



**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: June 18, 2024
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Mouhanad Hammami, Director
Director(s) Public Health Department
Contact Info: Paola Hurtado, Assistant Deputy Director, (805) 698-2418
SUBJECT: **340B Contract Pharmacy Network Program Pharmaceutical Bid Waiver Requests**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Purchasing

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the County’s Purchasing Agent pursuant to County Code section 2-39 to procure pharmaceuticals for the 340B Contract Pharmacy Network Program from AmerisourceBergen Drug Company (not a local vendor) without requiring competitive bidding since Contract Pharmacies and Amerisource Bergen Drug Company maintain exclusivity Agreements, and to ensure 340B Program compliance for an amount up to \$5,862,900 per year, aggregated not to exceed \$11,725,800 for the period July 1, 2024 through June 30, 2026; and
- b) Approve and authorize the County’s Purchasing Agent pursuant to County Code section 2-39 to procure pharmaceuticals for the 340B Contract Pharmacy Network Program from McKesson (not a local vendor) without requiring competitive bidding since Contract Pharmacies and McKesson maintain exclusivity Agreements, and to ensure 340B Program compliance for an amount up to \$46,000 per year, aggregated not to exceed \$92,000 for the period July 1, 2024 through June 30, 2026; and
- c) Approve and authorize the Director of the Public Health Department, or designee, to execute or terminate Agreements, or make amendments to such Agreements, with local 340B Contract Pharmacies to ensure sustainability of the program and access for patients throughout Santa Barbara County, without returning to the Board provided that any such revisions are within the scope of approved purchasing authorizations, including applicable waivers of competition for the period of July 1, 2024 through June 30, 2026; and

- d) Determine that these activities are not a “Project” under the California Environmental Quality Act (CEQA) per CEQA Guideline section 15378(b)(4), since the recommended actions are government fiscal activities which do not involve 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 issue blanket purchase order Agreements for AmerisourceBergen Drug Company and McKesson pharmaceutical wholesalers without a competitive bid process. These Agreements are necessary to serve the current Public Health Department’s (PHD) 340B Contract Pharmacies. County Code Section 2-39 states that the Purchasing Agent is obligated to purchase all materials, supplies, furnishings and equipment using a formal competitive bidding process, unless the Board of Supervisors has waived competition under a particular set of circumstances. Due to the Contract Pharmacies ‘existing exclusivity relationships with their pharmaceutical wholesaler and to ensure compliance with the 340B Program requirements, PHD is requesting your Board waive the requirement for a competitive bid for the purchase of pharmaceuticals for these two vendors. This bid waiver request is for FYs 2024-25 through FY 2025-26 in coordination with all other Agreements for the PHD 340B Program.

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

<u>Vendor</u>	<u>Product</u>	<u>Entities Served</u>	<u>Requested Amount</u>
AmerisourceBergen Drug Company	Pharmaceuticals	PHD In-house pharmacies and 340B Contract Pharmacies	\$11,725,800
McKesson	Pharmaceuticals	340B Contract Pharmacies	\$92,000
Total			\$11,817,800

Background:

Costs through the wholesale pharmaceutical companies AmerisourceBergen and McKesson are reimbursed from third party payers, and currently are all paid through Medi-Cal (CenCal Health) or Medicare. As a vital component of the PHD In-house Pharmacies and 340B Contract Pharmacies, bid waivers are requested for these two vendors for the purchase of pharmaceuticals. This waiver is requested due to contracting requirements of the 340B Contract Pharmacies which mandates which vendors are utilized for inventory replenishment. Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to health care organizations that care for many uninsured and underinsured patients. The 340B Drug Pricing Program enhances the PHD health centers' ability to serve the uninsured or underinsured. It ensures an adequate supply of inventory to meet patient demand. In addition to Walgreens utilizing AmerisourceBergen, PHD-owned pharmacies utilize AmerisourceBergen wholesaler for the existing software interfaces for inventory controls and weekly price updates for the pharmacy software that are required to prevent financial losses for incorrect pricing. AmerisourceBergen and McKesson have 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. 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. The 340B Program allows PHD to acquire these pharmaceuticals at discounted rates.

Performance Measure: The performance measures are focused on replenishment and supply of pharmaceuticals in a timely manner and reliable supplies. 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:

Budgeted: Yes

Fiscal Analysis:

Funding Sources	Current FY 2023-2024 Cost	Annualized On-going Cost	Total One-time Project Cost
General Fund			
State		\$ 4,136,230.00	
Federal		\$ 1,772,670.00	
Fees			
Other			
Total	\$ -	\$ 5,908,900.00	\$ -

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 multiple sources such as Medi-Cal (CenCal Health), federal awards, Medicare, private insurance (very few patients), and self-pay patients that do not qualify for any healthcare coverage.

This action will allow PHD to continue purchasing replenishment pharmaceuticals for its PHD 340B Contract Pharmacy Network. Because of its Federally Qualified Health Center 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. These costs have been included in the PHD FY 2024-25 Recommended Budget and will be included in the FY 2025-26 Recommended Budget.

Key Contract Risks:

PHD has worked with all entities that the Purchasing Agent will enter into Agreements with for the last six years and for many a much longer period of time. AmerisourceBergen Drug Company and McKesson are the two largest pharmaceutical wholesalers in the nation and are all financially stable. Although combined these will represent multi-million dollar Agreements within Santa Barbara County, this is less than 0.01% of these organizations’ combined pharmaceutical business nationwide.

By having Agreements with the two largest pharmaceutical wholesalers, should one of the two wholesalers experience service or supply issues, the remaining Agreement could be easily expanded to make up these shortfalls.

Staffing Impacts:

Legal Positions:

0

FTEs:

0

There are no staffing impacts as a result of this action.

Special Instructions:

340B Program Pharmaceutical Bid Waiver Requests

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Please email one (1) copy of the minute order to PHD GROUP Contracts Unit at phdcu@sbcphd.org

Attachments: N/A

Authored by:

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