



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 15, 2021
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Van Do-Reynoso, MPH, PhD, Director
Director(s) Public Health Department
Contact Info: Dana Gamble, Interim Deputy Director, 681-5171
SUBJECT: First Amendment to the SUNRx 340B Prescription Drug Administrative Services Agreement

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:

- a) Approve and authorize the Chair to execute a First Amendment to the SUNRx Prescription Drug Administrative Services for the ongoing development and administration of a 340B Pharmacy Network administered by the Public Health Department extending the term through June 30, 2022. This Agreement is expected to generate at least \$2,200,000 annually for the Public Health Department after administrative service costs; and
- b) Approve and authorize the Public Health Department Director, or designee, to enter, terminate, or amend contract pharmacy agreements within the scope of this Agreement; and
- c) Determine that the recommended action is not a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to Section 15378(b)(5) of the CEQA Guidelines, because the action is an organizational or administrative activity of the government that will not result in direct or indirect physical changes in the environment.

Summary Text:

This item is on the agenda to execute the First Amendment with SUNRx for Prescription Drug Administrative Services (Attachment A) to extend the term for the ongoing development and administration of a 340B Pharmacy Network that is administered by the Public Health Department (PHD). SUNRx has been providing these services since July 1, 2018.

Background:

The 340B program is a federal drug discount program authorized under section 340B of the Public Health Service Act and established by Congress under the Veterans Health Care Act of 1992 as part of Public Law 102-585. The 340B program requires drug manufacturers to enter into pharmaceutical pricing agreements (PPAs) with the Secretary of Health & Human Services as a condition of Medicaid and/or the Medicare Part B program covering and paying for the manufacturer's covered outpatient drugs. The PPAs specify, among other things, that manufacturers may not sell covered outpatient drugs above 340B ceiling prices to covered entities. The law is codified at 42 U.S.C. § 256b 42 6A Subchapter II Part D Subpart vii.

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. The program's intent is to allow safety net providers to increase patient services with the savings realized from participation in the 340B program. Providers typically save 25-50% on outpatient drug costs through participation in the program. These savings can be used to reduce the price of pharmaceuticals for patients, expand services offered to patients, or provide services to more patients.

As an eligible entity to purchase drugs at a 340B discount, PHD must dispense drugs to PHD patients. A large number of PHD patients fill their prescriptions at independent and chain pharmacies that are unaffiliated with PHD pharmacies. The 340B regulations also allow PHD to contract with a pharmacy to distribute the PHD's drugs on the PHD's behalf. This allows PHD to increase the percentage of patients for whom it can capture 340B savings. Under these guidelines, PHD has been working with CenCal Health (CenCal) and SUNRx, LLC since 2012 to operate a 340B PHD Pharmacy Network for County patients who are also CenCal members.

The establishment of this 340B PHD Pharmacy Network increases access for PHD patients to discounted medications through the federal 340B program and includes a Savings Share Agreement with CenCal. The Savings Share Agreement ensures the savings experienced by PHD participation in the 340B program continue to benefit PHD Health Center patients including those who are CenCal members in Santa Barbara County.

Performance Measure:

Covered entities participating in the 340B Program must ensure program integrity and maintain accurate records documenting compliance with all 340B Program requirements. To purchase drugs at the 340B price, the Health Resources and Services Administration (HRSA) requires covered entities meet the following ongoing requirements:

- I. Keep 340B Office of Pharmacy Affairs Information System (OPAIS) information accurate and up to date. Register new outpatient facilities and contract pharmacies as they are added.
- II. Recertify eligibility every year.
- III. Prevent diversion to ineligible patients. Covered entities must not resell or otherwise transfer 340B drugs to ineligible patients.
- IV. Prevent Duplicate Discounts. Manufacturers are prohibited from providing a discounted 340B price and a Medicaid drug rebate for the same drug. Covered entities must accurately report how they bill Medicaid fee-for-service drugs on the Medicaid Exclusion File, as mandated by 42 USC 256b(a)(5)(A)(i).

- V. Prepare for program audits. Maintain auditable records documenting compliance with 340B Program requirements.

To ensure these requirements are met, 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 the complex 340B regulations

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

This First Amendment is expected to generate at least \$2,200,000 annually for PHD after administrative services and pharmaceutical costs. All associated revenue from the Savings Share agreement and related expenditure appropriation for the pharmaceutical wholesalers associated with the contract pharmacies has been incorporated into the Public Health Department’s Fiscal Year 2021-22 Recommended Budget.

Key Contract Risks:

N/A

Staffing Impacts:

Legal Positions:

0

FTEs:

0

There are no staffing impacts.

Special Instructions:

Please execute two (2) original First Amendments to the SUNRx Prescription Drug Administrative Services Agreement, and retain one (1) original Amendment and one (1) Minute Order for pick up by the department. Please email the PHD Contracts Unit at Kelly.Lazarus@sbcphd.org when available for pick up.

Attachments:

- A. First Amendment to the SUNRx for Prescription Drug Administrative Services Agreement
- B. SUNRx for Prescription Drug Administrative Services Agreement

Authored by:

Dana Gamble, Interim Deputy Director, Public Health Department