



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 5, 2018  
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 Requests**

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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) Authorize the Purchasing Manager 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 but not to exceed \$3,100,000 per year and an aggregate costs not to exceed \$9,300,000 for the period July 1, 2018 through June 30, 2021; and
- b) Authorize the Purchasing Manager to procure pharmaceuticals for the 340B Contract Pharmacy Network Program from Cardinal Health (not a local vendor) without requiring competitive bidding since Contract Pharmacies and Cardinal Health maintain exclusivity agreements, and to ensure 340B Program compliance for an amount up to but not to exceed \$2,500,000 per year and aggregate costs not to exceed \$7,500,000 for the period July 1, 2018 through June 30, 2021; and
- c) Authorize the Purchasing Manager 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 but not to exceed \$200,000 per year and aggregate costs not to exceed \$600,000 for the period July 1, 2018 through June 30, 2021; and

- d) Authorize the Purchasing Manager to amend purchasing contract BL14003 with McKesson to increase the amount from \$150,000 to \$180,000 for fiscal year 2017-2018 for the 340B Contract Pharmacy Network Program; and
- e) Approve and authorize the Director of the Public Health Department to execute or terminate 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 with a separate amendment, provided that any such revisions are within the scope of approved Purchasing authorizations, including applicable waivers of competition; and
- f) 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 issue blanket purchase order agreements for AmerisourceBergen Drug Company, McKesson and Cardinal Health pharmaceutical wholesalers without a competitive bid process. These agreements are necessary to serve the current Public Health Department’s (PHD) 340B Contract Pharmacies. This item also allows the Purchasing Manager to increase the FY 2017-2018 blanket order amount payable to McKesson by \$30,000. The McKesson blanket order was issued via bid waiver from the Purchasing Manager after authorization by your Board on July 7, 2015. The requested additional \$30,000 is needed due to an increase in the number of contract pharmacies since 2015, 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 your Board waive the requirement for a competitive bid for the purchase of pharmaceuticals for these three vendors. This bid waiver request is for FYs 2018-2019 through FY 2020-2021 in coordination with all other Agreements for the PHD 340B Program.

Recommended Action Item D will authorize PHD to make revisions or modifications to the number of facilities and pharmaceutical vendor representation of 340B contract pharmacies, should these changes be necessary to ensure access for PHD patients and geographic representation in the County of Santa Barbara.

Table 1 Estimates of annual pharmaceutical expenses for the PHD 340B program

<b><u>Vendor</u></b>	<b><u>Product</u></b>	<b><u>Entities Served</u></b>	<b><u>Requested Amount</u></b>
AmerisourceBergen Drug Company	Pharmaceuticals	PHD In-house pharmacies and 340B Contract Pharmacies	\$9,300,000
Cardinal Health	Pharmaceuticals	340B Contract and Specialty Pharmacies	\$7,500,000
McKesson	Pharmaceuticals	340B Contract Pharmacies	\$600,000
Total			\$17,400,000

**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 these three vendors for the purchase of pharmaceuticals. This is necessary as these pharmaceutical wholesalers resupply and specialty pharmacies in the current PHD 340B network. AmerisourceBergen, Cardinal Health and McKesson have 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 2017-2018 Cost:</u></b>	<b><u>Annualized On-going Cost:</u></b>	<b><u>Total One-Time Project Cost</u></b>
General Fund			
State		\$ 4,060,000.00	
Federal		\$ 1,740,000.00	
Fees			
Other:			
<b>Total</b>	<b>\$ -</b>	<b>\$ 5,800,000.00</b>	<b>\$ -</b>

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 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 all entities in these Agreements for the last three years and for many a much longer period of time. AmerisourceBergen Drug Company, McKesson and Cardinal Health are the three largest pharmaceutical wholesalers in the nation and are all financially stable. Although combined these 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 three 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:**

Dana Gamble, Assistant Deputy Director, Public Health Department