA) in the County to increase access to the program for Medicare Part D members.

Through this agreement with Walgreens, PHD has been able to generate approximately \$300,000 revenue annually with eligible patients with Medicare Part D coverage that can be used to support and enhance medical and pharmaceutical services for its FQHC patients. This revenue can be reinvested to provide for uncompensated care by serving the uninsured and underinsured patient populations as the safety net provider in Santa Barbara County. This additional Walgreens location is projected to increase revenue by \$36,000 annually.

The replacement 340B pharmaceuticals dispensed by Walgreens pharmacies for PHD patients must be supplied by wholesale drug companies. The cost for these medications will be paid to PHD by Walgreens upon claims payment from Medicare Part D. PHD will return to your Board at a later date to identify the appropriate wholesale drug company and any necessary agreement modifications for increased volume.

Mandates

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 status. These pharmaceuticals are necessary in order for PHD to deliver the necessary medical care.

Performance Measure:

There is no performance measures currently associated with the 340B Contract Pharmacy Network. However, an extensive system of 340B claims adjudication, monitoring and auditing of 340B claims has been put into place to ensure capture of appropriate 340B claims and associated drug manufacturer discounts while concurrently ensuring compliance with complex 340B regulations.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

The Walgreens Agreement First Amendment will expand the eligible pharmaceuticals and is projected to provide approximately \$36,000 in annual savings share revenue to the Public Health Department. Because of the work and process involved with setting up the mechanisms to generate the savings share revenues after the initial agreement is signed, only \$9,000 of revenue is projected to be received for Fiscal Year 2014-2015. Because no change in appropriation is necessary, no budget revision request is submitted or attached.

Key Contract Risks:

Walgreens Company is self-insured for General and Professional Liability. Their self-insurance retention levels are \$2,000,000 per occurrence with a \$20 million annual aggregate deductible for products liability claims. Walgreens self-insurance is also backed by a commercial insurance company in the event of insolvency.

Special Instructions:

Please execute two (2) original First Amendments to Walgreens Company 340B Pharmacy Services Agreement, and return one (1) original First Amendment to Walgreens Company 340B Pharmacy Services Agreement and one (1) Minute Order to Kelly Lazarus. Please email phdcu@sbcphd.org when available for pickup.

Attachments:

1. First Amendment to Walgreens Company Agreement for 340B Pharmacy Service
2. Walgreens Company Agreement for 340B Pharmacy Service

Authored by:

Dan Reid, Assistant Deputy Director, Primary Care & Family Health Division 681-5173