



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:** December 13, 2016  
**Placement:** Administrative  
**Estimated Time:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Takashi Wada, MD, MPH, Director and Health Officer  
Director(s) Public Health Department  
Contact Info: Dana Gamble, Assistant Deputy Director 681-5171  
**SUBJECT:** Amendment to the SUNRx Prescription Drug Administrative Services Agreement

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors consider the following recommendations:

- a) Approve, ratify, and authorize the Chair to execute the Fourth Amendment (Attachment A) to the SUNRx Prescription Drug Administrative Services Agreement for the ongoing development and administration of a 340B Pharmacy Network administered by the Public Health Department.
- 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 Fourth Amendment to the Agreement with SUNRx for Prescription Drug Administrative Services (Attachment A), effective December 1, 2016 to amend the exclusivity requirements to enable the Public Health Department (PHD) to enter into an agreement with an additional 340B Administrative Service and to update the Administrative Fees Fee Schedule to include fees when using the Switch Fee Model.

**Background**

Through its network of five ambulatory Health Care Centers and three satellites countywide, PHD serves a significant number of CenCal Health assigned members in Santa Barbara County (over 23,000). 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 SUNRx

Prescription Drug Administrative Services Agreement on June 19, 2012 (Attachment E). A 340B Administrative Service reviews contract and in-house pharmacy prescription claims to determine eligibility for the 340B federal drug discount program and to ensure negotiated and contracted rates are properly applied. SUNRx, through its agreement with PHD has exclusivity, other than Rite Aid pharmacies, Walgreens pharmacies, and Safeway pharmacies located in Santa Barbara County, that prohibits PHD from engaging a different 340B Administrative Service.

This action is at the request of Safeway which has established its own 340B Administrative Service. Safeway Corporation operates Vons and Sears/Kmart pharmacies including the Kmart pharmacy in Goleta. PHD wishes to include the Kmart Pharmacies in the 340B Network and therefore is required to enter into a new agreement for this administration exclusive to Safeway pharmacies.

This Fourth Amendment further modifies the exclusivity requirements and will allow PHD to enter into an agreement with Kmart pharmacies in Santa Barbara County as an additional 340B Administrative Service.

The Fourth Amendment also replaces the previous Fee Schedule with the revised Fee Schedule which adds the option to charge administrative pharmacy fees utilizing the Switch Fee Pricing Model. In the Switch Fee Only Model, PHD as the Covered Entity client is contracted to be billed for the Switch Fees Only Model, for all pharmacies in their network, for each transaction processed by the Switch (i.e., paid claims, reversals, rejected claims, etc.). The PHD will not be billed a flat SUNRx administrative fee based on captured 340B Third Party claims. For the purposes of this Fourth Amendment, Switch is defined as: A centralized intermediary gateway company that routes and records prescription claim activity for claims transmitted by pharmacies to prescription processors.

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:**

No performance measures are 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:**

There is no fiscal impact associated with the SUNRx Administrative Services Amendment to add Sears/Kmart as 'excluded' from the exclusivity requirements of the original agreement. These pharmacies have been designated as "low-volume" pharmacies for purposes of this agreement, so should the PHD be successful in adding any Sears/Kmart pharmacies to its existing 340B Contract Pharmacy Network, the impact on departmental revenues is estimated to be minor; projected at less than \$30,000 annually.

**Key Contract Risks:**

N/A

**Staffing Impacts:**

**Legal Positions:**

0

**FTEs:**

0

**Special Instructions:**

Please execute two (2) originals of the Third Amendment to SUNRx Agreement and retain one (1) original Agreement and one (1) Minute Order for pick-up by the department. Please email [phdcu@sbcphd.org](mailto:phdcu@sbcphd.org) when available for pickup.

**Attachments:**

- A. Fourth Amendment to SUNRx Prescription Drug Administrative Services Agreement
- B. Third Amendment to SUNRx Prescription Drug Administrative Services Agreement
- C. Second Amendment to SUNRx Prescription Drug Administrative Services Agreement
- D. First Amendment to SUNRx Prescription Drug Administrative Services Agreement
- E. SUNRx Prescription Drug Administrative Services Agreement

**Authored by:**

Dana Gamble, Assistant Deputy Director, Primary Care & Family Health Division 681-5171