



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:** April 9, 2019  
**Placement:** Administrative  
**Estimated Tme:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Department Van Do-Reynoso, MPH, PhD, Director  
Director(s) Public Health Department  
Contact Info: Dana Gamble, Assistant Deputy Director. Ext. 5171

**SUBJECT:** 340B Contract Pharmacy Network Program Pharmaceutical Bid Waiver Request

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**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 consider recommendations regarding Waivers of Competition under County Code section 2-39 for the Purchase of pharmaceuticals, as follows:

- a) Approve, ratify and authorize the Purchasing Manager to amend purchasing order BL04113 with McKesson to increase the annual amount by \$100,000 for each fiscal year making the total aggregate costs not to exceed \$900,000 for the period July 1, 2018 through June 30, 2021; and
- b) Determine that these activities are exempt from California Environmental Quality Act review 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 increase an existing blanket purchase order agreement for McKesson Pharmaceutical without a competitive bid process. This agreement is necessary to serve the current Public Health Department's (PHD) 340B Contract Pharmacies that maintain exclusivity agreements with McKesson. This item allows the Purchasing Manager to increase the annual blanket order amount payable to McKesson by \$100,000 per year, for a total increase of \$300,000 over the term of the agreement. The McKesson blanket order was issued via bid waiver from the Purchasing Manager after authorization by your Board on June 5, 2018. The requested additional \$100,000 per year is needed due to increasing pharmaceutical costs as well as an increase in the number of contract pharmacies, resulting in an increased utilization of those pharmacies

and number of procurements. 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 the Board waive the requirement for a competitive bid to increase the amount payable for the purchase of pharmaceuticals for McKesson. This bid waiver request is for FYs 2018-2019 through FY 2020-2021.

**Background:**

Costs through the wholesale pharmaceutical companies are reimbursed from third party payers, and currently are all paid through Medi-Cal (CenCal Health) or Medicare. As a vital component for the implementation of the Pharmacy Network, bid waivers are requested for this vendor for the purchase of pharmaceuticals. This is necessary as these pharmaceutical wholesalers resupply and specialty pharmacies in the current PHD 340B network. McKesson has been supplying the PHD contract pharmacies for many years and under Agreement with PHD 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 for these agreements are focused on replenishment and supply of pharmaceuticals in a timely manner and reliable supplies. The Public Health Department, 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:**

<b><u>Funding Sources</u></b>	<b><u>Current FY 2018-2019 Cost:</u></b>	<b><u>Annualized On-going Cost:</u></b>	<b><u>Total One-Time Project Cost</u></b>
General Fund			
State		\$ 210,000.00	
Federal		\$ 90,000.00	
Fees			
Other:			
Total	\$ -	\$ 300,000.00	\$ -

The costs shown above are the total costs for McKesson pharmacy 340B operations. Revenue to offset these costs is from multiple patient service 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 for the Public Health Department to continue purchasing replenishment pharmaceuticals for its PHD 340B Contract Pharmacy Network. 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. These costs have been included in the PHD FY 18-19 adopted budget.

**Key Contract Risks:**

The Public Health Department has worked with McKesson Pharmaceutical for many years. McKesson is one of the largest pharmaceutical wholesalers in the nation and is financially stable.

By having agreements with several of the largest pharmaceutical wholesalers, should any one or possibly two of the wholesalers experience service or supply issues, the remaining agreements 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:**

Please return a certified Minute Order to the PHD Contracts Unit at [phdcu@sbcphd.org](mailto:phdcu@sbcphd.org).

**Attachments:**

N/A

**Authored by:**

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