



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 Dept.
Department No.: 041
For Agenda Of: September 18, 2011
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Takashi Wada, MD, MPH, Director and Health Officer, Public
Director(s) Health Department
Contact Info: Dan Reid, Asst. Deputy Director, Primary Care and Family Health,
Public Health Department

SUBJECT: Purchasing Bid Waiver Requests

County Counsel Concurrence

As to form: N/A

Other Concurrence: Purchasing

As to form: Yes

Recommended Actions:

That the Board of Supervisors consider the following recommendations regarding pharmaceutical purchase orders:

- A) Authorize the Purchasing Manager to issue a revised purchase order for Amerisource Bergen Drug Company for pharmaceuticals in a total amount of \$7,676,020 (a total increase of \$176,020) for the Fiscal Years 2012-13, 2013-14, and 2014-15, without a competitive bid. Amerisource Bergen is not a local vendor.
- B) Authorize the Purchasing Manager to issue new purchase orders for McKesson and Cardinal Health for pharmaceuticals totaling \$4,827,980 (\$643,526 for McKesson and \$4,184,454 for Cardinal Health) for the Fiscal Years 2012-13, 2013-14, and 2014-15, without a competitive bid. Neither vendor is not a local vendor.
- C) Determine that these activities are exempt from California Environmental Quality Act review per CEQA Guideline Section 15061(b) (3), since it can be seen with certainty that there is no possibility that the activities may have a significant effect on the environment.

Auditor-Controller Concurrence

As to form: N/A

Summary Text:

This item is on the agenda to authorize the County Purchasing Manager to revise one (1) purchase order (CN13714) and issue two (2) new purchase orders for the vendors listed below in the amounts indicated, without a competitive bid.

Vendor	Product	Contract #	Previous Bid Waiver	Requested Amount
Amerisource Bergen Drug Corp.	Pharmaceuticals	CN 13714	\$7,500,000	\$7,676,020
McKesson	Pharmaceuticals			\$643,526
Cardinal Health	Pharmaceuticals			\$4,184,454
Total				\$12,504,000

The Pharmacy Network is still under development and requires several regulatory steps before full implementation. Therefore, the cost estimates listed in the table above represent the remainder of FY 2012-13 (approximately six months) and FYs 2013-14 through 2014-15.

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. For the sake of expediency, and due to “limitations in source or supply” pursuant to County Code Section 2-39, the Public Health Department (PHD) is requesting your Board waive the requirement for a competitive bid for the purchase of certain pharmaceuticals for those vendors identified in the table above. The County Purchasing Department recommends that bid waiver requests be made for each applicable fiscal year. This bid waiver request is for FYs 2012-13 through FY 2014-15.

Background:

On June 26, 2012, your Board authorized agreements with SUNRx and MedImpact to work with CenCal Health and PHD to establish the *PHD 340B Contract Pharmacy Network* (Pharmacy Network). With the establishment of the Pharmacy Network, PHD will be able to purchase 340B discounted medications (through the federal 340B Drug Discount Program) to resupply those private pharmacies who are part of the Pharmacy Network *and* who fill PHD patient prescriptions at their pharmacy locations. Contracting with private pharmacies to participate in the Pharmacy Network will generate revenue for PHD and reduce CenCal Health’s pharmaceutical costs. The private pharmacies in the Pharmacy Network are allowed to continue using their own pharmaceutical wholesalers and as such, the PHD must contract with each of those wholesalers.

This bid waiver request includes three (3) pharmaceutical wholesalers: one of which is currently used by PHD in-house pharmacies and all three of which have been identified as wholesaler providers for private pharmacies participating in the Pharmacy Network. Without contracts for all three pharmaceutical wholesalers, the Pharmacy Network will have a smaller geographic distribution, less PHD patient access and will result in less revenue for PHD and less cost savings for CenCal Health.

As a necessary component for the implementation of the Pharmacy Network, bid waivers are requested for the following three (3) vendors for the purchase of pharmaceuticals:

Amerisource Bergen

On August 10, 2010, your Board authorized the Purchasing Manager to issue a purchase order with Amerisource Bergen to supply pharmaceuticals for the Public Health Department, without a competitive bid. That bid waiver was granted based on pharmacy system limitations and the vendor’s participation

in the 340B Drug Discount Program as a Prime Vendor; that Bid Waiver remains in effect through June 30, 2013. Approval of this request will serve as new authorization for continued service from this vendor through June 30, 2015. Although the limitations with the pharmacy system no longer apply, due to the PHD's recent implementation of the Cerner Etreby Pharmacy System, the existing agreement with Amerisource Bergen is still in place through March 2014 and Amerisource Bergen has also been identified as a wholesale supplier for participating pharmacies in the Network Pharmacy. The Amerisource Bergen contract will be amended to \$7,676,020 for service in the Pharmacy Network and to continue covering PHD's in-house pharmaceutical needs; although PHD does plan to release a Request for Proposal (RFP) for pharmaceutical wholesalers in early 2014, to correspond with the sunset of the existing Amerisource Bergen contract (CN13714).

McKesson and Cardinal Health

McKesson has been identified as a wholesaler for pharmacies participating in the Pharmacy Network. This bid waiver request will authorize the Purchasing Manager to issue a new contract for \$643,526 with McKesson for pharmaceuticals associated with the Pharmacy Network.

Cardinal Health has also been identified as a wholesaler for pharmacies participating in the Pharmacy Network. This bid waiver request will authorize the Purchasing Manager to issue a new contract for \$4,184,454 with Cardinal Health for pharmaceuticals associated with the Pharmacy Network.

MANDATES

The County is mandated to 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.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

This action will allow for the Public Health Department to purchase replenishment pharmaceuticals for its new PHD 340B Contract Pharmacy Network. PHD will be reimbursed from CenCal Health for these pharmaceutical purchases through our existing agreement and the recently authorized Savings Share Agreement. This action will not increase the overall cost for the PHD Pharmacy program. An estimated amount for these new purchases has been included in the FY 12-13 adopted budget.

This action will not result in the need for any additional facilities.

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

Special Instructions:

Please return an electronic copy of the Minute Order to PHD Contracts Unit at PHDcu@sbcphd.org and one copy of the minute order to Purchasing, Attn: Gloria Ness.

Authored by:

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